



JARGON BUSTER – APRIL 2020

WTO	The World Trade Organisation. A group consisting of 168 trading territories worldwide. You will often hear people refer to 'WTO terms', this is incorrect. The WTO does NOT set any terms, they set the rules against which trade should be managed. There is no such thing, for example, as the WTO tariff. There are multiple tariffs, one for each member/territory (ie EU have one for 27 member countries) – the way that tariff is applied is governed by the WTO rules, but they do not set the tariff.
MFN	Most Favoured Nation. The cornerstone of the WTO. MFN means that, in the absence of a trade agreement, you cannot treat one country different to the others. If you decide, for example, to reduce the tariffs for goods from the EU, unless you have a trade deal with the EU, then you have to reduce the tariffs for all WTO members. Equally, you cannot have a special procedure (such as TSP) with one member unless you make it available to all (unless that special procedure was part of a trade deal).
FTA	Free Trade Agreement. Not necessarily free but means that there is an agreement to promote trade between the two contracting parties. There is no 'one size fits all' FTA, each is negotiated individually and will contain many layers. There will be qualifying criteria for the terms of the FTA hence the reason that, even with an FTA, paperwork is still required – in order to prove eligibility to the conditions agreed.
EORI	Economic Operator Registration Identifier. In order to communicate with Customs, you need an EORI number. They are free to obtain and should be held by all parties involved in international trade. Currently, you only need one EORI for the whole of the EU, after 31st December many will require one in the UK and one in the EU. UK EORI can be issued for VAT registered businesses and non VAT registered businesses. You only need a UK EORI if you are communicating or 'contracting' only with HMRC (UK). For example, if you are a UK importer, exporter or declarant.
EAD	Export Accompanying Document. Often referred to as an EX or EX1 in mainland Europe. In order to export goods from the Customs territory, you must put the goods under Customs control, this is done by creating an EAD export declaration. It is also the control mechanism for zero-rating VAT on the basis that goods are leaving the Customs territory.
EXS	Exit Summary Declaration. This is auto-created by the EAD and alerts the export border that you are on your way. Allows HMRC (and Border Force) to decide if they want to see the vehicle.
ENS	Entry Summary Declaration. The opposite of the EXS. The ENS alerts the import border of your imminent arrival. It is not auto-generated by another process as the import declaration, in many cases, can be done later whereas the ENS must be lodged at least 2 hours before you arrive at the border (one hour in the case of Eurotunnel)



C88	The UK import entry is known as the C88 (also referred to as a SAD, Single Administrative Document). The C88 is a plain paper document that is normally submitted electronically and has a number of electronic responses following its transmission. For example, when you transmit a pre-lodged entry (pre-arrival) the response is an H2. For goods that have arrived the response is E2. Duty deferment failure (insufficient funds) is an E9.
NCTS	New Computerised Transit System. This is the online process for controlling the movement of goods in transit. It is operated by the Common Transit Convention and includes countries outside of the EU, for example, Turkey has access to NCTS. It is possible to track and trace an MRN (see below) to see the current status of the movement across various borders and to control when a transit is closed (or not, as the case may be).
TAD	Transit Accompanying Document. Creating a transit movement on NCTS will generate a transit document (TAD). This document MUST travel with the goods in paper form. It includes a bar code that is scanned at each border crossing and is the basis of the track and trace functionality.
LRN	When you create a TAD you generate an LRN, Local Reference Number. The LRN is presented to Customs at the office of departure, normally the export port. Customs check and authenticate it and promote the LRN into an approved MRN (see below) and the goods are now free to move. Can be authenticated away from the port if using Authorised Consignor approval.
TAD MRN	The LRN process above requires the truck to call in at a Customs station for the TAD to be authenticated. These are likely to be very busy. Authorised Consignor status allows the TAD issuer to not only create the TAD but also to authenticate it. This means that the MRN and hard copy can be issued before setting off for the port, thereby avoiding many of the queues that are likely to occur.
MRN	Movement Reference Number. Most Customs processes generate an MRN. The MRN is proof that the goods have been entered into Customs and are authorised to move. In simple terms, nothing should move without an MRN.
CHIEF	Customs Handling of Import Export Freight. This is the UK Customs computer system. It is old and slow. The plan is to upgrade it to CDS (Customs Declaration System) and this was planned long before BREXIT became a thing. The process is proving to be cumbersome and is already behind schedule.
CPC	Customs Procedure Code. One of the most important fields on a Customs declaration. It tells Customs what type of transaction this is: standard seller/buyer, temporary export/import, outward processing relief, inward processing relief, the list goes on. In the absence of any information to the contrary, we would always enter the goods as a standard transaction and would pay any duties and taxes (if applicable).



EHC	Export Health Certificate. Most POAO (products of animal origin) require an EHC to prove their conformity and suitability. An EHC must be issued by the exporter and endorsed by an authorised vet. UK exports to the EU (including GB to NI) will require an EHC as will, currently, imports to the UK.
PHYTO	Phytosanitary Certificate. If an EHC is for products of animal origin then consider that a phyto is for products of plant origin. Again it should be issued by the exporter and endorsed by the appropriate authority.
TRACES NT	This is the online tracking and control system for EHC and phyto movements. The export movement is registered and the BCP (Border Control Post) is nominated. Submission of the TRACES NT entry generates a document reference number which should be notified on arrival at the BCP.
BCP	Border Control Post (previously referred to as a BIP, Border Inspection Post). For goods covered by EHC or phyto they must be presented at the BCP when they first enter the Customs territory. For example, for export from the UK to Germany the BCP would be at the first touchpoint in the EU, probably Calais. Be aware that there is normally a charge levied by the BCP of around €50 per consignment to be checked.
CFSP	Customs Freight Simplified Procedure. Around 70% of UK import declarations are currently handled under the CFSP scheme. The scheme allows the importer or freight forwarder to present a simplified declaration at the border (SFD, simplified frontier declaration) and the final import declaration at the end of the month. It is widely used by parcel operators as a means of keeping things moving. In Ireland, it can only be used for low-value consignments (typically parcels) but in the UK it was opened up to trade generally.
TSP	Transitional Simplified Procedure. This is essentially a watered-down version of CFSP and was introduced for EU imports only. It allows the goods to cross the border (to the UK) with the final import declaration not due until the end of the month. TSP is super simplified and does not even require an SFD (simplified frontier declaration) unless the goods are on the controlled list, typically, excise goods, military goods and, annoyingly, fish! The bad news is that it has currently been withdrawn. It may come back, particularly for GB to NI movements.
EPS	Export Port System. We invented this one! We use this to describe the export system at the port, for example, Calais (and Eurotunnel) have a process known as the Logistics Envelope where the MRN(s) can be pre-lodged. For Zeebrugge, it is a process known as RX-Seaport and Europort is Portbase etc
IPS	Import Port System. We invented this one too! We use this to describe the import port system – the mechanism that the import port uses to decide whether or not they need to stop the arriving vehicle or allow it to travel.



<p>AEO</p>	<p>Authorised Economic Operator. Quality mark for international Customs and trade. AEO is in two sections: AEOC Customs formalities and compliance and AEOS Supply Chain integrity and compliance.</p> <p>AEOC is far easier to obtain as it is mostly process and procedure driven. AEOS is far more complicated and involves everything down to the type of fencing used and monitoring contract cleaners etc.</p> <p>AEOC is pretty much a national accreditation (it proves that you are Customs compliant in the applicant country) whereas AEOS is more beneficial for external trade.</p> <p>Whilst AEO may not, initially, offer a string of benefits it does have a lot of financial advantages:-</p> <ol style="list-style-type: none"> 1. 70% reduction in guarantee required for duty deferment account (see below) 2. 100% reduction in guarantee required for Union Transit (see below)
<p>DAN/TAN</p>	<p>A deferment account (DAN in the UK and TAN in Ireland) is a credit facility that allows you to place a duty on 'your account' without immediate payment of the duty due. The duty placed on your account is collected by Customs by direct debit on the 15th of the next month (shorter if excise duty).</p> <p>To obtain a deferment account you will need a bank guarantee for DOUBLE the amount of monthly deferment limit you will require. Why DOUBLE? Because payment is not taken until the 15th of the second month, you might do another month's worth of trade in the first 14 days of month two.</p> <p>Potentially Customs will be exposed to two months of duty before they collect any payment, hence the reason the guarantee needs to be double. All entries that clear during the month will eat into your available credit.</p> <p>If there is not enough credit left in the account (normally towards the end of the month) the entry will fail until you lodge more money or change the deferment account.</p> <p>If AEO approved the guarantee amount is still double the credit limit required but reduced by 70%. Note a DAN (UK deferment) cannot be used in Ireland and a TAN (Irish deferment) cannot be used in the UK. You may need more than one!</p>
<p>TRANSIT GUARANTEE</p>	<p>Transit is required when goods need to pass through a border uncleared and having the final clearance done elsewhere (the point at which the transit closes).</p> <p>It's a complicated subject but in simple terms, the guarantee holder covers the duty and VAT liability which allows the goods to pass without border clearance.</p> <p>A transit guarantee is required and needs to be sufficient to cover the duty and VAT liability of all goods in transit at any one time (includes those transit movements that are not yet closed). Not unusual to require a transit guarantee in excess of £1million.</p> <p>Possible to get a waiver on the amount of bank guarantee required. 100% waiver possible with AEO approval or, in some cases, on the strength of strong financial results.</p>



DIRECT REPRESENTATION	<p>When a declarant (agent) presents an entry, this would normally be as a Direct Representative. In this way, the agent is acting on behalf of the importer and on instructions from the importer.</p> <p>The agent is not liable to Customs for any Customs debt associated with that entry/trader. Some trading conditions (BIFA for example) exclude anything but direct representation as the risk may be too great, the alternative being indirect representation, see below.</p>
INDIRECT REPRESENTATION	<p>If the importer is NOT established in the territory within which the Customs entry is being submitted then the agent will often need to operate as an Indirect Representative.</p> <p>A good example of this is DDP supply from country A to B. The exporter has a 'remote' VAT registration in country B but is not established in that territory (does not have a company, bank account etc).</p> <p>When an agent acts as an Indirect Representative they become jointly liable for the Customs debt. Clearly, there is far more risk associated with Indirect representation than there is compared to Direct.</p>

This is not intended as a definitive guide but more as a handy crib sheet to understand some of the terminology that we use when discussing Brexit and the required preparations.

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