

Institution **CIOT - CTA**  
Course **Adv Tech Cross-Border Envrmt Taxes**

Event **NA**

Exam Mode **OPEN LAPTOP + NETWORK**

Exam ID 

Count (s)	Word (s)	Char (s)	Char (s) (WS)
Section 1	<b>589</b>	<b>2810</b>	<b>3390</b>
Section 2	<b>1025</b>	<b>4784</b>	<b>5804</b>
Section 3	<b>1228</b>	<b>6057</b>	<b>7281</b>
Section 4	<b>779</b>	<b>3641</b>	<b>4419</b>
Section 5	<b>1460</b>	<b>6753</b>	<b>8212</b>
Section 6	<b>1293</b>	<b>6247</b>	<b>7513</b>
Total	<b>6374</b>	<b>30292</b>	<b>36619</b>

### Disposal of Waste and Ash

Bigquarry Ltd ("BQ") is a landfill site operator. It has recently obtained a new customer, Debryshire Wetland Trust ("DWT") and has been asked whether the ash and hthe non-recyclable waste from the visitor centre should be disposed seperately. This is important for BQ as the disposal of the waste materials together will create a liability to account for landfill tax on the whole disposal at the standard rate of LFT (unless the mixed load rules were met)

However, certain types of Ash do qualify for the lower rate of LFT. This is detailed in the Qualifying materials Order 2011, however, ash which is specifically bottom ash or fly ash from wood combustion or waste combustion or from coke or petroluem combustion (when burnt with biomass) qualifies for the lower rate. However, other types of ash do not apply such as fly ash from sewerage sludge or incenerations. Therefore, if the ash is qualifying ash, then they should be disposed of seperately to avoid the standadr rate potentially applying to the disposal of a mixed load.

### Marine dredged Material

The disposal of the material from the lakes and waterways will be taxable disposal where it is placed in BQ's landfill site, unless the material dredged can be considered to be marine dredged aggregate from a watercourse. The definition of a water course is where the water flows under gravity, reaosnably well defined channel of beds and meets with another watercourse (LFT 1 - Section 8.1)

Under the description above, it is unlikely that a lake will meet the definition of the watercourse and therefore, should be a taxable disposal at BQ's landfil site, however, the

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waterway may meet this definition. This should be confirmed before the disposal is made. Where definition is met, it will be exempt from Landfill Tax.

### Contribution of funds

The contribution of funds to DWT will potentially fall under the Landfill Communities Fund ("LCF") and therefore, the donations can result in a tax credit being obtained on BQ's Landfill Tax return of up to 90% of the donation made. In order for donations to meet the criteria, DWT must be an approved body, enrolled with ENTRUST, unconnected to the business and uses the donations to spend on approved objects. These objects are outlined in LFT1 - Section 15.4 which include the restroation of biological diversity as an approved object. Therefore, as DWT is a profit limited company, if it qualifies as an EB, the tax credit may be created.

BQ should obtain more information of DWT's status and ensure that it will use the donations for qualifying objects, as if not, the credit on LFT return may have to be repaid.

### Bad Debt relief

BQ will be able to obtain Bad debt relief (BDR) on the LFT unpaid from its customer Fenalik. It is claimable where there has been a taxable disposal, invoice was issued, it has been accounted for on the LFT return, and the debt has remained unpaid for 12 months since the issue of the invoice. The debt must also be updated in the accounts and written off in a bad debt account.

The full value of bad debt claimable is the amount owed to the customer, which can be done in the next LFT period where required records of supply are all held, netted off against any amounts owed to the customer or amount previosuly paid. BQ should ensure

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it has all information before a claim and follow Section 12 of the LFT notice for more information.

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### Establishment and Place of Supply

Meeple AG ("MP") is a German established and VAT registered business, acting as a platform via its website for sellers supplying goods in relation to board games and therefore will be considered to be an online market place ("OMP"). MP has a business establishment in Germany, however, it will also be deemed to have a fixed establishment ("FE") in the UK, as it has the human and technical resources permanently present to make and receive services, due to its UK office which promotes the website and supports UK sellers.

It offers its services to both UK and non-UK customers, on both a business to business ("B2B") and a business to consumer ("B2C") basis. MP is providing an intermediary service to its customers for providing access to the platform, and charges a percentage of sales price for its services and as a result, should consider its place of supply. Where a supply is made on a B2B basis, the general place of supply rule is that the place of supply is where the recipient is established. However, for its B2B services, the general place of supply rule will be where its supplier is established.

However, as it is supplying intermediary services, it should consider whether any overrides apply (Section 11 741A Notice). Under the intermediary services override, the general place of supply rule will still apply where the supply is made on a B2B basis, and therefore, MP should retain evidence of its customers in business and they will be required to account for services under the reverse charge mechanism but for B2C, an override will apply for services made by MP on B2C basis, which will shift the place of

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supply to where the underlying supply is made. Therefore, for UK customers, the underlying supply will be made in the UK from the UK FE as it is providing support to sellers and therefore, UK VAT will be due on the supply of services at the standard rate (20%) and valid VAT invoices should be issued. The time of supply will be when the payment is processed, subject to if the invoice is issued within 14 days of the supply.

Therefore, UK VAT should only be due on supplies made to non-business consumers as although it may have a UK establishment, the supply will likely be considered to be from the main head office as this is the owner and host of the website through which the supply is made and MP in Germany processes the payment. Therefore, the supplies to Business (see below). If HMRC issue any assesment on the basis of UK VAT being due on all sales, this should be appealed.

### Sale of Goods

As the sale of goods will be made via the seller, and MP is only the OMP in the supply, the requirement to account for VAT on the supply of the goods will fall with the seller themselves. Therefore, where sellers are supplying to customers in the UK, it must account for the VAT on the goods where customers are established in the UK (i.e., normally resident). If customers are normally resident outside the UK, then this would be outside the scope of UK VAT.

Sellers should consider whether they have an entitlement to the UK VAT registration threshold, which if they are not established they will not and will fall under Sch 1A. Alternatively, Import VAT will not be liable to be accounted for where goods are below the low-value consignment threshold of £135/€150.

### Joint and Several Liability

As stated above, the liability to account for sales in the UK will fall with the seller, with MP only accounting for VAT on its agency services supplied on a B2C basis. However, the officer from HMRC stated that a number of businesses purchasing supplies are not UK VAT registered and therefore, are not correctly accounting for VAT due on the supply. Furthermore, a number of these suppliers have the same address in the UK and therefore, HMRC may enact the joint and several liability provisions of s.77BA.

As all these suppliers are deemed to be established in the same serviced office, and were previously advertising goods by non-UK sellers, it is a possibility that they are non-established taxable persons who are avoiding their requirement to register for UK VAT. As a NETP does not benefit from the UK VAT registration threshold, they must register for VAT immediately (Sch 1A), and this would include the receipt of services subject to the reverse charge in the UK (I.e., MP's service as an OMP). Therefore, as a result of the above, there has been an underpayment of UK VAT and now the obligation to account for the VAT may fall on the online market place under the joint and several liability rules.

As MP has facilitated the supply of the sellers as an online market place, it is likely that the rules will apply to MP. Where MP, knows or should have known that the suppliers were avoiding the registration requirement, then MP will be joint and severally liable for the VAT that should have been accounted for on the services by MP under the reverse charge mechanism in the relevant period, which is the day of MP knowing or should have known that the recipients were in breach of the supply and ending with the date the recipients are registered for UK VAT. Therefore, if these provisions are enacted, all supplies to UK business will essentially be taxable supplies with UK VAT due at the standard rate (20%).

In addition, these rules will also not apply where MP as an OMP does not offer any goods

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for sale for 60 days between the day on which it first should have known and the recipient no longer being in breach of Sch 1A. This should be consider alongside any additional appeal to HMRC to show the officer that it should have known or did know if they were not VAT registered, and provide any argument to suggest that it could not have known i. e., customer due dilligence, number of sellers, acted beyond reasonable doubt etc.

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### Basic Service offering - Matchmaking Services

Intermancy Corp ("IC") a US established business which provides matchmaking services to private individuals on a business-consumer ("B2C") basis. In addition, it also has a UK registered subsidiary Intermancy UK Ltd ("IUK") which is a UK established business which provides services to its parent company, IC. IC offers its services under either a basic or enhanced service offering. IC is Under the basic service offering from IC, clients of IC are provided with romantic matches via the internet, made using computer artificial intelligence.

However, as supplies are offered to customers globally, the place of supply must be considered by the business. The general rule for services provided on a B2C basis is that the place of supply is where the supplier is established, which will be the US. As a result, the business will be considered to be supplying services from the US and therefore, will be outside the scope of UK VAT.

However, it must also consider whether any potential place of supply overrides will apply to the matchmaking services. The recent case law principles in Gray and Farrar found that the place of supply of a matchmaking service will not fall within the consultancy override (Section 12 of VAT Notice 741A) however, consideration should apply as to whether the services are within the scope of electronically supplied services ("ESS"). If the ESS override applies, then the place of supply will shift from where the supplier is established to where the customer is established (Sch 4A, Part 3, Item 15), which will be where the customer is usually resident (confirmed by address, IP Address, SIM Card, bank details

etc).

The ESS override will apply to services which are provided over the internet with minimal to no human intervention. As the services provided by IC will be provided to customers using AI, it is likely that the e-services override will apply and therefore, UK VAT will be due on any services supplied to UK established (resident) customers at the standard rate of UK VAT.

### Basic Service Offering - Advertising

In addition to the matchmaking services, IC will also supply advertising services to IC Clients. This will be a supply of services that is mostly supplied to business consumers (i.e., B2B) but may also supply charities with no business activity. The general rule for B2B transactions is that the place of supply is where the recipient is established. Therefore, as IC is established outside the UK, it will be making supplies outside the scope of UK VAT. If customers in the UK receive the services, under the general rule, they will be required to account for the supply under the reverse charge mechanism.

Where charities with no business activities are supplied with, this will be treated as a B2C transaction. The general rule does not apply to B2C services of advertisement, which will fall into the B2C consultancy/services override which will treat the place of supply where the customer is established. Therefore, where supplies are made to UK established charities, the business will be required to account for advertisement under their UK VAT return, at the standard rate of UK VAT (20%).

### Enhanced Service Offering

Under the enhanced service offering, IC will also provide matchmaking services,

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however, this will include a set number of introductions, interview from a consultant as well as additional services at the customers request. As a result, the enhanced service offering appears have clear human intervention involved in the supply, and therefore, it is unlikely that these services will be considered to be an e-service. Once again, the principles in the Gray & Farrar case surrounding matchmaking services will result in the services not qualifying for the B2C consultancy override. Therefore, the supply should fall under the general rule as decided in this case, and therefore, the place of supply will be where the supplier is established.

As a result, supplies to UK based customers for the initial supply of the enhanced offering will be made from the US and outside the scope of UK VAT as it does not have UK establishment, determined by human and technical resources permanently present to make and receive services, although local sales tax advice should be sought for US implications. The supplies for the enhanced services are provided from IUK who charges for the services it provides to the clients. Under the CJEU case law decisions of BCAM, the supply of resources will not create a fixed establishment for IC in the UK as the human and technical resources will not always be available to IC and they cannot be used at the same time (by both IC and IUK).

### Photography and Fashion Consultants

In addition to the enhanced service offering, clients can also choose to have a photo shoot and fashion consultants for an additional fee. The photo shoot will be arranged by IC who will also hire the photographer. The additional fee relates to a supply of services for arranging the supply as well as the photos themselves, which will be a supply of goods.

The principal supply will be the supply of the photos and therefore, as the photo services are ancillary to the supply of photos themselves (CPP). Therefore, the arrangement fee

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and the supply of the photos should be considered to be a single supply of goods, which if provided to a UK customer will be liable to the standard rate of UK VAT and therefore, IC should account for this on its UK VAT return. The photographers fee can be supplied onwards to the customer as a disbursement which will be outside the scope of UK VAT.

The fashion consultants may also be provided with to customers to help them with their wardrobe. This is likely to be a B2C supply which falls under the general place of supply rules and therefore, will be outside the scope of UK VAT.

### Intermancy UK

IUK's activities do not provide services directly to clients. It provides services to its Parent Company, IC, from the UK. It provides staff to the parent co (US established) and retains control over the staff as it deals which consultant does with which client. In order for the supply to be considered a supply of staff, the supplier must provide the staff under the full control of the recipient, however, this will not apply as the consultants remain under IUK's control. Consequently, it will not be a supply of staff but a supply of other services, which will fall under the general rule and therefore, IUK's fee charged for its services will be outside the scope of UK VAT.

Aadditionally, IUK hosts and manages events to help attract new customers. It provides these services free of charge to prospective customers, however, any input tax incurred on the supply may be deemed to be irrecoverable as it could be seen to be business entertainment. As it is not making a supply (no consideration charged) then it will not trigger a deemed supply unless a customer provides something in return (i.e., sponsorship) which would then trigger a supply by IUK as if it was in the course or furtherhence of business in the UK.

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Furthermore, although the supply has been paid for by IC, it too will not be entitled to be recovered as it has not received the supplies (Airtours) and also it may be linked to client entertainment.

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### Transaction 1 - Agzz21

Aggrix Ltd ("AX") is a building company registered for Aggregates Levy ("AL") which is payable on the commercial exploitation of aggregate, subject to various exclusions and exemptions. In the first transaction, 190 tonnes of limestone will be removed from an unused aread at the end of the playing fields. This aggregate will be chargeable as following the principles in the PJ Thory case, aggregate dredged from a field will not qualify for the exemption, however, the removal of the aggregate will not create the tax point.

100 tonnes of the limestone extracted will be sold to Agzz 21 Ltd ("A21") by AX, which will be considered to be the commercial exploitation of the aggregate and therefore, AL will be charged on the sale as it has formed an agreement to the supply (which is formed by the signing of the contract) or its removal from the playing fields. The date of commercial explotation will be whichever is earlier out of these two supplies. However, the commercial exploitation of aggregate will not be chargeable where it is intended to have an exempt process applied to it. A21 intends to extracte baryte from the limestone at its own premises, therefore, this will not be taxable. However the spoil/waste of the exempt process will still be taxable and therefore, AL will be due on 75 tonnes of the supply to AG21 creating AL payable of £152.25 (£2.03 x 75).

### Transaction 1 - Further activity

The remaining 90 tonnes of limestone will be crushed on the schools premises and will be

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spread on the wildflower gardenn. As stated in Section 6.5 of AL1 Notice, agricultural lime added to soil to reduce the acidity will be relieved from Aggregates Levy being charged on the product. As they were not subjected to AL, there is no credit required.

A further 250 tonnes of limestone will be sold to a third party and therefore, subject to commercial exploitation when the aggregate either is an agreemeent to the supply or when the limestone leaves the site to be sent to the third party construction company.

### Transaction 2

Firstly, it must establish whether the sand dredged from a pond will qualify as marine dredged aggregate and be exempt from AL. The AL exemption applies for aggregate dredged from a watercourse, which is a body of water which flows under gravity (Humberside Aggregates) and therefore, it will be chargeable material as a pond will not have this flow such as a river would.

Where the aggregate has been returned to the site from which it has been won, it will not be taxable where it is unmixed with anything. Furthermore, the sand used at the school will be for play sand, and it is clearly marketed as such on the product, then it will be relieved from any Aggregates duty chargeable (if sold to the school) under Section 6.5 of the AL Notice, and therefore, on any invoice, it should quote the wording which will help the relief from AL apply to the goods.

The remaining 62.5 tonnes will be chargeable as it is going to be used to be mixed with other materials other than water and then it will be used in construction purposes and therefore, it will incur aggregates levy as it has been subject to commercial exploitation. This will be charged at  $£2.03 \times 62.5 = £126.88$

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Transaction 3

Rock will be excavated from the school playground and sold to a construction company. This will be commercial exploitation as the aggregate has left the site from which it was won and therefore, AL will be chargeable on  $15,000 \times 2.03 = \text{£}30,450$ .

The date this will be chargeable is the earlier of the date the agreement was signed or the goods were used in construction.

Transaction 4

Aggregate will be removed from an old building which will have previously been the use of the aggregate in construction purposes and therefore, the aggregate will not be subject to Aggregates levy as it was previously used in construction purposes. Where aggregate is disposed of at a landfill site, it is excluded from AL.

However, when the aggregate is removed to the landfill site to be a landfill cap for the ware in an landfill cell, it must consider whether it is required to be subject to LFT. Provided that the concrete forms an impermeable layer of the landfill cell, it will be outside the scope of Landfill tax. However, if this is not the case and the rock will eventually be placed in a landfill cell, then LFT will be payable on the rock used to form the cap to the landfill cell.

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### Imports into the UK - Preference

Vtlec LLC ("VL") is a non-UK established business and is looking to sell goods to cwholesalers and retailers in the UK, and therefore, all supplies will be made on a business to business (B2B) basis. Its first potential customer is ENgtelly ("ET"), a GB established business and therefore, imports will be subjected to the GB rules and legislation. Goods will be exported from Vietnam and imported into the UK, for which they will then be sold to ET, however, it wants VL to act as importer of record and deal with customers procedures. When goods are imported into the UK, the goods will be subject to import VAT (unless zero-rated or exempt in the UK) as well as customs duty, unless a preference duty rate of 0% applies.

VL must ensure that it correctly classifies the goods (can either look receive an Advanced Tariff Ruling, use an exisiting decision or apply the General Interpretative rules), use correct valuation of the goods is correct, to ensure amount of customs duty that will be payable is correct and also the origin of the goods is known, understood and verified. The origin of the goods is vital to understand as VL will use customs preference rates where available and therefore, it must understand when it can obtain preference and any requirements on the business.

Preference for imports into GB will fall under the DCTS (GSP for NI/EU) and this is where imports from developing countries are not charged customs duty or receive a reduction in customs duty for imports into the UK. Prefernece is met where the goods wholly originate in the beneficiary country, have not been subject to processing or

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manufacture since leaving the beneficiary country and the correct paperwork (i.e., bills of discharge, Form A) are held. The preference paperwork does not have to be provided to HMRC, however, the preference code should be entered on the import declaration on the CDS. In order for the electronic goods sold by VL to qualify for preference, they therefore must wholly originate there. Wholly originating means that the goods were either wholly obtained there (i.e., grown, mined, cultivated) which will not apply in VL's supplies, or this is where they were subject to their last substantial processing activity/manufacture. This will mean that the goods will have their last important stage of manufacture in Vietnam. If this is the case, and the other conditions are met, then any available preference rates for the classification of goods imported by VL are correct then preference can be applied. To ensure that preference is correctly applied, it must understand the preference rules outlined above and raise instances where the conditions are not met.

#### Supply to EngTelly - Customs Duty

In its potential supply to ET, VL is considering when it should pass the title as well as whether it will act as the importer of record. Whether the goods are still owned by VL on importation and when this is passed is vital to be understood as if it retains ownership (i.e., DDP) VL should consider whether this will impact the place of supply of goods, as where a place of supply of goods is made in the UK, there could be a registration requirement for VL.

If VL is to act as importer of record it must hold a GB EORI number (XI for NI) and therefore, this should be applied for by the business. VL would then be responsible for the import declaration required when the goods arrive in the UK, at which it must ensure it has the correct classification code, valuation, origin (and evidence if claiming preference). As VL is not established in the UK, it must appoint a third-party representative to act on its behalf for the importation of the goods,

Additionally, the business will also incur the customs duty and import VAT on the supplies when they arrive in the UK. These will both be chargeable and payable on the day of importation, unless they are deferred (Customs duty is an absolute cost and can only be deferred if declared to a special customs procedure) or if the consignment is below £135 and the low-value consignment threshold applies. Where the third party is acting on behalf of VL, this will not pass the liability for customs duty away to the agent. The agent may allow for VL to use its duty deferrment account, which will defer customs duty payable until the 15th day of the following month, however, a fee is likely to be charged for this.

### Place of Supply and VAT Reg

The basic place of supply is where the goods are made available to the customer, therefore, if title passed outside the UK, then this will be where the supply is deemed to take place. However, if VL decides to retain ownership of goods and act as IOR (or appoint a representative) as it is importing the goods under its own instruction due to the DDP terms of trade the place of supply for the DDP supplies to new customers will be the UK (VATA 1994, s.7, item 6). as a result, VL will be making a taxable supply within the UK for VAT as the goods will be supplied to customers in GB after importation, triggering a requirement for VL to be registered in the UK. As VL is a non-established taxable person in the UK ("NETP") as it does not have any human and technical resources present to make and received services, it will fall under Sch 1A and therefore, be required to be VAT registered from its first supply of goods in the UK and it must notify HMRC of this requirement to register within 30 days of the supply or forming the intention of the supply (which will have likely occurred first). ALternatively, where under new supplies DDP terms of trade are used, then the business will also be liable to register for UK VAT as it will be deemed to be making a supply in the UK.

In order to minimise registration obligations and hassle for VL, it should ensure that the title of the goods is passed to ET prior to the goods entering GB. As a result, it should ensure that all correct paperwork for preference duty goods is provided to the business. If this is not possible, it should use a third party representative to handle the import declaration on its behalf and increase the potential price to avoid the business having to take the hit on customs duty.

### Import VAT

When VL imports goods for supply to ET, it must also consider the requirement to account for and pay import VAT incurred, which will apply to any supplies of taxable goods (likely to apply for electronic goods). Import VAT can only be recovered by the owner of the goods and in order to import the goods, VL must hold a GB EORI to be authorised. It also can act as importer of record of the goods, or appoint a representative of the business. Unless the representative acts in the name of VL, then it will not incur the liability to customs duty, and this will remain VL's to pay and recover.

Import VAT will be payable when the goods arrive in the UK, however, this cost can be deferred and is also recoverable. The import VAT can be paid on importation and then subsequently recovered. If VL is registered for VAT, it can recover the import VAT upon obtaining the required import VAT evidence (C79) from the CDS. Alternatively, to improve the cash flow, VL can either use a duty deferment account, which will defer the payment of the import until the same time as the customs duty, or, even more efficiently, the business can defer and recover the import VAT at the same time under Postponed VAT Accounting ("PVA") which will allow for the deferment of import VAT until the next VAT return period in which the VAT will be paid and recovered in the same period, provided that the usual input tax requirements are met (i.e., fully taxable).

If the business does not register in the UK for VAT (i.e., due to a change in terms of trade) then the business will still be required to pay import VAT where it has acted as the importer of record. This will be recoverable via a refund for overseas businesses, and this must be submitted to HMRC alongside supporting evidence of the goods imported into the UK, that the import VAT was incurred and paid by VL and it is a taxable business outside the UK (certificate of taxable status). Import VAT will not be chargeable if the goods are below the LVC threshold.

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### Inward Processing

Wiltig Ltd ("WL") is a GB established business and therefore, it will be subject to the UK rules and legislation for supplies made and imports into the UK. It manufactures UK has recently diversified to make a wider range of products, which will be sourced from UK and overseas producers and subseuently, imported into the UK.

As it is importing chemichals and components for use in processing, it will incur customs duty and import VAT on the products. Customs duty is an irrecoverable cost and therefore, it is important that the business looks to reduce and obtain relief where possible. Where goods are imported, classification, valuationa nd origin must all be correct.

However, it can use inward processing ("IP") in order to obtain a deferral on customs duty and import VAT incurred and additionally, a full relief on customs duty where goods are exported from the UK. IP declarations can be made by WL where it is importing goods into the UK, subjecting them to a qualifying processing activity (i.e., the manufacture or creation of new products) during a temporary period in line with the HMRC regulations.

### Conditions and Requirements for IP

As it uses an agent to make customs declarations, it will not be able to use an agent for a full IP authorisation application and it also must meet various HMRC conditions and

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requirements to obtain full authorisation The agent will only be able to make an IP declaration in respect of the authorisation by declaration form of IP, which can only be used 3x a year up to £500,000 per imported value. As WL is GB established and holds an EORI number, it will be able to apply to HMRC.

However, it must also satisfy the required conditions outlined by HMRC in its legislation. This includes the requirement that WL is of good financial standing (i.e., financially solvent), does not have any officers/senior employees of the business that have breached a serious tax or customs obligation. In addition, WL must also maintain a logistical system to monitor the movement of goods in and out of the UK, meet standards of professional competence (HMRC will look back three years) and also provide/assist with any checks on goods and records from HMRC, making goods available for inspection on request.

Furthermore, WL must also satisfy the economic conditions, which state that in order for a business to obtain authorisation, it must not harm the interests/adversely affect producers in the UK as a result of the authorisation. However, as the goods imported are not sensitive, then the condition will be deemed to be met.

In the application, WL must provide HMRC with a detailed records of the goods and the processes that will be applied. This should include the goods that will be imported, where they will be imported to, the type of processing subject to, where the goods will be processed, where records will be kept, where they will be released from inward processing etc. Furthermore, in the application, the business must also agree a rate of yield on the imported goods, which is the ratio of imported goods to finished products as well as an agreed throughput period, which is how long the processing will take place. The base period is 6 months but this can be extended on request.

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### Application for IP

In terms of the application for IP, WL can look to have 3 types of authorisation. As mentioned above, the quickest is authorisation by declaration, for which no application is required, and the IP code can be declared on the importation document when the chemicals arrive in the UK, however, as mentioned this can only be used 3x times per calendar year for an import with a max value of £500,000.

The full authorisation is also available to WL, however, applications can take up to 30 days to be approved and therefore, it may wish to apply for full authorisation as soon as possible and use authorisation by declaration in the meantime. The benefit will be that it will allow the business to receive simplified declarations and be able to use IP more frequently in the future. Therefore, it is beneficial to WL in the long-run especially if it is looking to import more components. Full authorisation application is made on an SP3 form.

Retrospective authorisation can apply to imports made by WL in the past 12 months. However, in order to obtain IP retrospectively, WL must meet a strict set of rules. This includes showing business needs, you have followed the IP procedure correctly historically and there were exceptional circumstances that prevented a claim of IP historically. This does not include no knowledge of the relief.

WL must also ensure that in order to claim the relief, monthly/quarterly returns/bills of discharge are submitted to HMRC, otherwise, the business may be denied claims of IP and therefore, CD will be due on goods even when they were exported. Where the use of the products cannot be identified, HMRC will allow for the use of equivalence based on an agreed percentage of the goods used to supply domestic and overseas customers.

Therefore, IP relief will be able to be claimed on 40% of processed products (i.e., 150k /

60% = 250k x 40% = £100k).

Calculation of saving

Where goods are exported from the UK, the customs duty will be relieved and will not be payable. Import VAT will also be relieved, however, this is not an absolute cost to the business.

Chemicals	CD	Import VAT	
Chemicals	72,500	72,500	
Freight to UK border	2,500	2,500	
UK border freight	-	300	
Total	75,000	75,300	
CD payable on import 3 %	2,250		
Total Processed products	250,000 (150,000 / 60%)		
CD Payable on total processed products in UK (60%)	7,500		
CD payable on imported goods (60% x 75,000)x3%	1,350		
CD Relieved on deferred products	5,000		

Therefore, where the example shipment is made to the UK, the business can defer the £2,250 customs duty charged.

Additionally, when the goods are released from IP, they will either be exported or discharged to free circulation. When discharged to free circulation, the goods will become liable to customs duty on this charge (Import VAT recoverable under PVA). The liability will be based on either the customs value of the goods after processing or the value of the goods when they arrived in the UK. WL should therefore use the value of the goods

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when they arrived in the UK as this is lower. This will create a saving of £6,125.

The goods exported will not have any customs duty paid on them and therefore, IP will result in a £5,000 saving.

### Additional Customs Duty relief

In addition to inward processing, the goods can also be declared to a customs warehouse, which will help relieve the customs duty payable on goods imported to the UK. Where goods will be imported but the time of being use for the processing activity is unknown, or if they are likely to sit in the UK for a long time prior to processing, consideration by WL should be given to using a customs warehouse, as if this is not claimed, then HMRC may consider if goods have overstayed their throughput period without being discharged and therefore, may be liable to customs debt.

The customs warehouse will defer import VAT and customs duty on the supply and also, when the goods are required to be used in an IP activity, then they will be discharged to the IP procedure, avoiding a charge of customs duty becoming liable.

As a result, the business should consider the time goods spent in the UK alongside the cost of using any third-party's warehouse or alternatively, the administrative costs of using its own public/private customs warehouse.