

**THE INSTITUTE OF INDIRECT TAXATION
ASSOCIATE EXAMINATION**

**PAPER II CUSTOMS ROUTE
CUSTOMS/EXCISE DUTIES**

28 JULY 2009

**TIME ALLOWED - 15 MINUTES READING TIME
3 HOURS WRITING TIME**

Candidates must answer **ALL 5 QUESTIONS** – (all parts of the question in **Section A and the four questions in Sections B and C**)

Each question carries 20 marks

Start each answer in a fresh book

All workings should be shown and (unless stated otherwise) made to the nearest month and pound.

Marks are specifically allocated for good presentation and references to relevant legislation.

Section A

Question 1

*This question is divided into 20 parts – **all parts should be attempted**. All parts carry equal marks – **total 20 marks – marks will be awarded for statutory reference where appropriate.***

1. Goods imported from third countries are normally declared on a C88 (SAD) – what is the legal authority requiring such a declaration?
2. What other documents are or may be required to be submitted with the C88?
3. When are freight forwarders jointly and severally liable for any customs duty payable?
4. What is the difference between ad-valorem and specific duty?
5. Give two examples of the duties / taxes that may be payable in addition to any customs duty payable.
6. A REDS agent on checking past returns finds that in one accounting period there was a duty overpayment on sparkling wine and a corresponding under payment on still wine. How is this corrected?
7. What document accompanies a movement of alcohol between Member States?
8. What is a movement guarantee and who is required to provide one?
9. There are six types of authorisation for Outward processing relief, name and describe three
10. Is import VAT and/or customs duty payable on the following when re-imported after being returned to the manufacture for repair:
 - i) Repair carried out free under the warranty
 - ii) Repair carried out for payment
 - iii) Replaced
11. What is the legislation governing End Use Relief
12. End Use Relief requires authorisation; explain what the following apply to
 - i) C1317
 - ii) C100
 - iii) Integrated authorisation
13. What are the three conditions that must be met in order to qualify for returned goods relief?
14. Does Returned Goods Relief apply to:
 - i) Excise duty
 - ii) VAT
15. Name four types of imports that will qualify for total relief under the Temporary Import Regulations.

16. What legislation covers personal reliefs and name and describe two
17. What is SDP and describe the principles involved
18. What are the regulations governing PCC?
19. What is the benefit of PCC?
20. What are the conditions that must be met in order to be authorised for PCC?

Section B

Attempt **both questions** in this Section

Question 2

Common Agricultural Policy

1. What is the purpose of the Common Agricultural Policy (CAP)? **2 Marks**
2. What products are covered by the CAP? **1 Mark**
3. What is meant by Non-Annex 1 Products? **1 Mark**
4. Which UK government agency is the single paying agency responsible for managing CAP in England? **1 Mark**
5. What is a CAP import licence and how does that differ from a Tariff Quota? **2 Marks**
6. Name two other types of CAP licences that can or must be applied for? **2 Marks**
7. What is the purpose of export refunds and explain how a regular exporter of processed goods would make a claim – you need only explain one method? **3 Marks**
8. Explain the purpose of the T5 document? **2 Marks**
9. What are differentiated export refunds? **1 Mark**
10. Other than IPR, provide three examples in which you will be able to claim total or partial relief from CAP charges on import into the EU? **2 Marks**
11. Whilst there are restrictions on the use of IPR for CAP products, there are a number of exceptions – e.g. usual forms of handling, repair and operations of a non-commercial nature. Please give six other examples of when an importer would be allowed to utilise IPR on CAP products? **3 Marks**

Question 3

Delman and Fils

Mr Delman, Managing Director of Delman and Fils Limited, a wine retailer, has written to enquire about how his company may improve its cash flow in these recessionary times in relation to the payment of excise duties on its purchases. Wine is usually sourced both within and outside the EU and delivered direct to the company's depot but is purchased on a duty paid basis from UK suppliers.

Current purchases amount to some 8,000,000 litres of wine per annum, 90% of this is still wine not exceeding 15% abv and there are some purchases of low alcohol wine and fortified wine. All goods are received at a central distribution depot where they are stored prior to distribution to retail outlets.

Although Mr Delman is aware of the impact of CCT (Customs) duty on wine sourced from outside the EU he is not asking for details of any customs facilitative regimes.

Mr Delman has heard of the REDS scheme and the excise warehousing scheme but has asked for a response outlining what steps he needs to take and what requirements must be fulfilled in order to obtain admittance to those regimes.

Before replying to Mr Delman, your manager has asked you to complete a briefing note for discussion that includes references to legal provisions. Your manager has asked you initially to give a brief outline of the registration criteria and main operating responsibilities for a REDS trader, together with the approval and authorisation process for excise warehousing.

You are required to prepare the briefing note to your manager based on current duty rates and referring to current law. 20 Marks

Section C

Attempt **both questions** in this Section

Question 4

Swift Oils

You are an Indirect Tax Consultant within a firm of accountants and professional advisors. You have been asked to assist the audit team to understand the excise duty implications for Swift Oils plc ("Swift"), a company that has recently become a client of the firm. Swift produces and distributes mineral oil products. You have never had experience of oils production but nonetheless have been asked to research and prepare a briefing note to explain the underlying legal requirements and procedures that should be in place for the approval of the refinery by HMRC.

You see from the client file that Swift operates an oil refinery for the production, storage and distribution of: gasoline, diesel, marked and unmarked kerosene and marked gas oil. All the crude oil and process products associated with the oils refinery/oils production are in free circulation. The potential duty on monthly stock-holding is £1 billion. Swift has operated the refinery for thirty years and has a good revenue record.

You are required to prepare the briefing note for your audit colleagues which should consider and set out all legal and procedural requirements in relation to the following:

- The underlying UK law to support HMRC's interpretation/policy regarding the approval of refineries/oil production premises as set out in Notice 179 and Notices 196 and 197. This should include:
 - The UK legal definition of production of oil; and
 - the authorisation/approvals that should be in place in relation to physical oils production and storage premises. **5 marks**
- The classification by HMRC of Swift's refinery and associated premises (ie the classification type) and why the premises are so classified. **2 marks**
- How a tax warehouse is defined in EU law and what authorisation is required in UK law in order to specifically register/approve UK tax warehouses and warehousekeepers **3 marks**
- The legal powers HMRC use to impose terms and conditions in relation to the approval of excise warehouses and the main differences between warehousing of oil and warehousing of other excise goods. **7 marks**
- The law and requirements for financial security of premises used in the production and storage of oil products. **3 marks**

Question 5

Tout Suite Limited

Tout Suite Limited is a furniture manufacturer located in Enniskillen, Northern Ireland making seated furniture. Their main market is Ireland, but 40% of their products are exported to New York, where the Irish community keenly seeks out their product range. Fabrics are imported from the Far East, and the 40% needed to service the American market is imported to IPR Suspension under a Specific Authorisation.

Twice every month, the company's export products are shipped from the Enniskillen facility to Shannon on the west coast of the Republic of Ireland, from where they will be shipped by boat to New York. The Incoterms are FOB Shannon, and the company uses the Local Clearance Procedure (LCP - entering the goods to the re-export procedure at their own premises in Enniskillen) to minimise the risk of inspection (and possible damage) at Shannon. Enniskillen is 20 miles from the border with the Republic of Ireland at Aghalane, and Shannon is a further 140 miles from there.

- a) **Under what customs procedure(s) (if any) could the goods travel to Shannon in January 2009? Prepare a note briefly explaining the operation of the procedure you consider most suitable. 5 marks**

In May 2009, the company received an urgent order from a New York hotel chain for immediate despatch. As this is normally the company's quiet period, Tout Suite was fortunate to have sufficient IPR compensating products in stock. However, Customs had just withdrawn LCP for procedural failings, and so the IPR Control Officer refused to let the goods travel to another Member State under the auspices of IPR.

- b) **Explain the customs implications, and the process, of getting the goods to Shannon for export without using LCP. Your answer may be based on the rules before or after 1 July 2009, but should address at least the following:**
- The possible Customs procedure(s) open to Tout Suite to use;
 - The guarantee position (if any) as regards the one you consider optimum;
 - The documentation that needs to accompany the goods from Tout Suite, and what the customs officials at Enniskillen need to do with it. ;
 - The documentation (if any) used at the Aghalane border, and how the customs officials from each Member State use it;
 - The documentation to be used at Shannon, and how the customs officials there will use it;
 - The customs controls to be executed at Shannon

15 marks