

**THE INSTITUTE OF INDIRECT TAXATION  
ASSOCIATE EXAMINATION**

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

**27 JULY 2010**

**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. On what products are duty stamps required?
2. How many types of duty stamps are there – what is the difference between the stamps?
3. Describe what is:  
Spirits  
Wine  
Beer
4. What is the legal authority permitting operations in a warehouse?
5. Give 5 examples of operations that may be carried out in a warehouse.
6. What is the monetary limit for duty relief for items of low value?
7. What goods are not eligible for low value duty relief?
8. How many methods are there for valuing goods for import purposes?
9. Describe valuation:  
  
Method 3  
  
Method 4
10. There are four types of European wide duties that may be imposed when goods are imported – what are they (detailed description not required)?
11. Referring to '10.' above, what other duties may be payable on goods being imported into the UK from outside the EC?
12. How many types of excise warehouse are there and what are they called (detailed description not necessary)?
13. What is the legal authority permitting operations in an excise warehouse?
14. Give five examples of operations that may be carried out in an excise warehouse
15. What is the Tariff classification used to determine?

16. What is a DV1 (C105)
17. When is a C105A or C105B not required?
18. What is the purpose of a C109A or 109B?
19. Is a value declaration required for all imports?
20. Give four examples of gaming machines that are exempt from Amusement Machine Licence Duty.

## Section B

Attempt **both questions** in this Section

### Question 2

#### British Finishers Ltd

You are the controlling Customs Officer for British Finishers Ltd, a family-run company approved to operate IPR in respect of its contract with a large Norwegian rail wagon manufacturer, Treynrek ASA. Under that contract, Treynrek (which is not established in the UK) supplies British Finishers with rough castings, which (for a service fee) British Finishers turns into precision-milled wheels to be sent to Norway for incorporation into rail wagons. As Treynrek is much the larger company, it gets better freight rates for these heavy items; accordingly it takes contractual responsibility for shipping (and clearing) the goods.

You have recently completed an audit, during which you have discovered that since 2005 the castings British Finishers has imported to IPR have been sent to Treynrek's forwarder and clearance agent at Harwich marked (on both the invoice and the crates) as IPR goods, but British Finishers holds no evidence of export. Further enquiry has just established that unbeknown to British Finishers, since 2005 Treynrek's agent has been instructed to deliver the goods to Treynrek's Dutch factory (which it has done by treating them as T2 goods) rather than exporting them to its Norwegian factory. You are satisfied that British Finishers has been completely unaware of this. It transpires that about 80% of the Dutch plant's output is subsequently exported from the EU, however – though the Dutch facility does not operate IPR.

Your manager is fully aware of all pertinent facts, and is considering what the next steps should be. **She has asked you to draft a file note indicating:**

1. Whether a customs debt falls due, and if so under what provision of the Customs Code? **5 marks**
2. In the event that a debt arises, who is liable for that debt? **5 marks**
3. Can the full amount of any debt be recovered back to 2005, or is the recovery of any part of it legally time-barred? **5 marks**
4. Irrespective of your answer on the customs debt, is this a case potentially affected by the Weir Pumps/Terex/FG Wilson/Caterpillar cases? If so, briefly highlight the impact of the decisions in those cases. **5 marks**

### Question 3

#### Nationwide Supermarkets

Nationwide Supermarkets is a retailer with shops spread across the UK. The company is planning to open shops in the Channel Islands, and to include in the product range beers, wines, ciders, and spirits. It does not operate an excise warehouse and currently has no plans to do so as it prefers to turn stock around as quickly as possible.

The range of alcohols is sourced from suppliers based in the UK, the EU, and outside the EU. Excise duty is paid at the ports of arrival of non EU products, via the Registered Consignee system for EU traffic, and sometimes on goods leaving UK excise warehouses. The company has its own duty deferment number to account for duty on these transactions. Some product is sourced on a duty inclusive basis in the UK, including beer, cider, and spirits.

1. The company has told you that it has been advised by someone in the trade that it may claim drawback of excise duty when sending goods to the Channel Islands but not customs duty. They have asked you to explain why this is so. They have also asked you to outline the procedures to follow in order to claim drawback on exports to the Channel Islands. **2 marks**
2. In providing an answer to the company, please explain what is meant by the terms “eligible goods” and “eligible claimants”, including legal references. **6 marks**
3. Please explain what conditions the company must adhere to before exporting goods that are intended to be the subject of a drawback claim, including legal references. **3 marks**
4. Please explain what conditions the company must adhere to after export of the goods in order to make a valid claim to duty drawback, i.e. what it must do when submitting a claim, including legal references. In particular explain what evidence of duty payment is acceptable. **5 marks**
5. The company has told you that export goods may be drawn from stocks in different depots and be consolidated at a central location prior to export. A third party would attend to any necessary procedures in connection with drawback prior to export of the goods. If you think this is acceptable please explain what legal provisions would allow the Commissioners to make *any* variations to the normal regulatory conditions. **4 marks**

## Section C

Attempt **both questions** in this Section

### Question 4

#### Scanwise plc

You are the European Customs Manager of Scanwise plc, a manufacturer of security products. The company has just opened a major manufacturing plant in China to produce large-scale freight scanners for which ports throughout Europe have placed significant orders. In the light of the prevailing focus on container security, this product is expected to be Scanwise's biggest-ever success, and the share price rose significantly on the announcement of the Chinese investment.

One morning, you get a call from a flustered Finance Director, who has been alerted by the company's auditors to the previous day's Official Journal, which contains details of a 34% definitive Anti Dumping Duty on freight scanners from China. Such an Anti Dumping Duty liability will ensure that each sale takes place at a significant loss. In short, unless you can find a way to avoid the ADD liability, the Chinese plant will become a white elephant and may well signal the end of the company.

A board meeting has been called for that afternoon, and the FD requires from you an immediate initial assessment of the prospects of avoiding the ADD liability on future imports of the scanners. The auditor suggested that possible areas to investigate might be:

1. Manufacture significant sub-assemblies in China, but conduct final assembly in an adjacent country such as Vietnam or Taiwan. **5 marks**
2. Import the scanner in parts, and assemble those parts on-site at the customer's premises. **5 marks**
3. As these scanners are essential to the security of goods, and hence to EU trade, and as EU manufacturers cannot meet the demand, seek a Tariff Suspension to eliminate the duty liability. **5 marks**
4. Differentiate the Scanwise product from those targeted by the ADD regulation. **5 marks**

**Write a brief note for distribution at the board meeting, discussing the prospects of success of each of these four possibilities.**

## Question 5

### Preference

You have been contacted by the Finance Director (“FD”) of a small biscuit manufacturer that produces a range of niche products. They have reached a stage where – in order to grow the business – they need to look beyond the UK and European markets and have started making contact with distributors in both Israel and Egypt, who believe that such typically British products would sell well. Their flagship product is a fruit shortcake which, amongst other things, contains:

- Biscuit flour purchased from a French supplier – Chapter 11 of the Tarriff,
- Butter sourced from a local dairy farmer in the UK – Chapter 4
- Granulated sugar supplied by a UK sugar manufacturer - Chapter 17; and
- Currants from Turkey – Chapter 8. (The duty rate for currants from Turkey is 0%)

You have checked the tariff classification for biscuits, which falls under heading 1905. You have also checked the specific rules of origin in Notices 828 and 829 for products under the heading 1905 and noted that the specific preferential rules for biscuits state that they may be “Manufactured from materials of any heading, except those in Chapter 11.” You have also established that preference and export relief cannot be claimed for the same consignment when shipping to EFTA, Israel, Mexico, Chile, the Faroe Islands, Croatia, Macedonia and the West Bank/Gaza Strip.

The FD has carried out some of his own research and established that the duty rates upon import into Egypt and Israel for sweet biscuits are as follows:

- Egypt – 22.5% for EU originating products and 30% from other nations.
- Israel – 0% for EU originating products and 12% + 0.32 ILS/kg but not more than 112%.

You have confirmed the above are correct. Furthermore, the FD has heard about IPR and has asked his buyer to examine the possibilities for purchasing duty free sugar from Brazil and duty free flour from the USA.

Focusing on the proposed exported fruit shortcake product, please answer the questions below.

1. Outline the basic difference between non-preferential and preferential origin in this context. **1 mark**
2. Explain how non-preferential origin is determined – please include appropriate legal references. **3 marks**

3. What documents can be used to confirm non-preferential origin status at the country of import. Do they require certification and if so by whom. Please confirm the legislative references which set down the required format for such documents? **2 marks**
4. Focusing on your client's case, explain how preferential origin is determined and give supporting legislative references. **6 marks**
5. Assuming your client's customers in Israel and Egypt wish to claim preference, what documents could the UK manufacturer provide to assist his customer in that process? **3 marks**
6. The FD has assumed that IPR on sugar and flour will produce a financial benefit. Is this correct? **3 marks**
7. Does the biscuit manufacturer require a Supplier's Declaration? Explain the reasons for your answer and give any related legal references. **2 marks**