

## Duty Relief: How to operate a Customs Warehouse

Importing goods from outside allows businesses to save the import duty + taxes if they store it in a customs warehouse, argues Arne Mielken of Customs Manager Ltd.

### Top three conditions to meet

An authorisation from the customs authority is required for the operation of storage facilities for the customs warehousing of goods. The requirements to obtain such authorisation are:

- To be established in the customs territory of your country;
- To provide the necessary assurance of the proper conduct of the operations; and
- To provide a guarantee where a customs debt or other charges may be incurred.

### Types of customs warehouses

There are 2 types of customs warehouses where you can store your goods:

- Public warehouse: This is a warehouse operated by a business whose purpose is to store other people's goods. They are the warehouse keeper and you're the depositor.
- Private warehouse: This is a warehouse operated by you to store your own goods. You're the warehouse keeper and the depositor.

You usually do not need to be authorised by customs to be a depositor in a public or private customs warehouse but, if you operate a private customs warehouse, you'll need to be authorised as the warehouse keeper.

### Placing your goods in a customs warehouse

#### Top 5 responsibilities

- correctly declaring your goods – if you use an agent, you must give them clear written instructions about declaring your goods
- making sure that your goods are sent directly to the warehouse named on your declaration, within a set number of days of them being cleared by customs (e.g, five)
- providing the warehousekeeper with all the details of the customs declaration
- making sure the warehouse is approved for the type of goods you want to deposit – this includes ensuring that the warehouse can accept goods that are chilled, frozen or have special storage needs like chemicals
- your goods being correctly declared on removal from the warehouse

### Removing your goods from a customs warehouse

Before goods under this procedure can be consumed in a country, the products in a customs warehouse have to be released for free circulation, which means that import duty must be paid, and other taxes related to the import of the goods (e.g. VAT or excises) will become due.

Alternatively, the goods could be placed under a different "special procedure", a duty relief scheme (such as inward processing or end-use), subject to the conditions laid down for these procedures.

### **Option 1: Releasing goods to free circulation**

When you release warehouse goods to free circulation, you're 'discharging' or removing them from customs warehousing and will have to pay any duty due.

You'll need to make a customs declaration to remove the goods or declare them to another procedure.

You'll be notified electronically of the entry number and you can remove the goods after you've made your declaration.

You can also use simplified declarations to remove your goods.

If a simplified declaration was made to declare the goods into the warehouse, a simplified declaration cannot be made to remove them.

### **Option 2: Releasing goods to another customs procedure**

If you move your goods to another customs procedure such as inward processing or you re-export the goods directly from the customs warehouse, no charges will be due.

Moving goods to another customs warehouse

You can move goods:

- within the same authorisation where it covers different sites
- between different authorisation holders

You'll not need to complete a declaration when you move goods between warehouses covered by the same authorisation. You'll still have to keep records on the movement of the goods and their location.

You'll need to complete a declaration when you move goods between different authorisation holders.

Your authorisation letter will say which methods you can use to move goods.

### **Removing goods as a new finished product**

You can classify goods that enter a warehouse as individual items or parts of a finished product when you remove them. The parts must be presented together in quantities that make a specific number of the finished products.

For example, if you're removing parts A, B, C, D and E that make up product F, and you have 12 sets of each (60 parts in total), you can remove the goods as 12 items under the classification that applies to product F.

The goods must have parts so far advanced that they have the essential features of the finished product.

Where the finished product contains the local /national (e.g. EU or UK) and "foreign" or third country parts (e.g. US), the "foreign" goods must form the essential character of the finished product before the addition of the national parts.

### **Retail sales in a customs warehouse**

You can only make retail sales in a customs warehouse to:

- individuals travelling outside your country
- members of international organisations
- members of NATO forces
- individuals covered by diplomatic and consular arrangements
- remote and online customers, where goods are picked and dispatched to order

### **Paying duty and import VAT**

You'll need to pay any Customs Duty due and import VAT when you remove your goods from a customs warehouse to free circulation. To work out how much duty you need to pay, you'll need the:

- quantity of goods being removed
- value of the goods
- tariff classification of the goods – this will give you the duty rate

### **Value considerations**

If there has been a sale for export to your country (e.g. the UK or the EU) before your goods enter a warehouse, the value may be based on that sale. If there has been no sale for export, then you can make a sale in customs warehousing. Use the duty and exchange rates at the time of removal from the warehouse.

### **Duty reduction opportunities**

When you release goods to free circulation, you may be entitled to claim a reduced or zero duty rate under a 'tariff preference' or a 'tariff quota' or the goods are entitled to an import duty relief.

### **Import VAT**

Like customs duty, import VAT is due when the goods are removed from the warehouse and put in free circulation. Import VAT might not be due if the goods qualify for import VAT relief.

**VAT on sales in a customs warehouse**

If you sell goods while they are in the customs warehouse, they will not be charged supply VAT unless they are retail sales.

Please reach out for more information and comprehensive support on Customs Warehousing by e-mailing [info@customsmanager.org](mailto:info@customsmanager.org)