

BREXIT:

VDA-proposal for a simplified customs clearance model between the European Union and the United Kingdom under Self-assessment

I. Overview of the simplified customs clearance model

The key aspects of the simplified customs scheme are:

- The application is an optional process, which can be used in addition to existing customs simplifications.
- The model for simplified customs clearance represents an **industry-wide** (not limited to automotive industry!) **simplification for all companies, irrespective of the negotiation results** of the future EU-UK trade relationship.
- The authorisation is carried out within a Single Authorisation for AEO-C certified companies. Customs authorities will conduct the risk assessment as part of the authorisation process.
- **Formal export declarations will not be required** at goods dispatch, but the company authorisation number will be printed on the accompanying documents. The consignor transmits customs related information directly to the consignee.
- **Physical inspections or checks at the border will not be required** by on presentation of the accompanying document.
- **Imported goods are customs released by entry in the declarant's (= importer) records.**
- The export and import declaration data are captured in the material management system and/or customs system of the companies and are transmitted on a monthly basis to the customs authorities.

II. Customs Clearance in the Single Market

Within the EU Single Market goods of free circulation can be shipped across borders of the EU member states without customs related obligations (= without customs clearance).

Within the scope of importing or exporting goods the Union Customs Code provides different facilitations. Here the communications with customs authorities are exclusively by means of electronic data transmission.

For importing goods it's possible to lodge a simplified customs declaration or to lodge a customs declaration by filing the entry of the goods into the company's records. Customs Authorities generally release goods after a simplified customs declaration has been lodged. By

using the simplification of entry in the declarants records goods are automatically released without involvement of the Customs Authorities. After entry in the records a clearance notification is submitted to the respective local customs office, which contains all essential customs information. All customs related information is provided by a supplementary declaration, which has to be submitted on a monthly basis to the Customs Authorities. On the basis of the supplementary declaration the appropriate customs and tax assessments are performed.

For export goods the customs declaration is usually lodged by entry in the declarant's (=exporter) records. The presentation of the goods at the local customs office before dispatch is waived in this case. The exporter generates the export accompanying document after electronic communication with the responsible local customs office. The haulier presents this document at the EU custom office of exit, which confirms the EU exit of the goods.

All mentioned simplifications above require the status of an Authorised Economic Operator (= AEO C) and a customs authorisation.

III. Details of the simplified customs clearance model

The simplified customs clearance model should work as follows:

1. General requirements

- a) Simplified customs clearance can be applied in addition to the existing, but still formal customs simplifications.
- b) Both consignor and consignee are **AEO-C certified companies**.
- c) The simplified clearance model is **only applicable for goods in free circulation** of the EU or the UK.
- d) A Single Authorisation and a guarantee are required.

2. Authorisation and risk assessment

- a) The consignor (= exporter) applies for a „Single Authorisation EU-UK“ at the responsible local customs authority:
 - EU-authorisations require approval by HMRC
 - UK-authorisations require approval by the respective EU customs authorities
- b) The authorisation contains:
 - List of goods, which can be shipped under the simplified procedure.
 - Goods, where special formal requirements have to be met, e.g. export reliefs for agricultural goods, cannot be shipped under the simplified procedure.
 - Goods subject to export control restrictions should be excluded from the simplified procedure.

- c) Customs authorities in the EU and the UK conduct the risk assessment within the scope of authorisation approval process. By this risk assessment customs inspections at the EU/UK borders will in principle be waived.
- d) The authorisation should also contain a **waiver from** the requirement to submit **entry and exit summary declarations** for goods being moved between the EU and the UK.
- e) The authorisation number, as proof of shipping within the simplified procedure, has to be printed on the accompanying documents of the goods (e.g. bill of lading, shipping bill, commercial invoice).

3. Exporter

- a) **Goods** can be **exported without export declaration** within the simplified customs clearance model. The consignor prints the **authorisation number on the accompanying documents**.
- b) The consignor stores all customs and logistic related information per export consignment in its logistics and/or customs system. This includes for example goods description, customs tariff number, consignee, country of destination, dispatch location, weight, invoice and/or delivery note number, value of goods, mode of transport, and the customs procedure.
- c) Consignment information, as for example consignor, delivery note number, material number, quantity, and consignee, will be directly transmitted from the consignor to the consignee by electronic means after dispatch.
- d) The exporter submits the **export data in a monthly summary export declaration** (= periodical customs declaration) to the responsible customs authority for analytical and statistical purposes.
- e) The exporter archives all customs related information and documentation for audit purposes.

4. Export consignments

An export consignment can contain both authorised and non-authorised goods.

- a) Shipment of authorised goods only
 - Consignment will be exported with the goods accompanying document and without formal export declaration.
- b) Shipment of non-authorised goods only
 - In such cases adherence to the provisions of the formal standard customs procedures, including usual simplifications, must be followed.

- c) Mixed shipment of authorised and non-authorised goods
 - In such cases adherence to the provisions of the formal standard customs procedures, including usual simplifications, must be followed.

5. Export inspection

The responsible local Customs Authority can conduct operational customs inspections.

- a) Random on-site inspection of the export consignment at the consignor's premises and supervision of adherence to the authorised simplified customs clearance scheme (authorisation obligations).
- b) Temporary suspension of the simplified customs clearance scheme – initiated by the authorising Customs Authority.

6. Border crossing

- a) The accompanying documentation is to be presented to the border customs authorities at request.
- b) Transports under the simplified customs clearance scheme are documented by the authorisation number on the accompanying documents.
- c) Customs inspections will be performed in exceptional cases, e.g. in case of suspicion of smuggling.

7. Importer

- a) The consignee captures the import consignment in the logistics and/or customs system.
- b) **On entry in the declarant's records goods are automatically released** within the simplified customs clearance scheme without involvement of the responsible local customs authorities.
- c) The importer amends the goods receipt information by additional customs related information (e.g. transportation and insurance cost, price actually paid, customs tariff number, customs procedure).
- d) All stored information at the consignee will be processed in **monthly summary import declarations** (= periodical customs declaration). The import declaration will be performed under the Self-assessment regime.

Note:

The importer must be authorised for self-assessment to determine the amount of im-

port duty payable and subsequent payment of duty and import VAT to customs authorities.

- e) The importer archives all customs related information and documentation for audit purposes.

8. Import inspection

The responsible local Customs Authority can conduct operational customs inspections.

- Random on-site inspection of the import consignment at the consignee's premises and supervision of adherence to the authorised simplified customs clearance scheme (authorisation obligations).
- Temporary suspension of the simplified customs clearance scheme – initiated by the authorising customs authority.

9. Payment of import VAT – Postponed Accounting

Council Directive 2006/112/EC on the common system of value added tax allows that **import VAT** does not need to be paid at the time of importation on condition that it is **entered as such in the VAT return** (postponed accounting). This procedure is already practiced in several EU member states for the declaration and payment of import VAT. Acquisition tax within the EU Single Market is processed in exactly this method – declaration of acquisition tax in the monthly or quarterly prepared VAT-return and deduction of acquisition tax in the same declaration.

For the future trade between the EU and the UK this principle should generally be established for the declaration of import VAT in all EU member states as well as in the UK.

General implementation of the Postponed Accounting principle would lead to a clear reduction of administrative efforts for importers and authorities and would also lead to improved liquidity (cash-flow) of the companies.

10. Proof of VAT-exemption

The consignee issues **entry certificates as proof of VAT-exempted export supplies** for all goods, received from the consignor, in line with the current practice in most of the EU member states for shipments within the Single Market.

The consignee and consignor archive the entry certificates for audit purposes.

IV. Process flows

Attachment 2 illustrates the end-to-end tax and customs processes for supply of vehicle **parts and components**. The consignments are usually directly shipped from the consignor to the consignee.

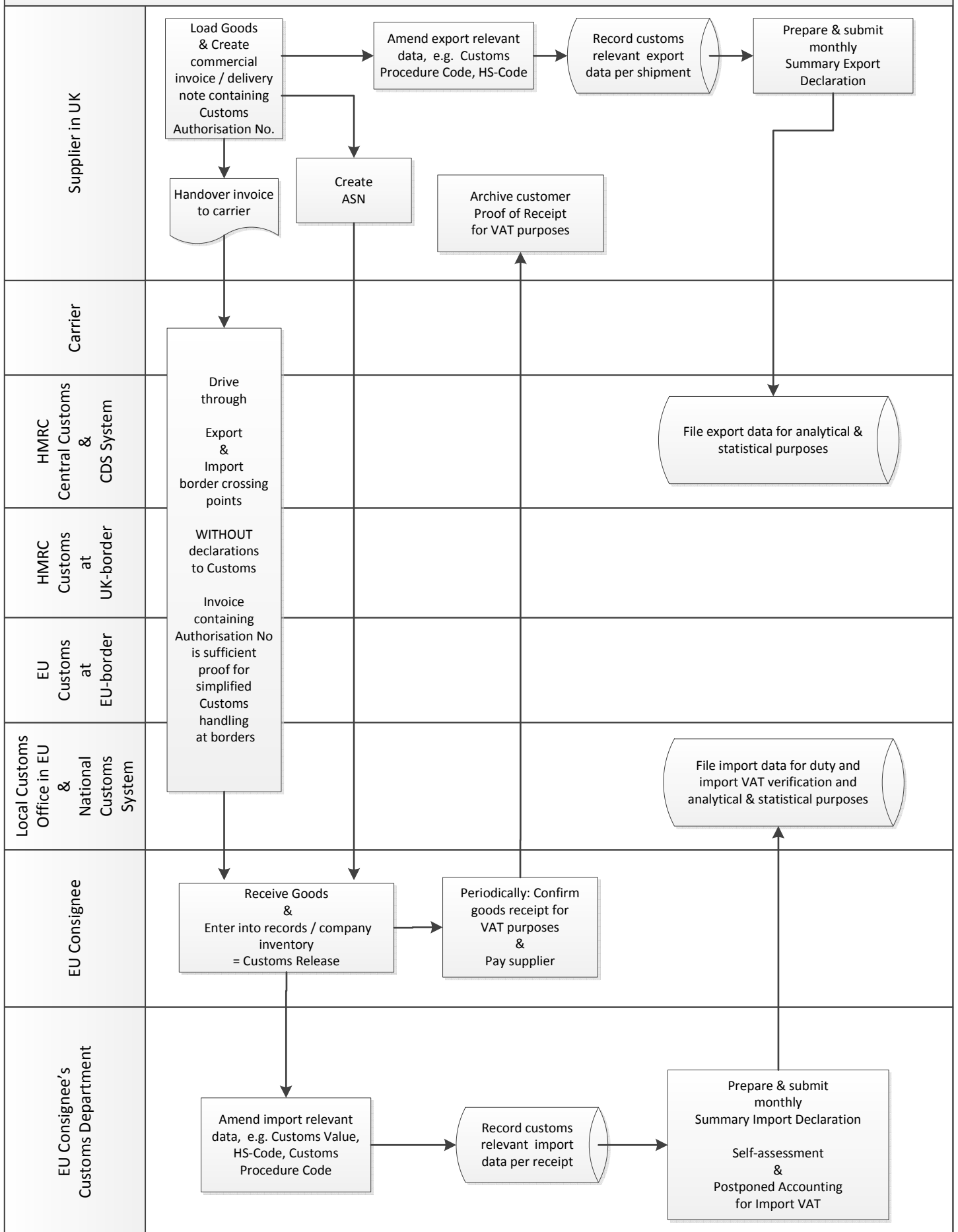
Customs clearance for the supply of **vehicles** should be performed following the same principles. But here the physical supply chain is to be considered. The vehicles of the individual export consignments by truck, train, or vessel are initially consolidated in an exit harbour at the EU/UK border. Afterwards the vehicles of different consignments are loaded onto a vessel and are transported to the destination harbour. The vehicles are usually shipped to the customer / dealer directly after customs clearance in the port of entry. Accordingly the simplified customs clearance scheme of vehicle sales in **Attachment 3** is slightly different to the direct transport of goods from the consignor to the consignee.

The principles of the procedure apply accordingly. The place for entry of goods in the declarant's records within the simplified customs clearance scheme should be the place of loading at the port of entry. Recording of the vehicle identification number (VIN) in the logistics system of the service provider in the harbour should be accepted as customs relevant record and therefore the vehicles should be treated as declared for free circulation without communication to customs authorities. A continuous supervision of vehicles is available by tracking of the VINs in the logistics systems throughout the whole supply chain.

VDA, 23 February 2018

**BREXIT - Proposal for a simplified customs clearance model between the EU and the UK
under Single Authorisation and Self-assessment
Parts & Components**

Attachment 2



**BREXIT - Proposal for a simplified customs clearance model between the EU and the UK
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Vehicles**

Attachment 3

