SITPRO
International Trade Guides

Exporting

Exporting Goods from the UK

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This guide provides basic information about:

- best practice when dealing with contract and payment issues with your trading partner
- commercial documentary requirements involving international movements of goods
- official export requirements

You should it if you are exporting goods from the UK to a customer in any country that is not a member state of the European Union (EU).

Which commercial requirements must I consider?

The commercial requirements are those developed between the exporter (seller) and the importer (buyer) of the goods. They include the sales contract, terms of delivery ("Incoterms"), terms of payment and methods of transport.

Sales Contract

You will want to complete your business quickly, efficiently and cost effectively. To ensure that this is the case, it is important that the sales contract is clear and leaves all parties involved in no doubt where the seller's responsibilities stop and those of the buyer's start, e.g., delivery obligations, cost and insurance. Careful attention and time spent in the sales contract may save time and money at a later date. Two very important areas of the contract are trade terms and payment terms.

Trade Terms - "Incoterms"

When arranging an international sales contract, it is important to ensure that there is no confusion over who is responsible for delivering the goods and paying for the transport. Confusion will only lead to delay, loss of profit and create unnecessary problems between you and your trading partner. As an exporter you should use "Incoterms 2000" in your contract to ensure that all the obligations are understood. Incoterms 2000 is a set of rules covering delivery, risks and costs. The rules were developed by the International Chamber of Commerce (ICC) and are recognised in most countries, although do **not** take precedence over national laws.

When using Incoterms it is important that you refer to the rules and understand the obligations you are placing yourself under. When quoting the particular term in your contract or on commercial documentation you should make specific reference to the rules, for example 'FOB Southampton - Incoterms 2000.'

SITPRO produces two guides on Incoterms - **A General Guide** and **An Action Plan and Checklist**. Copies of these guides can be downloaded from the SITPRO website.

Payment Terms

Terms of payment should not be confused with Incoterms. Incoterms relate solely to the terms of delivery for the buyer and seller. The terms of payment define the conditions under which the importer and exporter have agreed to settle the financial amount of the sales contract. The basic points are:

- method of payment
- amount;
- date of payment;
- place of payment;
- method of remittance;
- cost related to the payment, e.g. who pays which cost such as the banking charges.

Whatever method you use, it is important to remember to quote the sort code of your Bank and your account number on payment instructions.

Generally speaking there are four types of payment:

- Cash in advance
- Letter of Credit
- Bank documentary collections
- Open account

The order of the above methods reflects their level of security for the exporter. For example, "cash in advance" ensures full payment before shipment of the goods and is therefore the most secure method. The least secure method for the exporter is "open account", where the goods are shipped to the importer and payment is requested by the invoice usually quoting a credit period such as '30 days from date of invoice.'

SITPRO produces a range of guides on payment issues. Copies of these guides can be downloaded from the SITPRO website.

What basic commercial documentation is required?

The Invoice

The export invoice should show normal invoice details plus a full description of the goods including item price, net weight (in kilos) and the country of origin. Customs authorities use the commercial invoice to verify the details of the consignment; it is therefore good practice that the invoice has a signed and dated declaration that the facts are true and correct.

For some countries there are specific requirements on the layout, form or content of the invoice. You can find out more about these special invoices from SITPRO, or your freight forwarder or specialist trade publications. You could also ask your customer if there is any special wording or clauses that you should include on the invoice.

Export Cargo Shipping Instruction (ECSI)

The ECSI is the instruction from the exporter to the forwarder or carrier. It contains information on the goods and their route to their destination, any transport requirements, customs information, who is to receive what documents and an allocation of the costs. It is extremely important that the information provided in the ECSI is accurate. A completion guide for this document is available on SITPRO's website.

Standard Shipping Note (SSN)

The SSN is normally completed by the exporter but others e.g. freight forwarders or agents may also do so. It is the receiving document for ports and container bases in the UK and advises them of the necessary information to process and handle the goods. A completion guide for this document is available on SITPRO's website.

Bill of Lading (B/L)

The B/L has been used for hundreds of years as a document related to the sale of goods in international trade. It provides evidence of the contract between the exporter and carrier, receipt that the goods have been received into the custody of the carrier and is a document of title - allowing the ownership of the goods to be transferred while the goods are at sea. The B/L is usually completed by the agent or carrier.

Sea Waybill (SWB)

The SWB has a similar function to the B/L but it does not provide title of goods. The benefits of using this document are often underestimated. It allows the goods to be collected by the importer with reasonable proof of identity and this can reduce delays at ports.

Air Waybill (AWB)

The AWB is the equivalent of the SWB for shipments in the air environment. As with the SWB it is not a document of title.

Which official requirement must I comply with?

Duty

Duty is charged at the place of importation and is usually paid by the importer unless the exporter has agreed to do so under the delivery term of a duty paid sales contract. There is one exception to this rule, for common agricultural policy (CAP) goods there is possibility that a duty can be levied at the place of export.

Import duties are collected by the customs authorities in the country to which the goods have been exported. Duty rates will vary from country to country depending on value, tariff classification and the origin of the goods. In some cases the duty may be suspended if the goods are entered to a special customs regime such as temporary import or inward processing.

Some countries or trading blocs, such as the EU or NAFTA (North American Free Trade Area), have agreements that reduce or remove duties in trade between them. These preferential rates of duty can only be claimed where the rules of origin are fully met and the correct accompanying documentation has been presented at the place of importation. More information is given in the next section (see EUR1 and ATR).

Excise

Excise duty is a national charge levied on the importation of certain categories of goods. As with import duty it is collected by the customs authorities in the country to which the goods have been exported and can vary according to the national policy on excise duty of the country. Payment of this duty is generally the responsibility of the importer unless the exporter is contracted to pay it under the sales contract.

VAT

All exports of goods to countries outside the EU are excluded from VAT in the UK. It is important that you retain commercial evidence that the goods have been sent from the UK, such as a certificate of shipment from your freight forwarder or carrier, or a departure message from the HM Revenue & Customs electronic export system (see below - 'What official documents must I complete'). The evidence must be sufficient to identify your goods and show that they left the UK.

If you fail to obtain or keep satisfactory evidence that the goods have left the UK the sale is not eligible to be zero rated as an export, and it will be liable to UK VAT. This is particularly important if you sell on terms where your customer or a third party arranges the transport and shipment, for example under 'ex-works.' If your customer or the carrier does not provide you with the commercial evidence that the goods have left the UK, then you risk being liable to the VAT as if you had sold the goods in the UK.

VAT, or for some countries a purchase or sales tax, is accounted for in the country of importation and it is generally the obligation of the buyer or receiver of the goods to pay this tax. This is dependant upon the trade terms you are using (see above). For example if the contract specifies "Incoterms 2000 DDP Toronto, Canada", the exporter is obligated to pay the local import sales tax GST (General Sales Tax - the Canadian version of VAT) at the place of import.

What official documentation must I complete?

Single Administration Document (SAD)

The SAD (Customs Form C88) is the Customs declaration document for export, imports and goods transiting the European Union (EU). It is required for all exports, except postal exports and must accompany the goods to the point of exit from the EU.

Guidance on completing the SAD is available in the Customs UK Tariff, Volume 3. However, new exporters may consider it prudent to employ a freight forwarder to complete the form on their behalf. A copy of the SAD stamped by Customs provides evidence that the goods were exported.

New Export System (NES)

HM Revenue & Customs have introduced an electronic method for export declarations called the New Export System (NES). The computerised system captures export declarations at all stages of the export process either by direct transmission from the exporter, or through a third party such as a Community Service Provider (CSP). The initial export declaration can be submitted at any time before the despatch of the goods.

When the goods arrive at the port of shipment, an arrival message must be sent to Customs who will then control the export and give permission to load. Once the ship or aircraft has departed, a departure message must be sent to Customs who will respond with an acknowledgement that clears the export account on the Customs computer. The NES electronic departure message provides evidence that the goods were exported. This message is especially important for exporters of goods subject to CAP (Common Agricultural Policy) control and eligable for export refund payments.

Under NES, as well as the full declaration, there are simplified and local export procedures. You can find out more about NES from HM Revenue & Customs Public Notice No. 276.

Certificates of Origin (C/O)

The Certificate of Origin is required by some countries as evidence of the origin of the goods. They are available from local Chambers of Commerce and are usually completed by the exporter.

There are two types of Certificate of Origin: the European Union version, and the Arab-British Chamber of Commerce version required by some Arab nations. Both documents must be stamped by the appropriate Chamber of Commerce before they are valid. In some instances the Certificate of Origin and other accompanying commercial documents may also need to be legalised by the UK Embassy of the country of import.

EUR1

The EUR1 is used to claim preferential (reduced or even zero) rates of duty in the country of importation. To qualify the goods must fully meet the rules of origin in the exporting country and be accompanied by a correctly completed and endorsed EUR1. The preference system only applies to countries where trade agreements exist with the EU, and benefit the buyer by making goods cheaper to import. The EUR1 form should be completed by the exporter.

There are often simplifications with the EUR1 system that you should check before using the document. Some countries have agreed that where a consignment is below a certain threshold value either a specific invoice declaration or, in some cases, an EUR2 can be used instead. Details on how the preferential trade agreements work, how to complete the EUR1 form and how to take advantage of the simplification measures are contained in three Public Notices Nos. 827 (a General Guide), 828 and 829 (information on the rules of origin and the export procedures for countries with preference trade agreements) and can be obtained from HM Revenue & Customs.

There have been isolated instances where some overseas Customs authorities have insisted on the production of a full EUR1 document despite specific agreement to accept the simplified procedures either an EUR2 or invoice declaration. If you experience this problem, please contact SITPRO.

ATR

The ATR applies only for exports to Turkey and has a similar function to the EUR1. The major difference with the ATR is that the goods do not have to be of EU origin to attract a zero rate of duty, only in free circulation in the EU (all duties and taxes paid into the EU).

The ATR form must be completed by the exporter. Details on how the export preference system with Turkey works and how to complete the form are contained in Public Notice No. 812 and can be obtained from HM Revenue & Customs.

Special Certificates

Some countries have special certification requirements for the importation of goods and your overseas customer may ask you to supply additional certificates. The most common request is for a Certificate of Value and Origin (CVO) that gives, in special clauses, extra details about labour and packing costs, royalties or commissions (if applicable), freight charges and any overseas insurance costs. The CVO also provides an exporter’s declaration and statements, again in the form of clauses, about the value and origin of the goods. You can often meet the requirements of a CVO by adding specifically worded clauses in the free text (the bottom third) area of a standard SITPRO Commercial Invoice. However in some cases you will have to provide a separate CVO form.

Other importation certificates you may be asked to provide include:

- textile declarations for goods being sent to the USA;
- a Canadian Customs Invoice for exports to Canada; and
- a Certificate of Conformity for goods going to China, Russia (where it is called the GOSSTANDART) and Romania.

You can call SITPRO's Helpdesk with questions about other special certificates (Tel: 020 7215 8150).

Where can I get further information?

Incoterms

Contact the ICC UK - Tel: 020 7838 9363

Payment terms/Methods of Payment

International branch of your local bank.

Overseas country requirements

Contact the appropriate Embassy, High Commission or Consulate in the UK.

Official export procedures

Contact the HM Revenue & Customs National Advice Service. Tel: 0845 010 9000

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