

## Latest updates July 2015

### **The Union Customs Code**

The Union Customs Code (UCC) is the complete re-write of customs law that will take effect from 1<sup>st</sup> May 2016. The law is in three parts: The Regulations, the Implementing Acts (IA) and the Delegated Acts (DA). It will affect all participants in international supply chains, from owner drivers, through warehouse keepers, transport operators, to the largest 4PL and freight forwarder.

Revision 5 of the IA's and DA's has now been made available. At the recent JCCC meeting representatives from HMRC and the Border Force expressed 'broad dissatisfaction' with the way the EU Commission has run the process to date. Whilst the Regulations have been on the UK Statute book for some time it is the IA's and DA's that determine what we have to do day to day and these are still subject to revision.

DG TAXUD and the EU Commission did not share the IA's and DA's with DG Legal, DG Budget, DG Trade and OLAF until a couple of months ago. These departments were very unhappy with the text as it stood and some of the hard won facilitative principals and threatened to block the whole thing (bearing in mind we are only 9 months away from full implementation!).

Revision 5 has now taken account of their objections but HMRC has expressed the view as has the Trade that what has been achieved is at best a 'suboptimal outcome' with many of the hard won facilitations removed. It will now be considered by the EU Council. This means the earliest we will have the final regulation is 20<sup>th</sup> October but they can stretch this until 20<sup>th</sup> December if they feel the need. This will leave members with only 4 months to prepare.

Transitional arrangements have now been added to the text but they are far from clear. HMRC are currently forming their interpretation of the requirements in order to try to work around the worst of the changes and we can be sure that there will end up being 28 interpretations across the EU which will be of great concern to members.

The major areas of concern for transition are guarantees and Authorisations. The current view is that some existing Authorisations can continue until the end of the existing Authorisation period with 2019 as the end stop. However, if Traders wish to amend any detail of an existing Authorisation e.g. add a new tariff code or avail themselves of any of the new facilitations they will need to apply for a new Authorisation under the new rules in the UCC. Other types of Authorisation will need to be renewed for 1<sup>st</sup> May 2016.

However, HMRC has advised that from 2016 onwards it intends to run a rolling programme of re-assessment of Authorisations which will mean that many companies will find their existing Authorisation is to end early and they will need to reapply for a new Authorisation before they expected to.

The issue with applying for a new Authorisation is that Traders need to meet new, broader and more stringent criterion. This will mean that they either have to demonstrate that they meet AEO(C) or AEO (S) levels of operation as appropriate or that they hold AEO(C) or AEO (S) Certification.

AEO is being revised and strengthened under the UCC which includes competency requirements both at a corporate and individual level. (CILT have an endorsed course – Certificate of Customs Competency – which is intended to provide both the knowledge, skills and evidence that AEO(C) Certification requires).

In addition non-AEO's will have to fund new guarantees in order to have access to procedures and processes that do not require any form of guarantee today.

HMRC have expressed concern that the number of applications for AEO in the next few months will far exceed their capacity to perform the in depth audits and reviews that are required. Alternatively they worry that Traders will do nothing until their Authorisations run out which will then disrupt their ability to trade as getting AEO(C) and a new Authorisation will probably take between three and six months. They hope Traders will apply sooner rather than all at once on 1<sup>st</sup> May 2016.

### **Action required**

CILT members need to urgently review their needs, understand the likely changes and take immediate action in order to maintain the status quo let alone reap any applicable benefits from the new rules.

Members might also wish to lobby their MEP's concerning the delays in finalising the requirements which will penalise them financially and may disrupt their legitimate trade.

### **EU Standards Agency**

This agency is currently looking at producing a Standard of some kind to become an 'accreditation' for freight forwarding agents and customs brokers. CILT has been informally contacted by the BSI in the UK which is working with the EU Standards Agency on this. The EU discussions have not gone well with BIFA and some of its EU counterparts in opposition to many of the suggestions. It has been suggested that the new Standard would amount to forwarders needing individuals to pass an examination equivalent to 'an MBA in customs procedures' in order to gain accreditation.

From May 2016 holders of AEO(C) will also have to meet 'competency' standards for their staff so staff education and training will be covered by AEO Certification.

CILT has suggested to the BSI that freight agents that hold AEO(C) have already been certified by Customs for their customs work and if they also hold AEO(S) they have been certified for their security procedures too so a further Standard is likely to be just duplication and a waste of effort.

### **Freight Management Strategy**

This has been renamed as the Freight Management Programme and will be absorbed into the activities of the 'One Government at the Border' portfolio in the near future. This project is currently only in its early stages. CILT will be keeping a close watch on this as it directly affects the activities of all our members who move goods across borders at any point in the supply chain and needs to be carefully matched to the requirements of the UCC.

### **Customs Declarations Services**

The current Customs computer system called CHIEF is to be replaced with a collection of systems to be known as Customs Declarations Services (CDS). HMRC confirmed that CDS is fully funded and resourced despite the cut backs. 'Go live' is intended to be in 2017. HMRC also confirmed that postal services will be 'in scope' for CDS which is a change to current practice.

CILT members will need to make significant changes to their own computer systems, processes and procedures to meet the new requirements.

**DfT FAL Directive**

This is the programme intended to provide a 'single window' for ships reporting. The new law is operative but cannot be used until the DfT and Home Office sort out their responsibilities and processes. HMRC have confirmed that there will not be any penalties issued at the moment for traders who do not comply with the new system under the Single Window as it can't be used! Traders should continue with the old methods until advised otherwise.

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