

Meeting	SPA Resources Committee
Date	17 June 2021
Location	Video Conference
Title of Paper	Importation of Goods from the EU
Presented By	Iain McKie, Head of Procurement
Recommendation to Members	For Discussion
Appendix Attached	Appendix A – Guidance Note for imports from EU and Rest of the World

PURPOSE

The purpose of this report is to provide an update to the SPA Resources Committee on activity undertaken to adapt procedures to accommodate importation of goods from the EU following the exit of the UK from the EU.

Members are invited to discuss the content of this paper.

1. BACKGROUND

- 1.1 In Following the UK's exit from the customs union and single market due to Brexit there was a requirement to understand the new import rules to ensure that goods coming from the European Union were not delayed at UK customs or returned to the supplier.
- 1.2 Although Procurement had done a vast amount of work preparing for all eventualities flowing from Brexit, the particular rules for importing goods into the UK from the EU only became clear on the conclusion of negotiations.
- 1.3 The EU-UK Trade and Cooperation Agreement (the Trade Deal) contains the new arrangements for importing goods from EU suppliers. The Trade Deal established zero tariffs or quotas on trade between the UK and the EU, where goods meet relevant rules of origin. The rules of origin govern how customs authorities classify goods in order to determine import duty charges. EU Companies who export to the UK now need to provide information to make a declaration at UK customs specifying where the goods/materials have originated from and there are now complex rules which determine whether the goods qualify as "originating" in the EU for the purposes of duty charges, based on the degree of transformation if raw materials are imported from supply chains outside the EU.
- 1.4 In addition, VAT arrangements have also changed due to the UK leaving the customs union. Within the customs union, no VAT was payable at the time of import. VAT was accounted for using a reverse charging mechanism where EU import VAT was declared as a reverse charge and recovered at the same time when submitting VAT returns. VAT is now payable on goods imported from the EU and the new customs arrangements require a declaration to be made at UK customs to determine the VAT charging arrangements.
- 1.5 Although the vast majority of Police Scotland purchases are made with UK operating companies and won't be affected directly by this change, there are a number of important requirements which are purchased directly from EU companies.

2. FURTHER DETAIL ON THE REPORT TOPIC

Initial Response

- 2.1 As the implications of the Trade Deal became clear, Police Scotland's Procurement Team carried out work to understand the new arrangements and put in place temporary measures to make sure that goods imported from EU suppliers could be cleared through UK customs and any necessary charges paid to ensure that there were no significant delays which would have detrimental impact to operations.
- 2.2 Procurement developed an interim guidance note and issued this to purchasers across the organisation and through the procurement intranet site to ensure that staff were aware of the new processes and understood how to arrange for payment of any necessary charges.
- 2.3 This generally involved making payment for any valid import costs via purchasing card and arrangements were put in place to make payment via procurement's purchasing card for departments who did not have access to this facility.

Detailed Guidance

- 2.4 Following the publication of the initial guidance note, a cross-functional short life working group (SLWG) was set up with colleagues from procurement and finance to fully consider the implications of the new Trade Deal and put in place an enduring process and detailed guidance to deal with the changes efficiently.
- 2.5 The SLWG developed a detailed Procurement Guidance Note, attached to this paper as **Appendix 1**, to fully explain the new arrangements. This documents the roles, responsibilities and new processes put in place to deal with importing goods from outside the UK generally, with specific reference to the EU and the new arrangements flowing from the Trade Deal.
- 2.6 There are three main areas which have seen change and are covered by the guidance:
 1. Whilst the Trade Deal envisages tariff and quota free trade, this is now subject to complex rules on the origin of goods which are explained in the guidance note, including guidance on how to validate such charges at the border where the

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goods do not meet carry originating status and therefore attract duty charges. This also involves making a customs declaration and paying an administration fee for that service through an appointed agent, usually the haulier appointed by the supplier.

2. Whilst VAT is now payable at the border on goods imported from outside the UK, the finance team have now registered for the postponed VAT payment scheme to simplify payments. This means that any VAT due to be paid as goods flow through UK customs can be postponed until the time of submitting a VAT return and offset at the same time, essentially maintaining the previous position within the customs union with regards to payment and recovery. However, in order for this to operate effectively, the guidance details the process that must be followed to make the necessary customs declaration by providing Police Scotland's Economic Operator Registration Identification (EORI) number, which must be used to ensure that VAT is processed through the postponed payment scheme. This means that the only cost that will need to be paid at point of goods passing through UK customs will be the Import Duties and handling fees applied by the import agent for completing the administration at the UK border.
3. Whilst the Trade deal envisages tariff and quota free trade, it is the case that some goods imported from the EU may incur duty charges at the UK border and therefore the "landed" price to Police Scotland may be higher than the price tendered by a non UK supplier. The guidance sets out how to capture any associated and additional costs within the tender process and evaluate them to ensure that Police Scotland continues to secure Best Value. Furthermore the note details the contractual arrangements that are required to protect that value throughout the life of the contract e.g. to ensure that if supplier's change their supply chain during the contract period they will absorb the costs and not pass these on to Police Scotland.

- 2.7 The Procurement Guidance Note is published on the procurement intranet site. A specific page has been created for this guidance and will be reviewed and updated if rules change for current and future trade deals. To ensure that relevant staff are aware of the new Procurement Guidance Note a follow up communication will be distributed to the same targeted groups as the interim guidance.

- 2.8 The SLWG will continue to monitor the effectiveness of the new guidance and processes to ensure that they are embedded within BAU practice.

3. FINANCIAL IMPLICATIONS

- 3.1 There are no financial implications in this paper.
- 3.2 The guidance developed deals with changes required to financial processes for payment of invoices from EU suppliers and the accounting arrangements for VAT and duty charges.

4. PERSONNEL IMPLICATIONS

- 4.1 There are no personnel implications associated with this paper.

5. LEGAL IMPLICATIONS

- 5.1 There are legal implications associated with this paper.
- 5.2 All legal implications are set out in the Guidance Note for Imports from EU and Rest of the World (Appendix 1).

6. REPUTATIONAL IMPLICATIONS

- 5.2 There are no reputational implications associated with this paper.

7. SOCIAL IMPLICATIONS

- 7.1 There are no social implications associated with this paper.

8. COMMUNITY IMPACT

- 8.1 There are no community implications associated with this paper.

9. EQUALITIES IMPLICATIONS

- 9.1 There are no equality implications associated with this paper.

10. ENVIRONMENT IMPLICATIONS

- 10.1 There are no environmental implications associated with this paper.

RECOMMENDATIONS

Members are invited to discuss and note the progress made on addressing the implications of Brexit on the importation of goods from the EU and related financial procedures including the development of a Procurement Guidance Note and changes to financial procedures for paying and accounting for imports from EU and Rest of the World.

Appendix A

Procurement Guidance Note for imports from EU and Rest of the World

SCOTTISH POLICE
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**Procurement Guidance Note for imports from
EU and Rest of the World**

Owning Department	Procurement
Version Number	1.00
Date Published	17/05/2021

**Compliance Record
Version Control Table**

Version	History of Amendments	Approval Date
0.01	Draft	26/02/2021
0.02	Amendments	22/03/2021
0.03	Amendments	26/04/2021
1.00	Approved	06/05/2021

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1 Introduction

- 1.1 This guidance sets out the core changes that have been implemented by the UK Government to goods being imported from the EU27 member states since Brexit.
- 1.2 While this guidance is for importing goods from the EU due to Brexit it is important to know that import rules for goods coming into the UK from around the world are essentially the same, there are import duties/costs to be paid at the border before goods can be delivered. The noted difference is that the UK and EU had a trade deal which meant that goods could be traded without tariffs while the import rules for the rest of the world depended on trade agreements that were agreed and are still in place.
- 1.3 Although the vast majority of Police Scotland purchases are made with UK operating companies and won't be affected directly by this change, there are a number of areas where purchases are regularly made from EU companies directly.
- 1.4 This Guidance also covers: future purchases, Procurement Processes, tenders and the changes of originating status of goods after a contract has been implemented.

2 Background to trade arrangements

- 2.1 On the 31st December 2020 Brexit was concluded and the UK left the EU, the EU customs union and single market.
- 2.2 The UK and The EU agreed an unprecedented 100% tariff liberalisation. This meant that there would be no tariffs or quotas on the movement of goods produced between the UK and the EU. This is known as the EU-UK Trade and Cooperation Agreement (the Trade Deal).
- 2.3 The Trade Deal established zero tariffs or quotas on trade between the UK and the EU, where goods meet the relevant rules of origin. Put simply, the rules of origin are how customs authorities classify where an export has come from in international trade.
- 2.4 EU Companies whose supply chains run through countries that are not part of the EU, will need to declare where the goods/materials have originated from before exporting to the UK.
- 2.5 If the goods are made from materials from outside of the EU and the materials have not been reasonably transformed the supplier will need to declare this on a declaration form also known as commercial invoice. On this document they will need to put a commodity code also known as a Harmonized System (HS) Codes these codes are commonly used throughout the export process for goods and will determine the cost of duty to be applied at the UK border
- 2.6 Import VAT is also now payable on those goods at the border where it was previously a declaration made on Police Scotland's VAT return.
- 2.7 All traders must ensure that they are registered with HMRC, they are then issued with an Economic Operator Registration Identification (EORI) number. Police Scotland's EORI Number is GB158533589000.

3 Import Process

3.1 The Import Process for EU goods coming to the UK follow the same route as before Brexit but will have additional paperwork and costs.

3.2 The following process will need to be followed only when ordering outside of the UK:

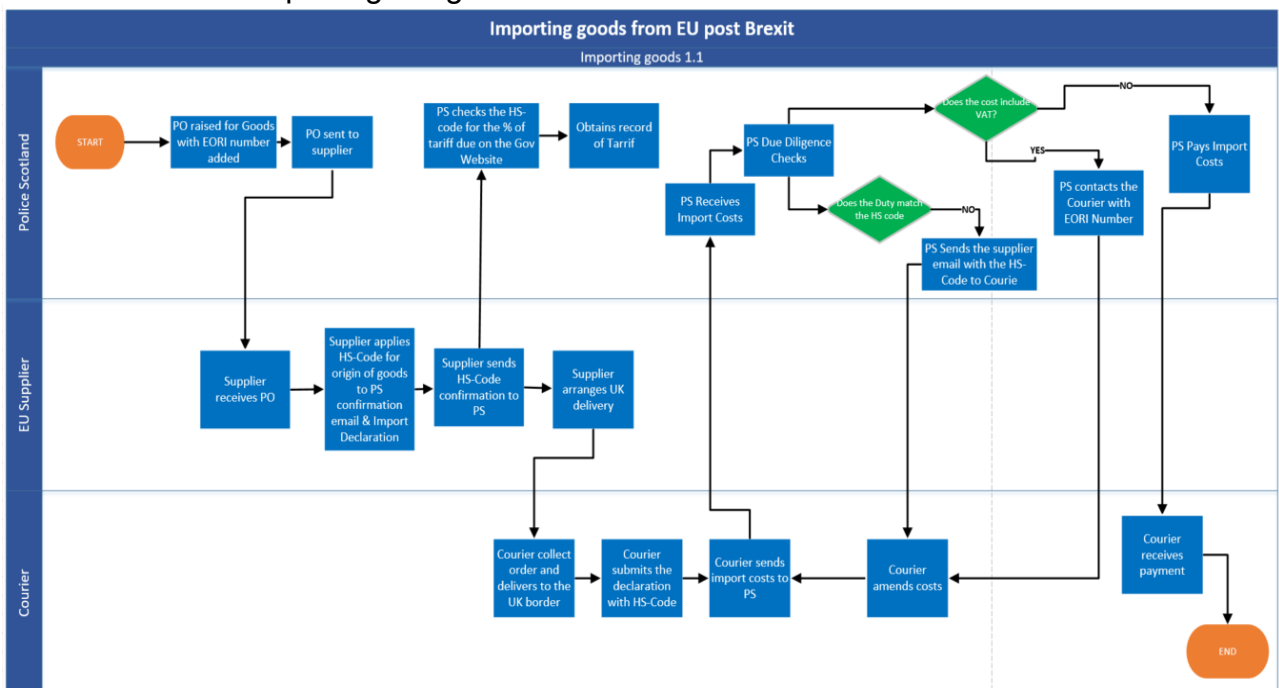
Raising a Purchase Order

- Raise a PO and add Police Scotland’s EORI Number.
- Send the PO to the supplier
- Request the supplier sends back confirmation with the HS Code and the commercial documents when these are ready.
- Use the HS Code to confirm the percentage of duty that will be required for the goods. This can be check on [Trade Tariff Services UK](#)

Receiving Goods

- The Courier/import Agent may email or invoice the cost due, even if no Duty cost there will be handling costs.
- Check there is no VAT – If so contact the Import agent and inform them that Police Scotland Is part of the postponed VAT payment Scheme, ensure that they have the EORI number.
- Check that the duty matches the percentage as per the Trade Tariff Services UK. If this does not match contact the courier with the confirmation of the HS-code as sent from the supplier.
- Once correct Tariff is confirmed pay the importing costs to release the goods and receive the delivery.

3.3 Process Flow: Importing EU goods into the UK:



4 Roles and responsibilities

4.1 This section outlines the roles and responsibilities for importing goods from the EU to the UK.

4.2 The Exporter are the companies/suppliers that send goods to the UK:

- The EU exporter/supplier must hold an export licence or certificate to send goods to the UK.
- Confirm the country of origin for the goods
- Apply HS-codes on export declarations which classifies the goods
- Adds Police Scotland's EORI number to documentation

4.3 Import Agent these are the Couriers that will deliver goods to Police Scotland:

- Responsible for ensuring that goods coming from the EU clear customs at the UK border.
- Submits the export declaration to HMRC Customs
- Clears all administrative paperwork
- Contacts Police Scotland with final cost to clear customs
- Facilitates the payment of import duties
- Clarifies any queries
- Delivers Goods to end user

4.4 Importers are organisations such as Police Scotland that buys goods from another country for use in their own country.

- Placing Orders with exporters with EORI numbers included
- Check the tariff percentage due on goods ordered by using the HS code as submitted by the supplier on the commercial documents.
- Ensure Due Diligence is completed on cost received from the Import Agent.
 - Ensure that there is no VAT
 - Ensure that Tariffs costs are correct
- Rectify any queries that may arise with Due Diligence
- Check the tariff percentage due on goods ordered
- Pay Import Agent for Duties and Handling charges.
- Receipt goods received and retain copies for HMRC audits

5 Transactional process

5.1 Import declarations must be made for all goods coming from the EU, these declarations could be processed by Police Scotland but are time consuming and complex. These declarations must be made even if there is nothing to pay on Duty. Police Scotland have decided to use the import agents for all importing declarations and administration at the UK border.

5.2 The Economic Operator Registration Identification (EORI) number is a mandatory requirement for all custom declarations in the UK and EU, it is issued to all traders involved in international trade with HMRC and the EU. This must be put on all

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Import Declarations to show that Police Scotland are registered with HMRC as a trader and for VAT purposes.

6 VAT

6.1 If you import goods into the UK from the EU you have to pay import VAT on the goods, this VAT can be claimed back by Police Scotland.

6.2 Importers can choose to either pay these duties and taxes immediately to their import agent, who will pass onto HMRC, or alternatively they can register for postponed VAT accounting.

6.3 Police Scotland has opted to use postponed VAT accounting, the benefits of this account are:

- Police Scotland does not have to pay the import taxes immediately upon importation of the goods as the import VAT will be accounted for on the forces VAT return to HMRC under the reverse charge process
- goods will be cleared more quickly as HMRC will not collect import taxes at the time the goods are cleared for customs purposes

This means that there should be no VAT or Sales Tax on any goods purchased outside of the UK.

6.4 In the UK, an EORI number is assigned to importers and exporters by HMRC, and is used in the process of customs entry declarations and customs clearance for both import and export shipments travelling to or from the EU and the Rest of the World.

6.5 To ensure that Police Scotland is included in this scheme when raising an order with an exporter/supplier our EORI number must be on the Purchase Order. **Police Scotland's EORI Number: GB158533589000**

6.6 If you receive duty and handling cost from the import agent and it includes VAT you must contact the agent via their contact number. Inform the agent Police Scotland is registered for VAT in the UK and has opted to use postponed VAT accounting. Provide them with our EORI number as above and ask them to select postponed VAT account on the import declaration.

7 Import Duty

7.1 Exporters/Suppliers must make an Import Declaration for goods being sent to the UK. It is the intention of the UK-EU to remain duty and quota free in with the TCA where goods meet the relevant rules of origin.

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- 7.2 The origin is the economic nationality of goods being imported and exported (where they have been produced or manufactured). It is not just where they have been shipped or bought from.
- 7.3 The Harmonized Commodity Description (HS) and Coding System, is an internationally standardized system of names and numbers and is used to classify goods coming into the UK from the EU. This code is used by Suppliers on the import declaration and will determine the percentage of duty cost that will be due.
- 7.4 The goods are classed as “sufficiently worked or processed’ if they’ve either been produced using materials or were partially processed in countries outside the originating country or territory. If 2 or more are involved in the production, the goods are deemed to have originated in the country or territory where they were last substantially worked or processed.
- 7.5 For best practices ensure that the exporter/supplier applies the HS number on their commercial invoices.
- 7.6 When the supplier sends the commercial invoice you as the requestor can use the H-S/commodity code to search the Government’s [Trade Tariff Services UK](#). This will tell you if duty is applied to your goods and if so the percentage which will be based on the value of the goods total value. If the order has several goods you will need to individually check each HS code for correct tariff.
- 7.7 On the Government website in the “Search the UK Online Tariff insert the H-S /Commodity code, select search. The overview will tell you the percentage per item of the import costs to expect when the goods arrive at the border as per the example below:

The screenshot shows the UK Online Tariff website interface. At the top, it displays 'Section XIX: Arms and ammunition; parts and accessories thereof'. Below this, there are navigation tabs for 'Overview', 'Import', and 'Export'. The 'Import' tab is selected. The main content area shows the following information:

- The commodity code for importing is **9304000000** (circled in red).
- Goods are subject to **Value added tax (20.00 %)**.
- Importing from outside the UK is subject to a third country duty of **2.00 %** (circled in red) unless subject to other measures.
- Import measures and restrictions for specific countries can be found under the [import](#) tab.

- 7.8 When you receive your goods from the import agent/Courier you will receive either an invoice or an email to pay for Duties also being referred to as “Government costs”. These costs can be checked against the HS code found on the suppliers’ commercial invoices. If you have any queries regarding the cost you must contact the import agent/Courier for clarifications.

8 Payment of import charges

- 8.1 A payment will be required regardless of whether there is any duty or VAT. These charges will contain the Import agents processing cost, this is the administration completed at the UK border. If you postpone the paying this may delay the delivery of the goods ordered.
- 8.2 For low value duty and handling costs with a value of <£500 and the option of paying with a card, the Purchasing Card is the preferred method of paying the Courier.
- 8.3 If your department does not have a Procurement Card to pay for these import charges and the cost are >£500 contact the Procurement department for support ProcurementTenders@scotland.pnn.police.uk. Ensure that you have the following information:
- Email with the link to pay the import costs
 - Value of the goods
 - Purchase Order Number
 - Cost Code
 - Account code
- 8.4 Invoices may be sent by the Import agent, this will mean that the import costs have already been paid, it is your responsibility to check the cost are correct. If there is an option to pay by card with a value of <£500 please use your Procurement card, if you have no card contact procurement ensuring you have the same details as 8.3.
- 8.5 If there is no option to pay the invoice by card send the invoice to FinanceAccountsPayable@scotland.pnn.police.uk for payment.
- 8.6 When using the Purchasing card to pay for import charges card holders should use the account code 453003 IMPORT COSTS (incl. DUTY) this will be for administration and duty costs sent by the import agent/Courier.
- 8.7 VAT Recharging for BSU:
- As stated movement of goods between the UK and EU are now subject to import VAT in the country where the goods are cleared through customs. VAT rates can be checked at [UK VAT](#) .
 - Police Scotland has registered to use postponed VAT accounting, this means that there will be no VAT at the border. The tax team will download the monthly postponed VAT statement from the HMRC portal and use this to declare and reclaim the VAT on the forces VAT returns.
 - This means that the transaction may still show VAT however it should be as a debit and credit between the input and output VAT control accounts with no charge to revenue.

9 Procurement Process

- 9.1 Import duty is now a cost which must be taken into account at the point of tendering for goods.
- 9.2 The goods are classed as “sufficiently worked or processed’ if they’ve either been produced using materials or were partially processed in countries outside the originating country or territory
- 9.3 Police Scotland tender documents will need to question suppliers’ supply chain for goods.
- 9.4 Suppliers will need to declare the country of origin for raw materials used for manufacturing, this will also include all H-S codes.
- 9.5 Police Scotland’s Terms and Conditions for suppliers need to contain a clause to mitigate a cost risk if a change of originating status occurs within the contract term.
- 9.6 Suppliers must keep Police Scotland updated on all H-S code changes for goods agreed in the contact.
- 9.7 The Procurement specialist will need to ensure that they capture and retain evidence of status for making import declarations, may also be different for different goods on contract. This will mean keeping a record or the good’s H-S code which drives duty costs.

10 Appendix A

PCard Payment for import charges responsibility assignment matrix

RESPONSIBILITY MATRIX FOR IMPORTS FROM EU/ROW					
TITLE	BSU/IMPORTER	SUPPLIER/EXPORTER	COURIER/IMPORT AGENT	PROCUREMENT	ACCOUNTS PAYABLE
Send PO and EORI Number	R/A	C/I			
Respond to PO	I	R/A			
Send Commercial Papers to PS	I	R/A			
Check Tariff is correct	R	A	I		
Arrange Delivery	I	A	R		
Send Delivery Reference to PS	I	A	R		
Complete Customs papers	A	I	R		
Send payment request for import charges	I	I	R		
Acknowledge the import charges are in line with commercial papers and check VAT is postponed	R/A	C	C		
Pay import charges by pcard held by Department	R/A	I	I		
Pay import charges by pcard held by Procurement	A	I	I	R	
Deliver goods	I	I	R		

KEY	
R	Responsible for task
A	Accountable for decision
C	Consulted for task
I	Informed kept updated

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Invoice Payment for import charges responsibility assignment matrix

RESPONSIBILITY MATRIX FOR IMPORTS FROM EU/ROW					
TITLE	BSU/IMPORTER	SUPPLIER/EXPORTER	COURIER/IMPORT AGENT	PROCUREMENT	ACCOUNTS PAYABLE
Send PO and EORI Number	R/A	C/I			
Respond to PO	I	R/A			
Send Commercial Papers to PS	I	R/A			
Check Tariff is correct	R	A	I		
Arrange Delivery	I	A	R		
Send Delivery Reference to PS	I	A	R		
Complete Customs papers	A	I	R		
Send payment request for import charges	I	I	R		
Acknowledge the import charges are in line with commercial papers and check VAT is postponed	R/A	C	C		
Deliver goods	I	I	R		
Send Invoice to BSU	I	I	R		
Authorise and code invoice and send to AP	R/A				I
Pay Invoice	A	I	I		R

KEY	
R	Responsible for task
A	Accountable for decision
C	Consulted for task
I	Informed kept updated