

BREXIT and Authorised Economic Operator

Protecting the global supply chain is a priority for business and government, the Brexit trade negotiations will recognise this. However, once outside the single market VAT and customs duties will be an issue for UK/EU trade. Becoming an AEO will ease this burden.

Authorised Economic Operator

The Authorised Economic Operator (AEO) concept is the EU's response to the World Customs Organisation's (WCO) SAFE initiative to tackle terrorism, counterfeiting and fraud. It has been adopted and is recognised by all the major trading nations.

All businesses involved in moving goods through the international supply chain are affected, irrespective of size or trade sector. This includes importers, exporters and manufacturers.

The aim is to ensure that the international supply chain is secured through co-operation between world trading partners, including the UK, EU, USA and China.

AEO status provides facilitation and benefits to reliable businesses that demonstrate themselves to be trusted and compliant members of the international supply chain.

On Brexit, the UK will be a Member of the WCO and the current EU AEO requirements are likely to be adopted in full.

What is an AEO

An AEO is a business that, following a detailed audit, is regarded as reliable and compliant by HM Revenue & Customs (HMRC). AEO status will be granted to businesses meeting the criteria for one of three possible certifications:

- Customs simplifications
- Security and safety
- A combination of the two.

For most businesses, a customs simplification authorisation will be the most important accreditation

Is it Compulsory and what are the Benefits?

AEO status is not compulsory but unaccredited businesses are likely to see significant increases in import and export costs. Businesses holding AEO status will have several advantages over other businesses.

- As a 'trusted participant' in the supply chain, an AEO's goods will be subject to fewer import examinations by customs authorities.
- Automatic granting and no financial guarantees for using customs simplified procedures such as inward/outward processing relief, customs warehousing and temporary storage.
- Mutual recognition with the EU will make it easier and simpler to import and export goods from/to the remaining 27 Member States.

The process of the AEO application has indirect or collateral benefits including taking an end-to-end review of the business, identifying strengths and weaknesses including:

- Increased security awareness within the business.
- Streamline workflows and increase efficiency
- Provision of more timely and accurate data to customers and customs authorities.
- Enhanced due diligence procedures
- Early identification of theft and fraud.
- Enhanced customer relationships by reducing in delivery delays.

Will non-AEO businesses be disadvantaged?

Current clearance times in respect of goods owned by non-AEO businesses will be maintained. However, goods being imported by AEOs will be prioritised over non-AEO goods if subject to customs examination.

Businesses who choose not to apply for AEO status will be able to retain existing authorisations and simplifications. However, they will be required to lodge guarantees with HMRC.

Following the implementation of pre/arrival/departure summary declarations, non-AEO businesses are required to submit more data to HMRC.

What does the application process involve?

Applications to HMRC are voluntary and require a detailed examination of the company's:

- Background - including details of the owners and shareholders of the business, sites and subsidiaries, the source of raw materials and destination of sales.
- Customs compliance record - including details of any existing customs authorisations held by the business, the methodology for determining the customs value of imports and exports, and the procedures for disclosing irregularities to the relevant government agencies.
- Accounting and logistical system - including the audit trail for fiscal and customs purposes, the internal control procedures of the business, and measures taken to protect computer systems against unauthorised access.
- Financial solvency,
and, if applicable
- Safety and security procedures

The Application Form, C117 and explanatory notes can be accessed at HMRC's website.

Having considerable experience in assisting companies navigate the process and attain AEO status, SKS can work with you and advise how best to ensure a successful application.

What should businesses be doing now?

Prior to submitting an application for AEO status, applicants need to analyse their business to ensure that the required criteria and standards can be met and fully evidenced. This involves reviewing:

- Business processes, systems and controls.
- Existing accreditations or authorisations which may satisfy part of the criteria for AEO status.
- Areas of risk, to understand their potential impact on the business, customs matters and the AEO application.

The AEO accreditation process can take several months.

If you would like to discuss AEO and/or Brexit and how both might impact on your business please contact us.

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