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Chamber International

How to - understand Customs jargon

Chamber International 'How to Guide'

How to - understand Customs jargon

HM Customs uses a form of terminology which is rarely fully understood by traders. This guide seeks to explain 16 of the most commonly used terms.

1) *Ad Valorem*
The term (from the Latin) means *"According to value"*. It refers to import duty liabilities, which are always expressed as a percentage and are based on the total import value of the consignment on a CIF (Cost Insurance and Freight) basis.

2) *A.TR*
ATR is the term used to refer to the document used for preferential free trade between the EU and Turkey. It specifically refers to the A.TR Movement Certificate, which enables importers in both the EU and Turkey to import consignments on a duty-free basis from each other as long as the goods are in free circulation in either bloc.

3) *CPC – Customs Procedure Code*
The Customs Procedure Code (CPC) is the 7-digit code found in box 37 of both import and export Customs declarations which refers to the status of the consignment being exported or imported, and whether it is treated as being in free circulation (duty paid) or under duty suspension and therefore Customs control, such as under Inward Processing Relief (IPR) status. It is the responsibility of the declarant at both import and export stages to ensure that the correct status of the goods under such circumstances is declared correctly. Failure to do so will result in the imposition of excess import duty and VAT.

4) *Deferment*
This is the process whereby import duty and VAT are not paid at the time of importation of a consignment, but will be deferred until a fixed date the following month and paid by direct debit directly to the HMRC account in the Bank of England. Frequent importers may apply to HMRC for a duty deferment account to avoid payment of import duty and VAT every time a consignment arrives in the UK. This means that import. This means that import duty and VAT is removed automatically from their account every month by direct debit as an accumulated total for all imports made during the previous month, as the payment is made in the month following that during which the imports were actually made.

5) *Drawback*
Drawback is a technique used to reclaim import duty paid on an imported consignment (or part of) which is subsequently re-exported out of the EU. The importer must be authorised to use this facility by HMRC prior to carrying out such activities.

6) *End Use Relief*
This is an import duty relief facility used for the import of materials which are destined for a specific and prescribed use, namely inclusion in products destined for the following sector uses:

- Ship building and repair (shipwork)
- Aviation
- Continental Shelf (offshore oil & gas)
- Military

7) *EUR1*
EUR1 refers to the Movement Certificate used in the free trade preferential system which allows the importer to import goods duty free (in most cases) from countries engaged in free trade with the European Union. The certificate is known as the EUR1.

A guide to 16 of the most commonly used terms

8) *Excise*
Excise refers to duty payable on all items of the following nature:

- Alcoholic goods
- Tobacco-based products
- Oil-based fuels
- Perfumes

This duty applies domestically as well as on imported goods.

9) *GSP*
GSP (Generalised System of Preferences) is the regime whereby importers based in North America and Europe (including Norway and Switzerland) may import goods from developing countries which are authorised to issue a GSP Certificate of Origin on a duty-free or duty-reduced basis. A list of such countries may be found in the Customs Tariff.

10) *IPR*
Inward Processing Relief (IPR) is the regime used to allow traders to import goods duty-free (under import duty suspension) into the EU as long as those goods are to be re-exported at a determined later stage. The trader must gain prior authorisation from HMRC to operate this facility.

11) *OPR*
Outward Processing Relief (OPR) is the regime used to allow traders to export materials for processing overseas and then re-import the resulting product at an import duty liability based on the value of the overseas processing cost (known as value-added). The trader must gain prior authorisation from HMRC to operate this facility.

12) *RGR*
Returned Goods Relief (RGR) is a facility whereby goods exported from the EU up to 3 years previously may be re-imported into the EU free of import duty, but with import VAT liability.

13) Duty *Suspension*
Duty Suspension is a technique used to avoid paying import duty paid on an imported consignment which is subsequently re-exported out of the EU having undergone processing in the EU under the Inward Processing Relief (IPR) regime. The importer must be authorised to use this facility by HMRC prior to carrying out such activities.

14) *T1*
T1 is the status given to goods in Community Transit, i.e. entering the EU to be carried across the EU to a point where they leave the EU again. It is now part of the NCTS (New Community Transit System).

15) *T2*
T2 is a document which is used to accompany a consignment which is in EU free circulation but which crosses a non-EU country before re-entering the EU at another point, i.e. Germany – Italy via Switzerland. It is also used where goods are carried by sea between two EU countries on a ship which is registered and owned outside the EU.

16) *Tariff Number*
Also known as a commodity code, Customs Cooperation Council Number, Harmonised System Number, trade code number or BTN (Brussels Tariff Number) this is a system of coding and classification used in international trade which identifies goods for duty, statistical and customs clearance purposes.