

Revised details of the simplified arrangements for calculating incidental expenses for the purposes of the value for import VAT

Joint Customs Consultative Committee (JCCC) Paper (05) 64	
Who should Read	All importers and freight agents
What is it about	Revised details of the simplified arrangements for calculating incidental expenses for the purposes of the value for import VAT
When effective	14th November 2005

Simplified arrangements for calculating the value of incidental expenses to be included in the value for import VAT were introduced by Customs in January 1996. These arrangements have recently been reviewed and this paper sets out the revised details which will apply with effect from 14 November 2005.

The arrangements will be reviewed in twelve months time, after which, it is intended to undertake further reviews on a biannual basis.

Simplified Arrangements

The following three methods may be used to calculate the 'incidental expenses' element of the import VAT value. The first method requires actual costs to be declared, whilst methods 2 & 3 provide two ways of estimating the incidental expenses. Use of the three methods is non-hierarchical and individual importers or agents may use whichever method best suits their particular circumstances.

Method 1

This method requires actual costs to be declared at the time the goods are imported. The time of importation is the time at which a customs debt becomes due, or would have become due if the goods were subject to duty. Post-clearance amendments should be submitted in instances where costs are later found to be incorrect (e.g. if additional storage costs are incurred).

Method 2

The following nationally agreed rates may be used to estimate the incidental expenses to be included in the import VAT value. The rates are intended only for international movements of goods, which terminate in the UK, and represent average costs of handling, storage, customs declarations and transport to destination. Values for other consignments, including those destined for delivery in other member States, should be based on methods 1 or 3. If importers/agents use these rates, post-entry amendments are not required. Additionally, where it is found that the import VAT due based on actual costs exceeds the amount declared on the basis of method 2 rates, Customs will not seek to collect import VAT arrears unless the importer concerned is not registered for VAT, or, if registered, is restricted in the amount of import VAT that can be claimed as input tax.

Group	Rate
Group A Airfreight	40p per chargeable kilo or a minimum amount of £100 to be added to the value at the time of importation, whichever is the greater.
Group B Surface freight groupage / consolidation consignments by trailer, rail wagon or container	Delivery and handling combination of £90 per gross weight tonne plus a flat 'other ancillaries' rate of £80.00 per consignment, minimum £170, to be added to the value at the time of importation.
Group C Surface freight full load consignments by trailer, rail wagon or container	£550 per full load consignment to be added to the value at the time of importation.

Method 3

In those cases where Methods 1 & 2 are considered inappropriate or impractical to use, individual agreements may be negotiated with our Entry Processing Unit, or with the importer's local Excise and Inland Customs office. Importers or agents interested in this method, who are uncertain about which office to approach should contact the National Advice Service or use the contact number at the end of this paper. Once an individual method 3 rate is in use, post-entry amendments are not required.

Courier And Express Parcels Consignments

A separate 'method 2' rate has been agreed with AICES for these consignments.

Enquiries and further information

Please direct any enquiries about the content of this paper to our National Advice Service (Telephone number 0845 010 9000) Enquiries on the use of method 3 may be addressed to the office below.

Further information on the import VAT valuation rules is given in the appendix to this paper.

Mike Manton
Valuation Unit of Expertise
Jubilee House
2 Farthingale Walk
Stratford
London
E15 1AT

ISSUED NOVEMBER 2005

JCCC Secretary, HM Revenue and Customs, Frontiers, LG74, 100 Parliament Street, London SW1A 2BQ. Tel: 020 7147 0617

Email: ian.tucker@hmrc.gsi.gov.uk

If you have a question about the content of this paper please use the contact provided in the Further Information section. For general HMRC queries speak to the National Advice Service on 0845 010 9000 or visit www.hmrc.gov.uk

Appendix

The following provides a brief summary of the existing rules on import VAT valuation, explains the meaning of some of the terms used and the application of the rules in respect of removals from warehouse, and advises you where you can obtain further information if required.

Value For Import VAT

The value for VAT of imported goods is their value for customs duty purposes (whether or not duty is actually due) plus, if not already included in the price:

- Any customs duty or levy payable on importation into the UK
- Any excise duty or other charges payable on importation into the UK (except the VAT itself)
- All incidental expenses such as commission, packing, transport and insurance costs incurred up to the goods first destination in the UK

- All such incidental expenses where they result from transport to a further place of destination in the EC if that place is known at the time of importation.

The relevant legislation is Section 21 of the VAT Act 1994.

Incidental Expenses

In addition to the examples given above, the term “incidental expenses” also covers such items as customs clearance charges, quay rent, entry fees, demurrage, handling, loading and storage costs. Generally, where supplies of services qualify for zero-rating because they are supplied in connection with an importation of goods, the cost of those services should be included in the value for import VAT.

In most cases, the services to be included in the VAT value are charged to the importer by a third party, eg an agent, freight forwarder or hauler. However, when a particular service is provided by the importer, eg own transport, the cost may be left out of the value.

Charges for certain services received from outside the EU – most commonly royalties and licence fees- should not be included in the value for import VAT as they are taxable under the reverse charge/international service arrangements. For details see [VAT Notice 741](#) (Place of supply of services).

First Destination

“First destination” is the place mentioned on the consignment note or any other document by means of which the goods are imported. So, for example, where goods are consigned to Birmingham via Dover (and the import documentation shows that) Birmingham will be the first destination for import VAT purposes. In the absence of such documentation, first destination means the place of the first transfer of cargo in the UK.

Further Destination

If a further destination in the UK or another EU member state is known at the time the goods are imported, costs resulting from the transport of the goods to that place must be included in the import VAT value.

Goods Removed From Warehouse

The rules set above apply equally to imported goods, which are removed from customs or excise warehouses. This is because the goods are not deemed to be imported until they are entered to free circulation – at which point a place of destination beyond the warehouse will normally be shown on the relevant import documentation. That place is therefore the place of first destination for import VAT purposes, and any incidental expenses incurred up to that place should be included in the import VAT value. Any cost resulting from the transport of the goods to a further destination, if known at the time of importation, should also be included in the value.

Services in Warehouse

Under the import VAT valuation rules, all-inclusive charges such as LHD (loading, handling and delivery) are to be included in the import VAT value as incidental expenses. However, a different section of the VAT Act (section 18C) deals with supplies of certain services in warehouse, including warehousekeepers' storage charges and the usual form of handling (UFH) which may be carried out in warehouse (and which are directly associated with goods held in the warehouse). Such services may be zero-rated at the request of the owner of the goods, provided they issue the supplier of the services with a certificate stating the goods are under duty suspension arrangements. VAT will subsequently become due on the services when the goods are removed from the warehousing regime. The VAT is to be accounted for on the import entry or other relevant document, together with any import VAT and duty, which is due.

It should be noted that in cases where the goods are entered to Type D warehousing or are valued under the provisions in Article 112 of the Community Customs Code (Council Regulation (EEC) no: 2913/92), charges for storage and UFH are excluded from the customs value, but VAT must be accounted for on them in accordance with this paragraph.

Note: Warehousekeepers' storage charges are excepted from the requirement for a certificate to be issued by the owner of the goods in order for the service to be zero-rated.

Further Information

Further information can be found in

- VAT [Notice 702 Imports](#) (January 2004, including Update 1) - which provides general information about VAT on imported goods
- VAT [Notice 744B Freight transport and associated services](#) - which explains the place of supply rules for such services, and explains the circumstances in which those services are zero-rated when supplied in the UK
- VAT [Notice 741 Place of supply of services](#) – Section 15 of which explains the “reverse charge” procedure for accounting for certain services received from outside the EC (eg royalties and licence fees).