

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

Event **NA**

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Exam ID

Count (s)	Word (s)	Char (s)	Char (s) (WS)
Section 1	1526	7063	8576
Section 2	521	2515	3032
Section 3	1019	4573	5582
Section 4	540	2581	3119
Section 5	1215	5931	7130
Section 6	1125	5240	6351
Total	5946	27903	33790

Answer-to-Question- _1_

Litopa Ltd (Litopa) is a UK based business selling adults clothing which is standard rated in the UK and on this basis it is VAT registered because of its UK sales. It's planned expansion involves selling to EU and non-EU businesses and there are VAT implications of both of these ideas. In addition, there will be customs duties considerations and there may be double duty paid by the business by way of importing the goods into the UK and then into other countries. This represents a cost to the business as duties are irrecoverable.

Imports from China

The goods are initially imported from China so there will be customs duties and import VAT to pay on entry into the UK. The business must complete a single administrative document (SAD) on entry to the UK and it must have a GB EORI number with an XI prefix. The import VAT is charged as if the goods were supplied on a domestic basis. As the business is VAT registered it can use postponed VAT accounting (PVA) to defer the payment of import VAT. This allows the business to charge it as output tax and recover it as input tax subject to the normal rules. The customs duty position is different and duty as with import VAT is payable on entry unless any special procedures are used. The duty rate depends on the value of the goods and in this scenario they are likely to use method one being the transaction value adjusting for certain items. The commodity code must be quoted and the country of origin will be detailed. No preference will be available on the goods as China is an established country.

Another consideration of the import into the UK is whether the goods qualify as low value consignment. A low value consignment is an import of goods under £135. There is a range of values that apply to the goods between £100 and £250 so some will qualify and some will not. For low value consignments there is no import VAT or duties to pay and instead they are treated as a domestic supply.

Sales made overseas

Once the goods are in the UK and the business has accounted for import VAT and duties as above the goods will be in free circulation. The business intends to store them in a warehouse for subsequent export to the EU or non-EU countries. The sale of the goods will be zero-rated for VAT purposes provided the appropriate evidence of export can be obtained within 3 months. This can be official evidence from HMRC, commercial evidence such as airway bills etc and supplementary evidence showing the transaction took place.

For the sales made to the EU they will be liable to import duties and import VAT. The same low value consignment rules apply here so for the goods that are below £135 or 150EURO they will be treated as domestic supply with no duties or import VAT payable but domestic VAT charged. The VAT rates differ across EU member states so it should determine the correct rate to apply to each sale. For the sales over the low value consignment amount duties and import VAT will be payable as well as domestic VAT. The business is the importer of record (IOR) which means the taxes must be paid by the business. The EU has deferment accounts for duties as we have in GB so advice should be sought on how to utilise a deferment account for duties. This may allow for speedier import of goods.

As the business has a liability to register in each member state it makes domestic supplies on the basis it is not established and it makes supplies of goods in the EU it would be sensible for the business to utilise the OSS mechanism. This allows businesses to register for VAT in one member state to cover the business across each state it should be registered. One VAT return has to be submitted which simplifies the compliance process and it does this on a quarterly basis with payment and submission due on the last day of the following month. There is however no facility to recover local VAT incurred so it

should submit a 13th directive claim where necessary.

For supplies made overseas to non-EU customers there will be zero-rated exports subject to the conditions above. There will also be a sale of goods in these countries and the business may be liable to import VAT and duties depending on the values. It should seek overseas advice on the liability to register and any reliefs that the business could utilise for import VAT and duties.

Reducing customs duty - Inward processing

Currently, the business may be suffering double duty being the duty payable when goods are imported into the UK where the UK tariff applies. The goods are processed and then they are imported into the EU where the EU tariff rate will be applied. Under the TCA there are generally no duties payable between GB and the EU where the goods originate there. However, the packing of goods will not alter the origin of the goods being it is not a significant stage of manufacture. Therefore, special procedures may be used to reduce duties and import VAT and assist with returns.

Inward processing defers the payment of import VAT and duties whilst goods undergo processing. An application should be made to HMRC to be authorised and it will require the business to prove it is financially solvent, maintains adequate records and have a good history of compliance. The business must also be UK established and have a UK EORI number. The packing of the goods will fall into the scope of the processing allowed and it means where goods are exported no import VAT or duties become payable. The business must demonstrate its yield and may be required to satisfy the economic conditions although this is unlikely due to the nature of the goods.

This would be a customs duty saving as no duty would be payable in the UK and instead payable where supplies overseas. The returns of the goods can be subject to this saving.

Returned good relief

The business could also use returned goods relief on the returns. For customs duties this allows the returns of goods free of duty where they are returned within 3 years which they are, they were in free circulation prior to export which they were as they were in the businesses warehouse (not a customs warehouse) and they have not been altered or processed since being exported. The business would therefore satisfy the conditions as the goods are sent back within 30 days and may be sent back where they do not fit or the customer does not like the goods. This means the goods would therefore not be sufficiently altered or processed. The import VAT requires the exported and imported to be the same person although this is not as important as import VAT is generally recoverable so it will only be a cashflow issue for the business.

The returns by the UK customers will not incur any VAT or duties on the return.

Hong-kong company

The overseas business will ask Litopa to store its goods on its behalf for onward sale in the UK. The business must consider whether the fulfilment house due diligence scheme applies in this scenario. This applies where a business stores goods for another business, the business is established overseas and they are for sale in the UK.

As this request appears to satisfy all of the criteria it is likely the business may be required to register the warehouse under this scheme. The business must register under the scheme otherwise it can be liable to penalties. It must do this as soon as possible and notify HMRC of the position. Penalties can be charged up to £3,000 and goods stored could be liable to forfeiture if not properly applied for.

It also has a requirement to check whether the business it stores goods for is VAT

registered or required to be. The overseas business is supplying goods in the UK and therefore as a non-established taxable person it is required to register as soon as taxable supplies in the UK are made. Litopa must notify the business it is required to register and if it does not comply within 60 days it should cease continuing trade with this business. Litopa should notufy HMRC within 30 days on noticing this issue.

As the business is now operating under this scheme it should consider whether it plans on expanding this service as the same provisions will apply.

The services provided by Litopa will be a B2B supply of services. Under the general rule this is taxable where the recipient belongs. This will fall within the land related services rule meaning the supply is taxable where the land is located as storage is being provided for a specific area of land. Therefore, UK VAT should be applied and the Hong Kong business should recover this in its VAT returns as we have determined it has an obligation to register above.

-----ANSWER-1-ABOVE-----

-----ANSWER-2-BELOW-----

Answer-to-Question- 2

Plastic packaging tax (PPT) is a charge on finished plastic packaging components. It is charged at a rate of £217.85 when businesses are VAT registered. The registration threshold is done on a historic test basis being whether over the last month the business imported or produced over 10 metric tonnes of plastics liable to the tax. The futures test is based on whether there is a reasonable expectation over the next 30 days you will exceed 10 metric tonnes.

The values include any exempt plastic packing components (PPC). A component is finished where it has last undergone its last substantial modification. The goods are imported from China so this may constitute a liability to account for PPT however must must consider whether they are finished. A change to the shape, thickness, structure and weight all constitute a substantial stage of manufacture. The business will be dying the products which will represent a significant stage. The charge to PPT will arise on production of these PPC.

There are specific exemptions such as where the plastic forms an integral part of the storage and whether it is used for long term storage of the goods. The purpose of PPT is to reduce harmful plastics and it is generally applied on single use plastics. Where recycled plastic makes up over 30% of the plastic then it will not be subject to the tax. Therefore, for the first lots of moulds that contain 42% recycled material they will not be liable to PPT. However, the business will be required to register on 1 June 2025 when they place a bulk order. This means for any taxable activities the business should charge PPT at the

relevant rate. HMRC should be notified within 30 days.

The business will update its plastic packaging with new plastic that only contain 27% recycled plastic. This will be a chargeable plastic packaging component and it will therefore be liable to the tax at the appropriate rate described above. 12 tonnes will be manufactured resulting in a payment of $217.85 \times 12 = 2,614.2$.

However, there is relief available where goods are sent for export. A credit can be claimed in respect of the goods exported provided this is done within the period allowed of 12 months. If the business makes further chargeable PPC then this credit will be offset against any amounts that are due. The credit due will be $\pounds 2,614.2 \times 75\% = 1,960.65$.

Records

The business must keep accounts of the goods that are liable to PPT and prove where goods have been exported from the UK. This evidence should all be maintained on file. Accounts must be preserved for six years and include any adjustments that are made, claims and the rate of PPT that is being applied to product. Records should be kept of any waste of surplus that arises from manufacture of the goods.

Returns

Returns must be made on a quartely basis including information on the goods, the rate applied, the weight of the goods produced or imported. It should detail any credits that have been applied for. Returns are submitted on 30 March, 30 June, 30 September and 31 December.

-----ANSWER-2-ABOVE-----

-----ANSWER-3-BELOW-----

Answer-to-Question- _3_

There is a contract between PSU and Affumat SpA (ASP) to undertake a clinical trial in the UK. This will be a supply of services that will be on a B2B basis. Under the general rule this is supplied where the recipient belongs ie. the UK. Although there is a small potential that the business is not registered for VAT on the basis it provides exempt education facilities to student so this should be considered as the B2C rules are that the place of supply is where the supplier belongs.

PSU provides management and analytical services that under the B2B general rule is outside the scope of UK VAT. The overseas business should account for this under the reverse charge mechanism

Shipping of Pharmaceutical products

There will be a movement of goods across the UK border by way of a portable electronic device and a placebo. Import VAT is charged as if those goods were supplied in the UK. The placebo may qualify as a zero-rated product if administered by a healthcare professional. Once imported the clinical trials will be overseen by GP's so it is likely that they are on the medical register and this would mean they could be zero-rated. Therefore, no import VAT would be due on these. An EORI number with a GB prefix will also be required to move goods into the UK.

The goods may also be liable to import duties. The products will originate from China

and on this basis it will not be able to claim preference as this is an economically developed country. Therefore the business should seek to establish the duty rate on the goods under the UK tariff. An SAD will be required where the commodity code of the goods, the place of origin and the value will be included to help determine the correct amount of duty that may be payable on the goods.

Eletronic devices

The electronic devices would be liable to import VAT chargeable at the standard rate unless supplied to an eligible body who can provide a certificate to prove the goods can be zero-rated. The goods are provided to the university so it may be able to produce one. If it can then the goods can be zero-rated.

The devices will be leased from an Italian company. The leasing of goods in a supply of services if ownership does not transfer at the end of the lease in line with the Mercedes case. In this scenario, it does not appear that ownership will transfer. Therefore, the use and enjoyment provisions will apply to the services and this means the place of supply is where the goods are used and enjoyed. This will be the UK and the Italian company should charge Affumat UK VAT on the supplies. This will require it to register for VAT as an NETP as they do not have access to the threshold. We have not yet determined that Affumat is eligible to register for VAT so it will have to submit an overseas reclaim for the input tax incurred.

As there is a movement of goods in the UK as above there may be import VAT due depending on whether they are provided to an eligible body. If import VAT is applied the business will have to pay it on entry to release the goods. It will be required to be VAT registered to use PVA.

Once all of the goods are in the UK they are given to PSU which in turn passes them on

to the GP's. The question here is whether there is a supply of goods but as there is no supply for consideration there will be no VAT implications of this. Therefore, currently there is no suggestion that Affumat should register for UK VAT.

Valuation

For leased goods it is important to note that method one for valuation cannot be used as the transaction value would not be a full representation. This only uses a proportion of the actual value of the goods. Therefore, other method should be considered. Method two is the value of identical products imported into the UK within the last 90 days, method three uses the value of similar products in the last 90 days, method four is the sales minus method and method five is the cost plus method. Method 6 may be appropriate as this is the fallback provision and this allows a separate method to be calculated for the goods.

Goods once finished with

Once the goods have been finished with they will fall into two categories. Where the goods are scrapped in the UK this will be a supply of goods and UK VAT should apply. We have determined the business should register above so it should account for this on its VAT return in box 1 and 6. Where the goods are exported to Germany, this will be a zero-rated export from the UK provided the appropriate evidence of export can be obtained within 3 months. The import in Germany will likely attract duties again as they are China originating goods so the business may suffer double taxation.

Temporary admission could be utilised in the UK that means for goods imported into the UK 3% of the duty that would have been payable should be paid each month. As the goods are in the UK for six months this equates to 18%. The business must be authorised to use this and may need a guarantee. It should be financially solvent, maintain adequate records and have a good history of compliance when applying.

Supplies by GPs

The supplies made by the GP's may fall within the medical exemption being helping improve ones health. This would be a B2B supply and if exempt then no VAT would be charged. If they are not provided by a registered healthcare professional which is unlikely being they are GP's then it would be a standard-rated supply and they should charge VAT if they are VAT registered.

Paying participants

The payments to the participants will be free of VAT being they assisted with a medical trial and this is exempt.

-----ANSWER-3-ABOVE-----

-----ANSWER-4-BELOW-----

Answer-to-Question- _4_

Excise duty is payable when goods alcoholic goods are produced or imported into the UK. The idea of excise duty is that it is charged in the country of consumption. As above Orne Vodka intends on importing Vodka into the UK which would require excise duty to be paid prior to releasing the goods to free circulation. Excise ewarehouses are available which means that Excise duty is not paid until the goods are released into free circulation.

Excise duty is charged in additon to import VAT and customs duty. The excise duty that is payable on spirits depends on the alchohol amount and the size of the container. For Vodka the percentage is generally around 37.5% to 40% and this attracts £31.64 per litre of alchohol in a product.

Firstly to utilise excise warehouses a business must be approved to do so. There are three types of warehouse with the most popular being the storage and distribution warehouse although there must be excise duties suspended of £0.5m a month of £2m a year.

A business must show it has an economic need to operate an excise warehouse. There are strict conditions on operating a warehouse and a business must have the appropriate security measures in place to ensure that no alchohol is taken out of the building. This is dependent on the size of the business but HMRC will require good security. There should be signs around the building show that excise duty has not yet been paid yet and it would be a criminal offence to remove any items without the duty being paid.

If there are any smashes of the goods or the goods are damaged then excise duty can be released but if for any reason HMRC suspect this is not true then they can direct that excise duty is paid. In addition, appropriate records should maintain any issues such as this. The record keeping requirements when operating an excise warehouse are important so the business should maintain records of all goods coming in and out of the warehouse. If they are not in place then when HMRC inspects the premises they may remove authorisation to operate the warehouse.

The warehouse operator should make returns and deliver these within 14 days of the end of the stock period to which it relates. This should contain where goods are received into, stored in and delivered. The period is one calendar months so they should be completed monthly. Records should be kept for no less than 3 years.

Certain operations are also permitted on goods when in an excise warehouse this includes sorting, separating and packing or repacking, rectifying and compounding of spirits etc. This is beneficial for Orne Vodka as they may wish to perform some of these permitted operations once in the warehouse.

Once the goods are released to free circulation from the warehouse, this is the point at which duties will become payable. This represents a saving to the business although it should consider the costs of operating a warehouse as this can be considerable due to the security required and the bespoke software required to track the movements of the goods. Goods can also be transferred between GB excise warehouses so this should be considered.

-----ANSWER-4-ABOVE-----

-----ANSWER-5-BELOW-----

Answer-to-Question- _5_

AEOC and AEOS can benefit from certain things in the UK. The AEOC benefits from a lower risk score so goods can be approved quicker, quicker approval for simplifications and a reduction in the guarantee required for a duty deferment account (DDA). An AEOS also benefits from the reduced risk score, simplified export and import declarations and mutual recognise with other countries. There are a number of conditions that are required to be satisfied to be an AEO and they are the same requirements for both. A person must be established in the UK, have a good history of compliance in which the business or its directors have not been in breach of any customs obligations, they are financially solvent, maintain adequate records and meet the standard of competence required by HMRC.

The first issue the business will face is that revocation of its AEO status will affect the DDA guarantee as this was reduced by 30%. This means the business may have to provide a guarantee for the full amount of duty deferred under this provide. Guarantees are usually provided by banks to cover any duties suspended under the DDA. Bank charges will be levied and this will mean the business will suffer greater charges being a cost to the business.

The business also imports a number of goods and exports so it benefits from simplified export and entry procedures. This speeds up the process of moving goods and is beneficial to the business as it allows customers to get their goods quickly. Simplified procedures allow less information to be provided on export so by losing this status it

would have to fill out a full declaration.

Aberdeen

The goods that are taken due to internal fraud and thefts are an issue and HMRC could revoke the AEO status just on this basis. HMRC can in some instances suspend whilst they investigate or business make some adjustments to their business. A recommended approach would be to remove the staff who have stolen goods from the warehouses and implement a more rigorous security system. This should be able to determine whether goods have left the warehouse. The record keeping system should also have daily reconciliations on losses and where there are losses there should be internal notes to explain this.

The business should also ensure its queries any differences with suppliers before the goods are entered into the warehouse records and reserve the right to refuse where there is a difference. The business should demonstrate all of the above to satisfy HMRC this issue will not occur again.

Manchester

The staff are not following procedures despite being asked by HMRC and this is an issue for the AEO status. The training is not working so there should be further sanctions imposed by the business if employees are found not to be following the rules. It may be beneficial to hold an informal talk with employees to understand why the rules are not being followed.

The business must also be able to show to HMRC it is being active in its approach to the new sanctions should be shown to HMRC. The business may wish to put posters up explaining the procedures.

The business could also utilise software that where the business claims preference it pops up with an icon explaining the rules of preference so employees have no way to miss the rules. All of these things will help HMRC in its judgement and they must be able to demonstrate since the last visit they have improved processes.

Other issues

The business is an exported of goods and it may benefit from mutual recognition. This allows businesses who import into certain countries who recognise AEO status such as Japan and the USA certain luxuries when importing. Therefore, it could harm the business if they lose the status and imports into these countries may take longer meaning the business may lose a slightly competitive advantage.

Overall, the business should demonstrate that it has improved its processes and the issues that previously occurred are no longer present.

5.2) A freeport also known as a free zone can be utilised by a business by not paying duties and import VAT in a certain geographical area of the country. The benefit of this is the goods are being put into inward processing meaning the goods are not in free circulation. The goods can then be moved to a free port without payment of duties and import VAT. The customs warehouse would have done the same although this is costly and business often try and find cheaper solutions.

There are strict conditions on operating in a freeport and those in charge of the freeport are responsible for maintaining adequate records, a good system for movement of goods ready for inspection by HMRC, there must be good security of the goods to ensure goods are not taken out of the area unauthorised. This would mean the business is underpaying duties as goods taken out of the freeport without being discharged correctly would be free

of duties and VAT.

The authorised business must also ensure it does not take bring any unauthorised activity into the free port with it.

To be authorised as a free zone business you must obtain authorisation that specifies the goods declared for a free zone procedure, the authorised person. The storing, use or processing of the goods must be identified correctly.

Implications caused by the HMRC visit

Firstly, businesses are bound by strict security measures to ensure goods are not removed from the freeport without having the appropriate taxes. Businesses must therefore have measures in place to prove this and HMRC may wish to visit and see this. The visit by HMRC in Aberdeen detected that staff having been stealing footwear from its customs warehouse. Customs warehouse are also subject to strict security provisions as these goods are effectively treated as being outside of the UK. Therefore, the business has demonstrated to HMRC it does not currently have the methods in practice for security.

The business must therefore demonstrate how it will prevent goods leaving the premises unauthorised.

The visit in Manchester shows the business is not following the correct procedures so HMRC may think the business is unable to maintain the appropriate records to be a Freeport business. It is necessary to record movements of all goods in and out of the freeport as this determines whether duties and VAT should be applied. Therefore, HMRC may want proof of the system that will be used to monitor goods in and out of the freeport.

Summary

The business may try and obtain authorisation to become a freeport business. However, it clearly has some issues within the business so it must demonstrate to HMRC how it has resolved the issues and how it intends on complying with the law prescribed by the freeport legislation. If it can demonstrate the staff are well trained, there is goods security and the business has recently improved then the inspection may not cause any issues for the business. The business has been correctly utilising Inward processing from the question so it is clear it can follow the rules to some degree. It could use this to display that Southampton is operating correctly and the other areas of the business need improvement.

-----ANSWER-5-ABOVE-----

-----ANSWER-6-BELOW-----

Answer-to-Question- _6_

6.1) Anti-dumping duty is a measure applied to stop certain countries supplying a large amount of goods into the UK. They are applied on certain goods from certain countries and the purpose is to prevent the goods being imported into the UK.

NIByco Ltd (NB) is a NI established business and for VAT purposes it follows the EU rules on goods and the tariff applicable depends on whether the goods are at risk or not. The purpose of the registration period is to prevent the dumping of the bicycles whilst it completes its investigation of the anti-avoidance.

The likely outcome of the investigation for Malaysian goods is that the production was not done so against the rules. A new subsidiary was created and the bikes are manufactured in Malaysia and it is on this basis they will be treated as originating in this country. There is no involment of the Chinese supplier by way of providing goods.

One of the other supplies however appears to still be manufacturing the products in China for assembly in Bangladesh. This will not affect the country of origin being it is only a simple process. Therefore, the purpose of this is to avoid ADD and the Bangladesh company clearly breaks the law by doing this by falsifying records. Therefore, the likely outcome of this is that for bicycles involving Malayisa there has been business that have stopped trading in China and set up new business to try and circumvent the law but they have done this within the allowed rule. However, there are clearly attempts by some businesses to do this outside the realm of the law as seen in Bangladesh. The EU will

have to consider whether htis provision is working and whether it should do something else to tackle the problem.

6.2) There are a number of risks concerned with new suppliers and claiming preference. If the business fails to understand the rules properly it could be liable to large charges so it must ensure it understand the rules correctly.

Nlbyco is established in NI so we must determine whether the goods are at risk of onward movement to the EU as if they are then a business should apply the EU tariff. The EU customs rate is 3% or more of the UK rate so we apply the EU tariff.

Therefore, the business is liable to EU duty of 15% and 40% ADD. This is a significant cost to the business as they are both irrecoverable costs. The UK tariff is must lower but determining whether goods are at risk is not a choice, there are a prescribed set of rules that a business must adhere to. Businesses if registered under UKTS can declare goods not at risk and where goods do not go to the EU a reclaim of duties can be made.

The risks concerned are the rate of duties that will apply. ADD are charged in addition to customs duties. The customs rate of imports from Malaysia by the new subsidiary there would attract duties of 15%. There is no risk on the duties side and this is the same as China and then the same as Taiwan. The issue will be on the ADD side of things. The new business called ChiMal Sdn is clearly being set up to avoid this registration period.

The risk is that an additional 40% will be charged on the value of the goods as the purpose of the new business was to reduce duties. This is a large figure and there may be additional penalties and interest on top of this. This business may also be subject to further HMRC inspections etc in the future.

Bangladesh company

The new business is Bangladesh represents the greatest risk as this appears the business is deliberately giving the certificate of origin so a preferential duty rate can be claimed and there are no ADD to pay. The preferential rate is 0% and the previous duties due were 15% with ADD of 40% on top so the business has saved 55%.

NiByco can have prove mitigation where preference was incorrectly claimed but this includes things such as reasonable expectations that the exporting authorities could be relied on and visiting the premises. This could show that the business did reasonable checks and it was the supplier who lied to get the custom.

If NiByco did visit the manufacturing premises it would be presented with a factory that assembles bikes and not produces them.

To claim preference goods must originate in that country meaning they are wholly obtained in this country. This means that the goods come from the ground there or the land. They could also originate there by virtue of being sufficiently worked or processed and this general changes the commodity code and is an important stage of manufacture. The goods must not be altered or processed when leaving the country of origin and they must be accompanied with a certificate of origin.

The goods were provided with a certificate of origin but the country of origin is of question. Goods that are simply assembled do not represent an important stage of manufacture and therefore they will not originate there. The question is whether NiByco could have reasonable expected this or if it worked with the overseas companies to do this.

Recommended action

Due to the potential that NiByco will be engaging with suppliers who are aiming to circumvent the new ADD legislation there are a couple of options. The business could get new suppliers. Although it may have similar issues being it is engaging with people who are trying to avoid paying ADD. It should complete the necessary DD first.

The business could continue working with the same suppliers but cover itself by visiting the factories where goods are produced and using this as a defence showing it took all the necessary precautions. These steps would however show that BanglaBike was not complying with the relevant rules and it should cease trading with this business on the basis it is provides origin certificates to reduce paying duties and ADD. It should also notify HMRC if it becomes aware it has underpaid any duties.

The business could insert a clause in its contracts to cover the business in the event there are any duties due and this will make the supplier liable to pay. Insurance could also be taken out to mitigate the risk.

A binding origin information (BOI) could be applied for to confirm the country of origin for the goods. This would give the business certainty as to where it goods are being imported from and this is binding for three years. This is beneficial to the business as it can protect against back duty claims in this way.