

guide to cross border trading

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The movement and trade of excise goods is tightly controlled within the countries that make up the EU (European Union). The controls are even tighter when excise goods such as tobacco, wine and spirits are sold to a country outside of the EU. These territories are known as 'third countries'.

It is important to understand how your business can export excise goods to these countries to ensure you comply with all the regulations regarding the payment and accounting of excise duty.

trading with third countries

Your business should clearly understand the tax differences that exist when trading with an EU and non EU country. Generally, if you sell any goods to an EU member country no taxes such as VAT or excise duty are payable. Any other country your business sells to is called a third country as it is outside of the EU economic region. As such any goods your business ships to these countries may have taxes, quotas or other restrictions placed on them. It's vitally important to understand all of the taxes and other payments that could impact on any goods you ship to a third country.

The amount of VAT and/or excise duty you have to pay on the goods you are exporting to a third country will depend on the tax regime that is currently in place. Organisations like UK Trade & Investment can help your business research the different taxes you may have to pay when your goods enter a particular third country. Don't forget, customers may want your business to provide a price for your goods that is inclusive of any local taxes.

distance selling

The use of e-commerce to sell excise goods across the internet has to be handled carefully by your business. Generally speaking the excise goods you sell to a customer in the third country will have excise duty paid on them when your business bought these goods into the UK for the first time. It is usually the responsibility of the buyer to ensure that any excise duty on the goods they are buying from your business over the internet is paid in full to their country's duty collecting authority.

paperwork and documentation

When your business sells to a third country all of your consignments will need a customs declaration. These declarations are handled by the electronic system called NES (National Export System). NES is based on a much larger system called CHIEF (Customs Handling of Import and Export Freight).

HM Revenue & Customs (HMRC) also have available the Authorised Economic Operator system. Your business could benefit from this system as it is a simplified version of NES. The HMRC website has more details about the system and how your business can apply to use it.

rules of origin and third country exports

Some of the third countries you could export your goods to may be able to offer your business the chance to reduce the amount of duty you pay. Any reduction in duty is determined by a number of factors, but the crucial element is where the goods originated. For instance, if the goods sold to the third country came solely from an

EU country and is exported to a third country where there is an agreement to reduce the duty payable, your business could benefit from the reduction.

However, some goods may have had their components sourced from a number of different countries. It may then be the case that the country of origin is actually where the goods were finally assembled. It is this country you would have to look to for any existing agreement about the payment of duty or other taxes when your exports enter their destination country. A good example is exports to Arab states. They require an Arab-British Certificate of Origin before your goods will be allowed into their countries.

To save your business time and money, if you are constantly exporting the same goods to the same third countries, you can apply for what is called Binding Origin Information (BOI). This document formally states the origin of your goods.

The Europa website has details about how the rules of origin work and how they can be applied to your third country exports. You can also call the HM Revenue & Customs National Advice Service Enquiry Line on: 0845 010 9000.

duty preference schemes

When your business exports goods to third countries it may be possible to reduce the amount of duty that would normally be payable. These 'preference' systems can give your exported goods a zero rate of duty. To use the preference schemes your exported goods must meet certain criteria. More information about this is in customs notice 828. Customs notice 827 also offers a detailed overview of the preference system.

If you wish to discuss any points raised in this article please contact Terry Baldwin, Tax Partner, McBrides Accountants LLP.

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