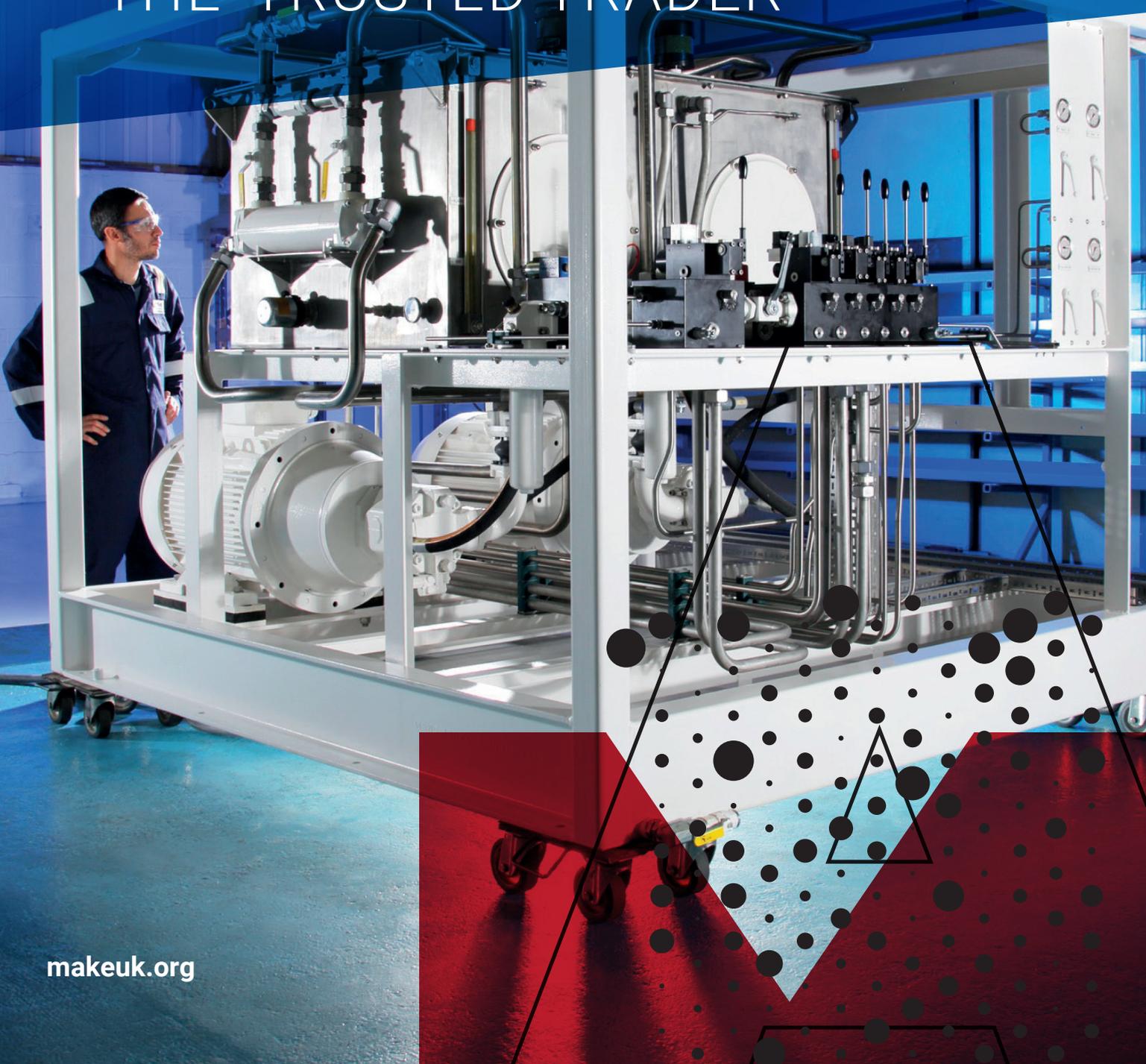


BREXIT BRIEFING

CUSTOMS AUTHORISED ECONOMIC OPERATOR (AEO) – THE 'TRUSTED TRADER'



Customs Authorised Economic Operator (AEO) – The ‘Trusted Trader’

What is an Authorised Economic Operator - AEO?

The AEO ‘Trusted Trader’ programme provides faster and simpler access to customs procedures for UK traders. It allows companies to ‘fast-track’ shipments through customs and security so goods can move more freely across borders. It improves the security of international supply chains by removing obstacles at the border.

AEO status is rapidly expanding across the world and will become the mainstay of safe and secure global freight movement. Post-Brexit it is expected that it would be recognised by the EU. The World Customs Organisation report that of its 182 members, 169 have committed to investing in a trusted trader programme <http://www.wcoomd.org/en/topics/facilitation/instrument-and-tools/tools/aeo-compendium.aspx>

As the volume of international trade increases year on year, similarly there is a growing need to improve efficiency and reduce the costs of international trade. The AEO programme provides practical and financial benefits to businesses who meet the criteria.

How do I know if AEO status is right for my business?

AEO status is not right for every company. Before any business starts an application it is vital they carry out a detailed cost-benefit analysis to ensure it is appropriate for their individual needs. Companies may find that individual customs facilitations are a more proportionate response to their needs (eg Inward Processing or Customs Warehousing). It is important to assess your level of need from the outset to ensure you develop a balanced response. Make UK can assist businesses in making this assessment.

How do I become an Authorised Economic Operator – AEO?

Traders who seek AEO status are required to apply to HMRC. There are 2 types of AEO authorisation:

- **AEOC** – Customs simplifications (compliance)
- **AEOS** – Customs Security & Safety

AEOC authorisation indicates a company has an efficient and compliant customs controls and procedures which mean they can be recognised as a ‘trusted trader.’ AEOS authorisation indicates the company operates within a secure supply chain. Companies holding both are considered to have full AEO status.

Eligible businesses can be authorised by HMRC provided they can demonstrate they meet the required criteria – the criteria is slightly less onerous to apply for, but lacks the additional benefits offered by full AEO status. The full process for gaining AEO status varies, but in general it takes between 9-12 months to complete.

How does HMRC assess for AEO status?

When assessing that the applicant for both AEOC and AEOS has met the criteria HMRC will be looking at:

- **Compliance** – has the business been compliant in all customs and other taxation areas for the past 3 years? Have there been any infringements, and if so could these be regarded as negligible? For example, misclassification of goods that did not cause a loss of duty would be an infringement but also negligible because it had no effect. Deliberate misclassification to avoid duty would be detrimental and could not be ignored.
- **Record keeping** – are the records kept sufficient for the size and complexity of the business? Are they accessible by HMRC? Do the employees responsible for customs matters know what needs to be recorded? Are there appropriate levels of administrative organisation in place?
- **Solvency** – does the business have the ability to satisfy its legal debts and meet its financial commitments to both HMRC and other creditors?
- **Practical competence or professional qualification** – does the applicant, or the employees responsible for the customs side of the business, fully understand the customs procedures and their responsibilities? Do they have at least 3 years' experience in Customs matters?
- **Security and safety** – this applies to AEOS applicants only. Here you will need to provide a written security assessment completed by either the applicant or perhaps a professional security adviser. You will need to check if:
 - they have assessed all threats
 - tested these with scenarios
 - put into place countermeasures

What are the key benefits of AEO status?

- Is the major platform for facilitation
- Provides operators with internationally recognised quality mark
- Facilitates the movement of goods within secure supply chain
- Provides benefits for legitimate operators
- Compliant & trustworthy economic operator status
- Reduced risk rating with HMRC resulting in reduced physical & documentary checks
- Priority treatment when goods are selected for examination
- Fast stream when applying for Processing, Storage authorisations etc.
- Notification of risk selections when made
- Quicker release of goods
- Enhanced reputation & image
- Preferential treatment for global import/export via Mutual recognition
- Waiver or reduction of guarantees for Duty in suspense and Authorisations with considerable financial implications

What are the increased benefits of AEO status post-Brexit?

Post-Brexit, subject to the negotiations of a future relationship the EU countries may become third countries which require a full customs process. In which case, provided they recognise AEO status its accreditation could ease any customs friction for UK imports and exports.

Case studies

A large volume importer, during self-assessment for AEOS (Security & Safety), reviewed its international supply chain and discovered a major supplier included wharfage charges for port storage. Moving storage away from the port prior to dispatch to the UK saved the importer £100k annually

A chemical company importing raw materials and approved for AEOC (Customs Simplifications), applied for Inward Processing relief and saved £80k per annum on import duty. They also qualified for a waiver of the requirement to provide a guarantee saving a further £4k annually

An engineering company, manufacturing satellite systems, gained AEOC accreditation and was eligible for Inward Processing relief giving a saving of £60k import duty and waiver of provision of a guarantee

A medium size UK exporter won a contract to supply an Australian company in the face competition from much larger international companies because they were AEOS approved.

A UK exporter looking for port warehousing put out a tender stipulating that applications would only be accepted from AEOS accredited warehouses

How can Make UK help?

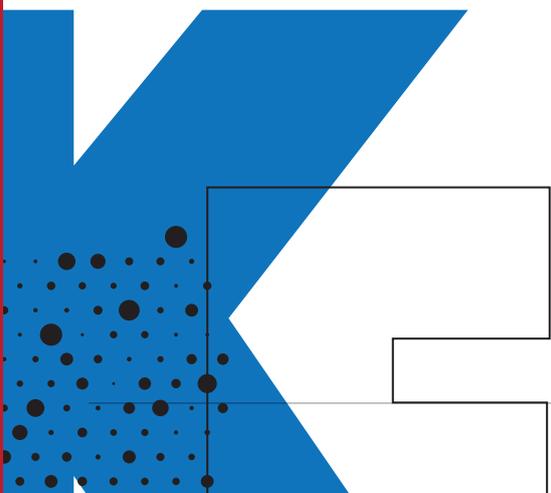
Make UK can support members to understand Authorised Economic Operator status, assess its financial and supply chain benefits for them and give members the latest views on how it might apply post-Brexit.

The process of applying for AEO can be quite lengthy, often daunting and time consuming. Make UK has commissioned an AEO expert to help and advice our members. Keith Robe, former HMRC International Trade Development Liaison Officer, can work with members to help them understand whether AEO status would be right for them, and support them in their application should they wish to proceed. He can also advise companies on other customs facilitations, to support a company to import/ export at its optimum level.

Keith has over 30 years' experience in his former role with HMRC and can advise on all the aspects of AEO and its benefits to your business. He has been involved with the AEO programme since 2006 so is very experienced in all AEO matters having trained HMRC staff, had responsibility for applications and audits, and is Security & Safety qualified.

As a representative of both HMRC and EU Customs he has facilitated in the AEO programme in Brazil, worked with Customs and Border Protection in the US negotiating the AEO/CTPAT mutual Recognition Agreement

Keith is available to our members to deal with general enquiries and support in all aspects of AEO and other customs facilitations.



ABOUT



Make UK - The Manufacturers' Organisation, is the voice of manufacturing in the UK, representing all aspects of the manufacturing sector including engineering, aviation, defence, oil and gas, food and chemicals. Representing some 20,000 members employing almost one million workers, Make UK members operate in the UK, Europe and throughout the world in a dynamic and highly competitive environment.

Britain is one of the world's biggest manufacturing nations. Almost 3 million people work in our sector and deliver almost half of all UK exports. Our companies drive over 60 percent of all UK research and development. As a result of that investment, manufacturing as we know it is changing, adapting, and transforming each and every day.

We're at the cutting edge of innovation; leading the way in developing skills and driving competitive advantage for the UK. Make UK is focused on creating the most supportive environment for UK manufacturers to thrive, innovate and compete. We do this so that together, we can build a platform for the evolution of UK manufacturing.

MakeUK.org

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