



# *Freeports*

19 October 2022

# *Today's presenters*



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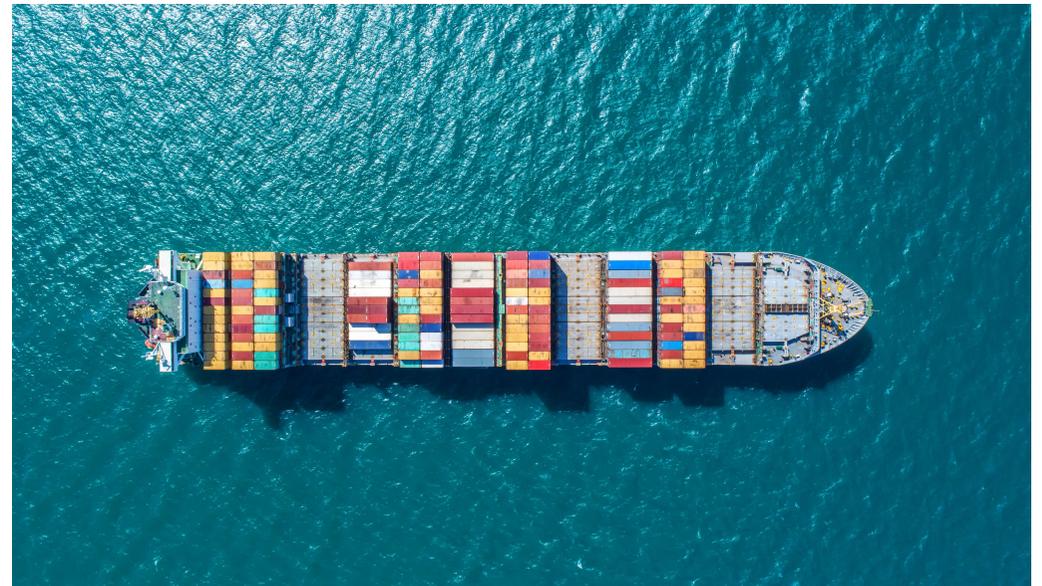
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# *Agenda*

- Post Brexit Changes - Recap
- Common Customs Duty Suspensions
- Freeports
  - Basics
  - Locations
  - Tax Sites / Investment Zones
  - Customs Sites
  - Case Study
- Take Away Points
- Questions



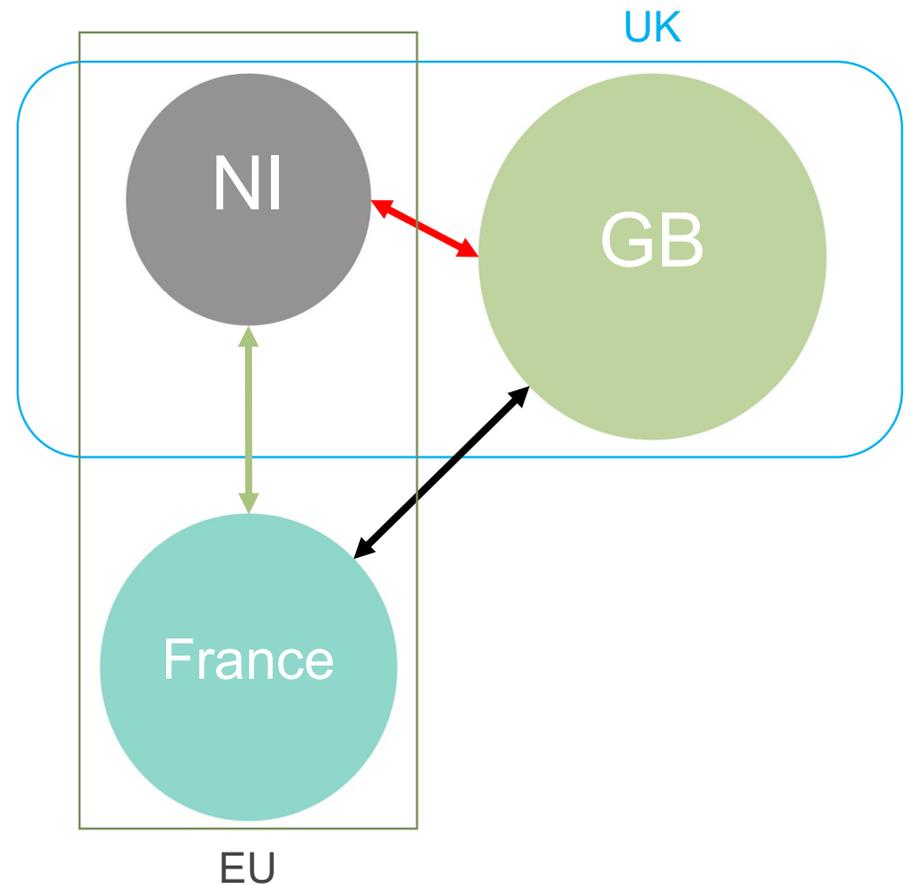
# Post Brexit Changes - Recap

↕ Movement of goods from EU Member States = formal Import / Export

↕ Formal border controls with formal Import / Export procedures / documentation

↕ Customs Duties subject to UK / EU Trade Agreement and Origin of goods status

↕ Distinction between NI and EU / GB movements



# Common Customs Duties Suspensions

1

## Customs/Bonded Warehousing

Allows goods to be imported and stored free of VAT and duties until either:

- Re-exported or
  - Cleared to free circulation
- (Limited processing)

2

## Temporary Admission / Import

Typically used for demonstration goods which will be re-exported after a short period (No processing)

3

## Inward or Outward Processing Relief

Where goods are temporarily imported/exported for processing before being returned

4

## Returned Goods Relief

For goods originally exported but returned within 3 years without being altered (e.g. Faulty / unsold goods)

# ***Common Customs Duties Suspensions Requirements***

- Each authorisation is separate, requiring separate controls / processes
- Can require
  - Authorisation prior to using – e.g. Customs Warehouse, IPR
  - Financial / insurance guarantees set to cover the expected level of suspended duty risk
  - Fairly onerous record keeping / controls – e.g. stock / movement records, formal documentation on import / export
- Subject to time-limits (Temporary Import, IPR etc)
- Potential penalties for any failures in controls/records etc

# *Freeports - Basics*

- The main concept is to turn the freeport areas into bespoke special economic zones
- A UK freeport can have “Tax Sites” (where direct tax / property reliefs etc. apply) and any number of “Customs Sites” (Areas essentially outside the customs territory of the UK)
- Some areas may be part of the freeport for customs purposes but not benefit from direct tax / property reliefs
- Freeport “Operators” will have to undergo an extensive approval process and must be AEO(S) / or equivalent as a minimum
- Businesses can declare goods into the Freeport using the Freeport CPC Code



# ***Freeports - Locations***

1. East Midlands Airport
2. Felixstowe & Harwich including the Port of Felixstowe and Harwich International Port
3. Humber including parts of Port of Immingham
4. Liverpool City Region including the Port of Liverpool
5. Plymouth & South Devon including the Port of Plymouth
6. Solent including the ports of Southampton, Portsmouth and Portsmouth International Port
7. Thames including the ports at London Gateway and Tilbury
8. Teesside including Teesside International Airport, the Port of Middlesbrough and the Port of Hartlepool



# *Freeports – TAX Site Reliefs – 5 Years*

- Enhanced 10% structures and building allowance (for construction or renovation of non-residential structures)
- 100% Capital Allowance for relevant Plant and Machinery (FYA)
- Full SDLT relief where when purchased land or property to be used for a qualifying commercial purpose
- Full business rates relief to all new business and certain existing businesses
- Employer National Insurance Contributions Relief on earnings up to £25,000 (**now extended to 10 years**)
- Simplified planning / environmental impact assessments
- Potential capital funding
- Only available at a designated tax site



# ***Investment Zones – 10 years?***

- Enhanced **20%** structures and building allowance (for construction or renovation of non-residential structures)
- 100% Capital Allowance for relevant Plant and Machinery (FYA)
- Full SDLT relief where when purchased land or property to be used for a qualifying commercial purpose **and for residential developers**
- Full business rates relief to all new business and certain existing businesses
- Employer National Insurance Contributions Relief **on earnings up to £50,270**
- Simplified planning / environmental impact assessments
- **Can be used in conjunction with Freeports – compliment**



# ***Customs Sites - Operations***

- Freeport customs sites are run by an operator, who will be responsible for the security of the site and keeping records about goods moving in, around and out of the site
- To be an operator they must have, or intend to have, at least one business using the Freeport customs site to move goods into or out of the site. This can include the operator themselves. They also need to be AEO(S) or equivalent and may require other authorisations like Transit.
- Freeport operators must maintain extensive records and be informed of all movements by businesses using the freeport and inform users of how and when to pass information
- There may be more than one operator within a Freeport bid containing multiple sites
- Any business using a Freeport customs site would need to be approved to process or store goods under either:
  - the Freeport customs special procedure
  - an existing customs special procedure



# ***Freeport – Use of Customs Sites***

- Application to use a freeport customs site is declared using the Freeport Customs Special Procedure (Single authorisation combined with simpler declaration requirements)
- Goods must not be “excluded”
- Goods can enter the special procedure for:
  - Processing or repair
  - Storage
- Existing Customs Special Procedures can be used on the site but usual authorisation conditions will be combined with Freeport customs site record keeping rules



# ***Customs Sites - General***

- Customs Sites use the Freeport Special Procedure which combines a number of existing special procedure benefits including customs warehousing and inward processing
- Authorised businesses can import certain goods to a Freeport customs site with simplified customs documentation, and without paying tariffs or import VAT
- A customs site can't be used as a first point of presentation of goods brought into the UK, they need to clear customs first
- Authorised businesses operating inside the Freeport customs site can store or manufacture goods, using imported goods. By doing this, they can add value before exporting them again and, where certain conditions are met, they won't need to pay import duties or output tax (VAT)
- Where goods are declared to free circulation (home use) in the UK, relevant duties must be paid before they are released from the customs site (based on input or outputs)
- Domestic goods can also be held in a customs site and used in any processing activity

# ***Freeport – Applications Form FPT2***

4 Sections to complete. You may be asked to provide or discuss information, including:

- The goods to be stored or processed – i.e. commodity codes, description, valuation method, origin and expected quantities of goods
- The supply chain - including movements and agents
- The records - Format, IT systems, access and who is responsible
- The communication plan with the customs site operator
- Processing activity - changes to product and commodity codes
- Storage and processing elements of the procedure, how you intend to record movement around your business premises
- Security and control of goods, i.e. stock records and reporting errors and site-specific security arrangements
- The removal of goods from the Freeport procedure

# ***Exclusions from Freeport Customs Sites***

- Certain animal hair and wool
- Asbestos
- Cat and dog fur, and products made from such fur
- Counterfeit, pirated and patent infringing goods
- Counterfeit currency notes
- Fictitious postage stamps
- Goods bearing a false trade description
- Prison-made goods
- Rough diamonds
- Tickets, advertisements and other material relating to foreign lotteries
- Any animal or plant, whether alive or dead, or its parts or derivatives, of the species that are on the CITES list
- Articles bearing devices implying or tending to imply any government sanction or guarantee
- Goods which are (in relation to a registered trademark) infringing goods, material or articles and the proprietor of the trademark, or a licensee
- Goods which could be used for the purposes of capital punishment or torture and other cruel, degrading or inhuman treatment or punishment, or in related technical assistance
- Indecent or obscene material that would be prohibited from being imported into the UK

# ***Freeport – Declaration by Conduct***

Required for movements from:

- Temporary Storage
- Transit
- Another Freeport Customs Site
- Another business in the same Freeport Customs Site
- Another Special Procedure



To do this, you'll need to:

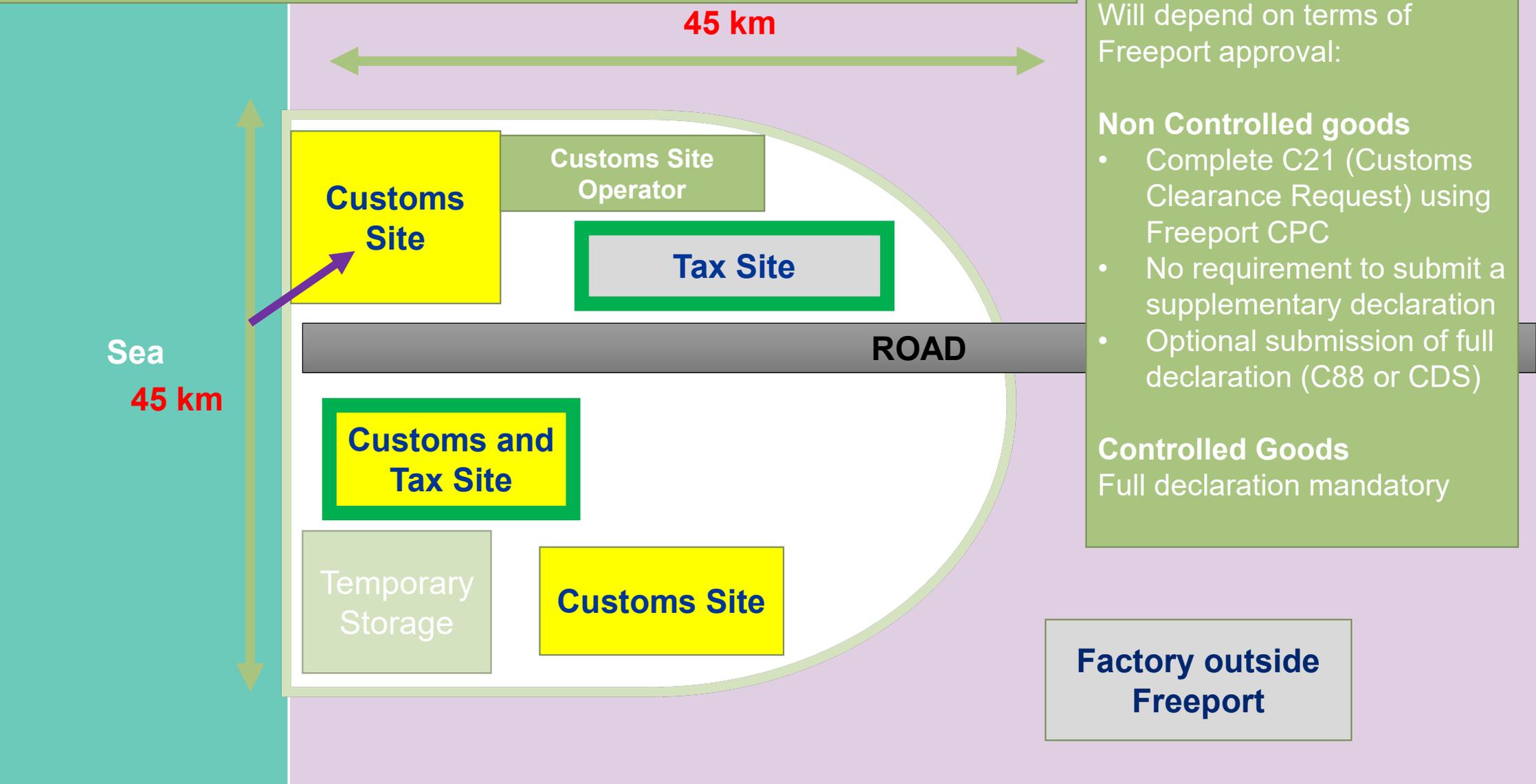
- Have received the goods at your business premises in the Freeport customs site
- Tell your Freeport customs site operator that you have received the goods (an authorised customs operator is responsible for a Freeport customs site)
- Make an entry into your commercial records

# ***Freeport – Declaration by Conduct***

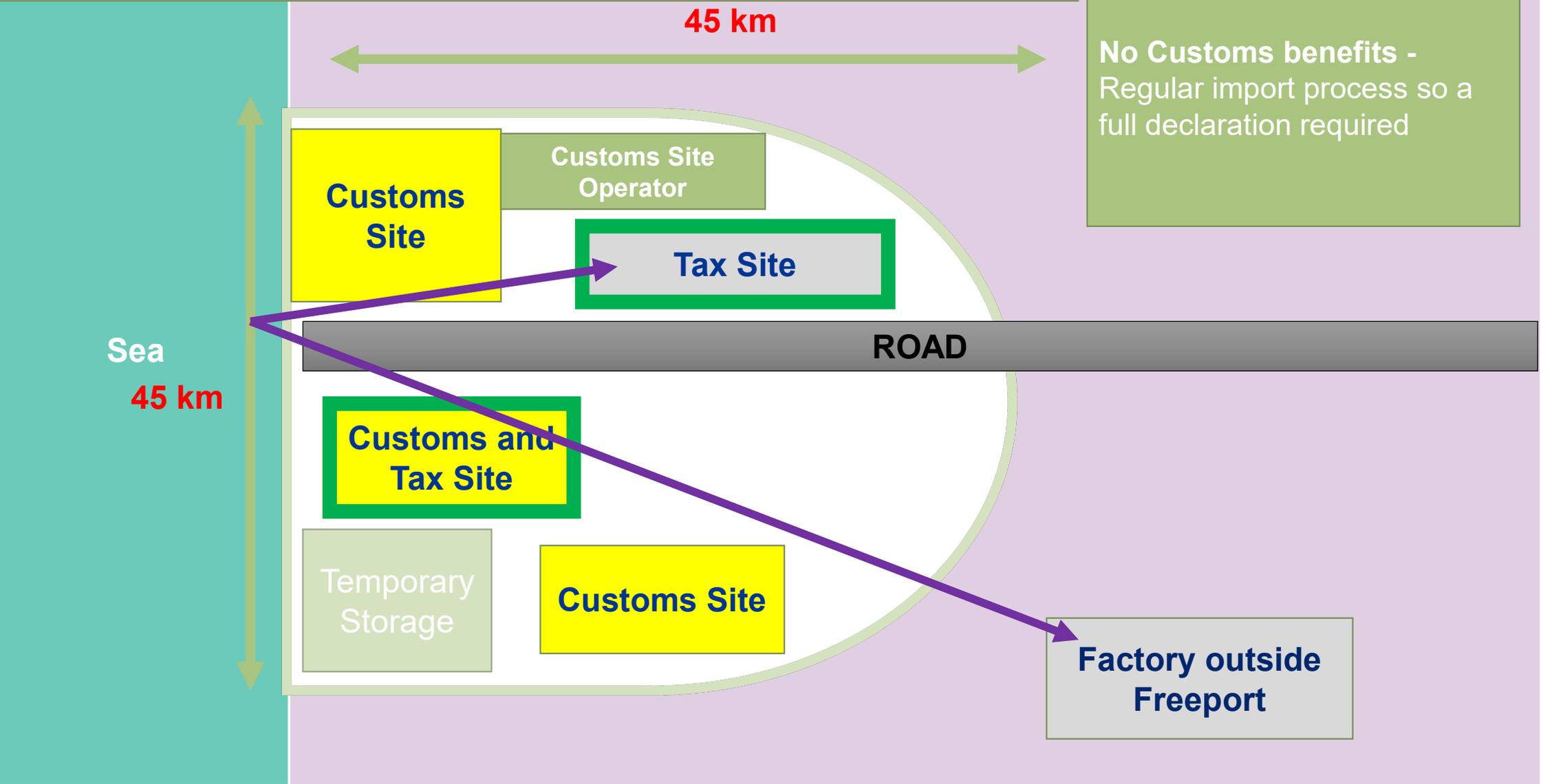
## **Details you'll need to enter in your own records may include:**

- the commodity code
- the customs procedure code
- your unique consignment reference, or appropriate commercial reference
- purchase and, if available, the sales invoice numbers
- the date and time of entry in records
- any Freeport customs site, warehousing or temporary storage stock account references
- the Freeport customs site or warehouse approval number
- a written description of the goods — so they are easy to identify
- customs value
- quantity of goods — for example, number of packages and items, net mass
- details of licensing requirements and licence numbers
- details of any supporting documents, including the serial numbers, where appropriate, needed before the goods can be released
- details of the person you're representing if you are making a declaration on behalf of someone else

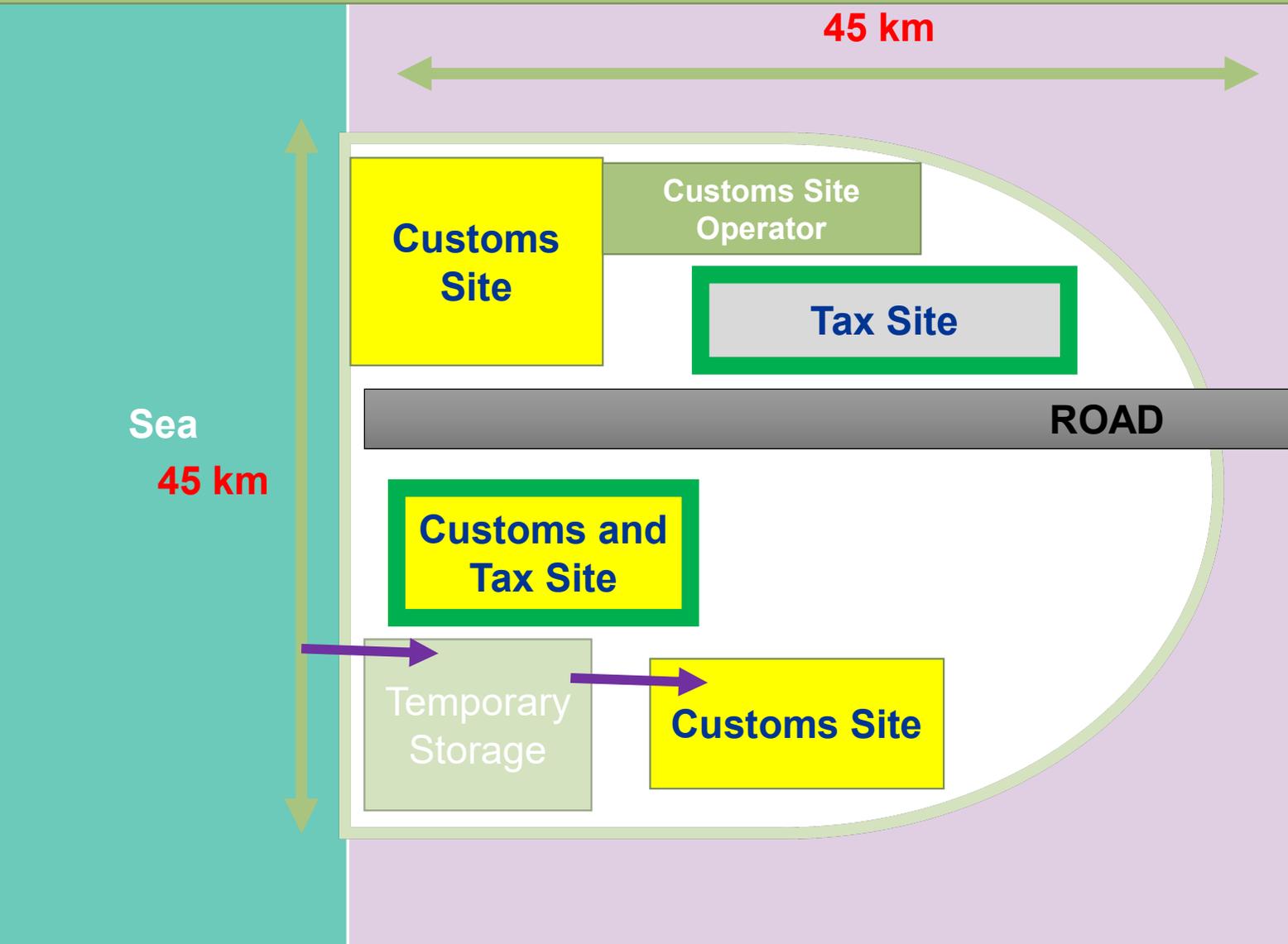
# Declaring and Paying Tax in a Freeport Customs Site – Imported Directly to Customs Site



**Declaring and Paying Tax in a Freeport Customs Site – Imported Directly to Tax Site or Outside Factory**



# Declaring and Paying Tax in a Freeport Customs Site – Imported to Customs Site from Temporary Storage



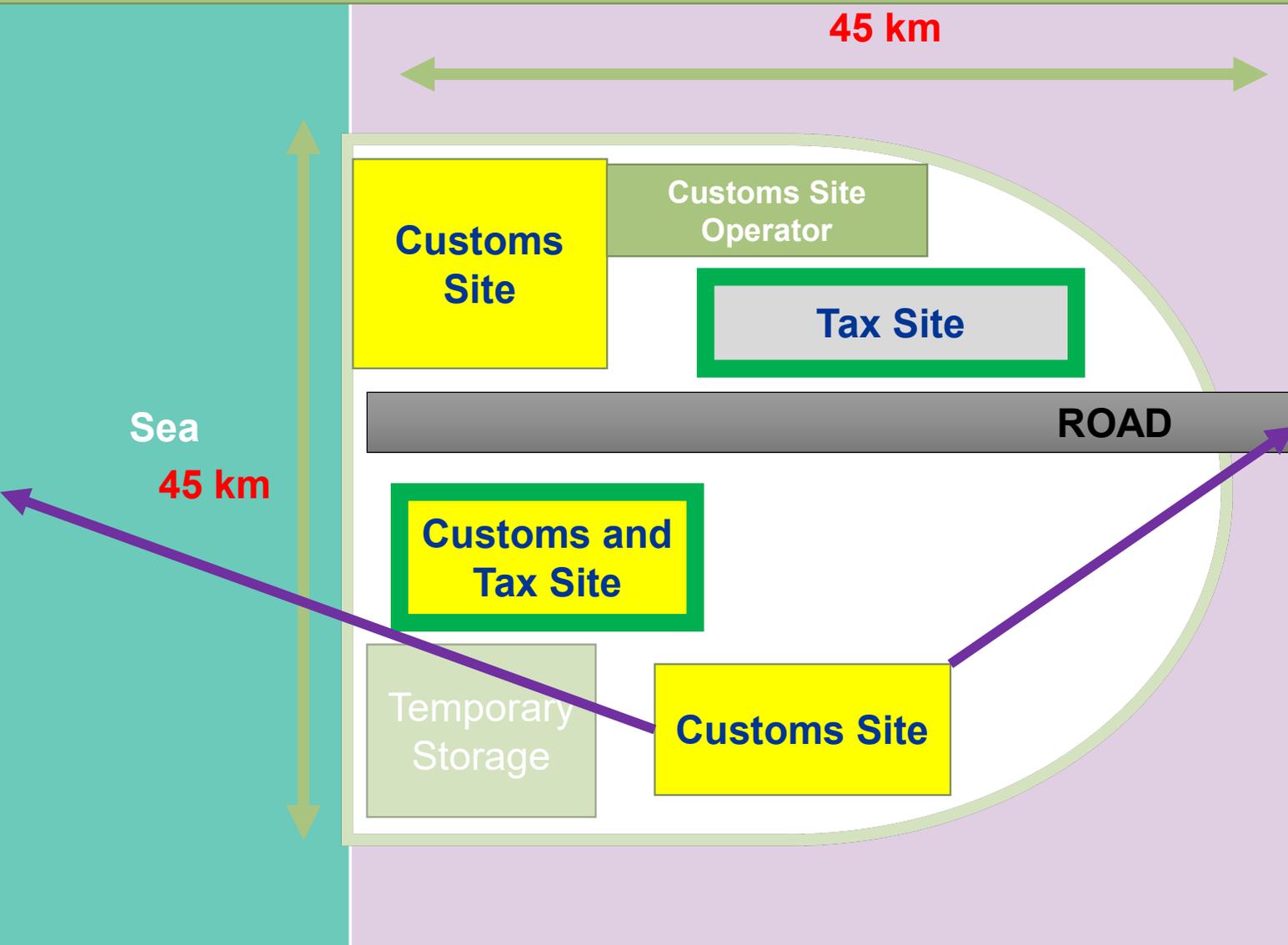
## Non Controlled Goods

- Discharge from temporary storage using C21
- Follow up with “declaration by conduct” to the Freeport Special Procedure
- No supplementary declaration
- Business can apply for temporary storage approval themselves or use someone else's temporary storage facility at the freeport. (They must be approved and you must have agreement to use it)
- Alternatively, submit a full customs declaration

## Controlled Goods

Full declaration mandatory

# Declaring goods removed from a Freeport Customs Site



- Exports**  
Depending on circumstances either:
- A. Exit Summary Declaration stating the Freeport CPC
  - B. Onward export notification (generally from TS)
- Evidence to be held by freeport site operator
- Release to Free Circulation**
- A. Full Import Declaration
  - B. EIDR (Must have own SDP approval)

# Freeports – Customs Site Summary

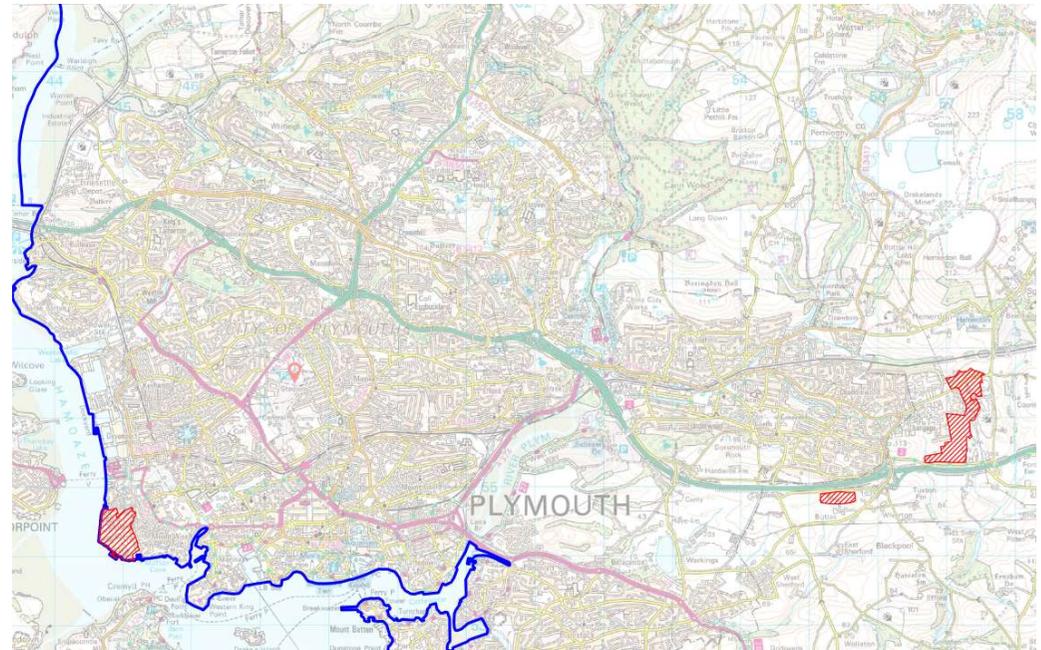
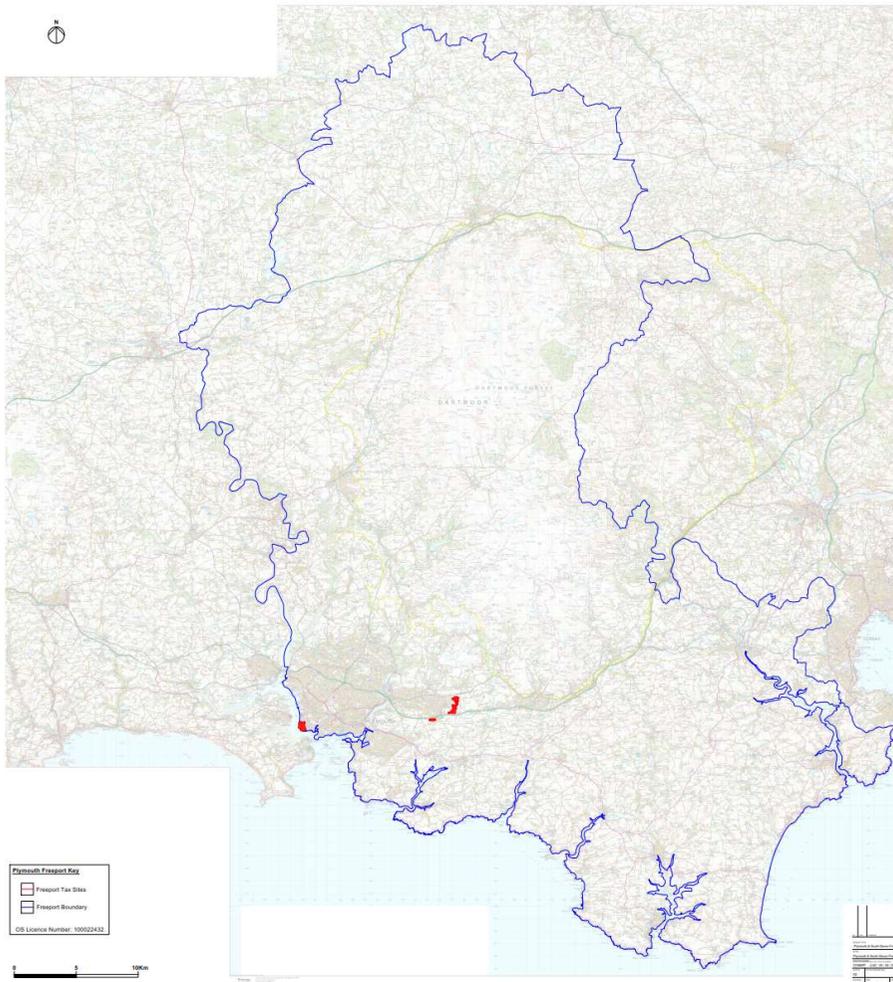
## Benefits

- Goods that do not enter Free Circulation **will not be subject to customs duty / excise duty or import VAT**
- Goods can **remain in a Freeport indefinitely** free of duty and foreign goods can be held together with domestic items
- Goods can follow **Inward Processing** under the freeport special procedure – i.e. If raw materials are brought into a freeport from overseas and processed into a final good before entering the domestic market, then there is a choice to pay duties on the raw materials or the final manufactured item.
- Goods can be declared **to and from other Procedures** into and out of Freeports – e.g. Temporary Admission / Transit
- Goods can be declared using **simplified processes** (C21 / Declaration by Conduct – Internal Movements in TS (iMiTS), No Supplementary Declarations)

## Downsides / Considerations

- **Duty Exemption Prohibitions** are found in 23 of the continuity agreements – Would block businesses that benefit from duty drawback from exporting the goods under preferential duty (i.e. More cost for the importing customer – Canada / Switzerland).
- You must have **access to facilities** within the defined freeport area (Costs)
- The customs benefits of a freeport are in many ways **already available** through the use of existing special procedures (e.g., Customs Warehousing , Inward Processing etc.)
- **Admin / Paperwork** including declarations still required
- Freeport Customs Site Operators will require **inventory linked software and likely charge for their services**
- Goods held in a freeport will remain **subject to trade remedies and additional duties** (e.g. Anti Dumping Duty)
- Goods in a freeport subject to **security / border force checks**
- Full declarations required for movements of **controlled goods**

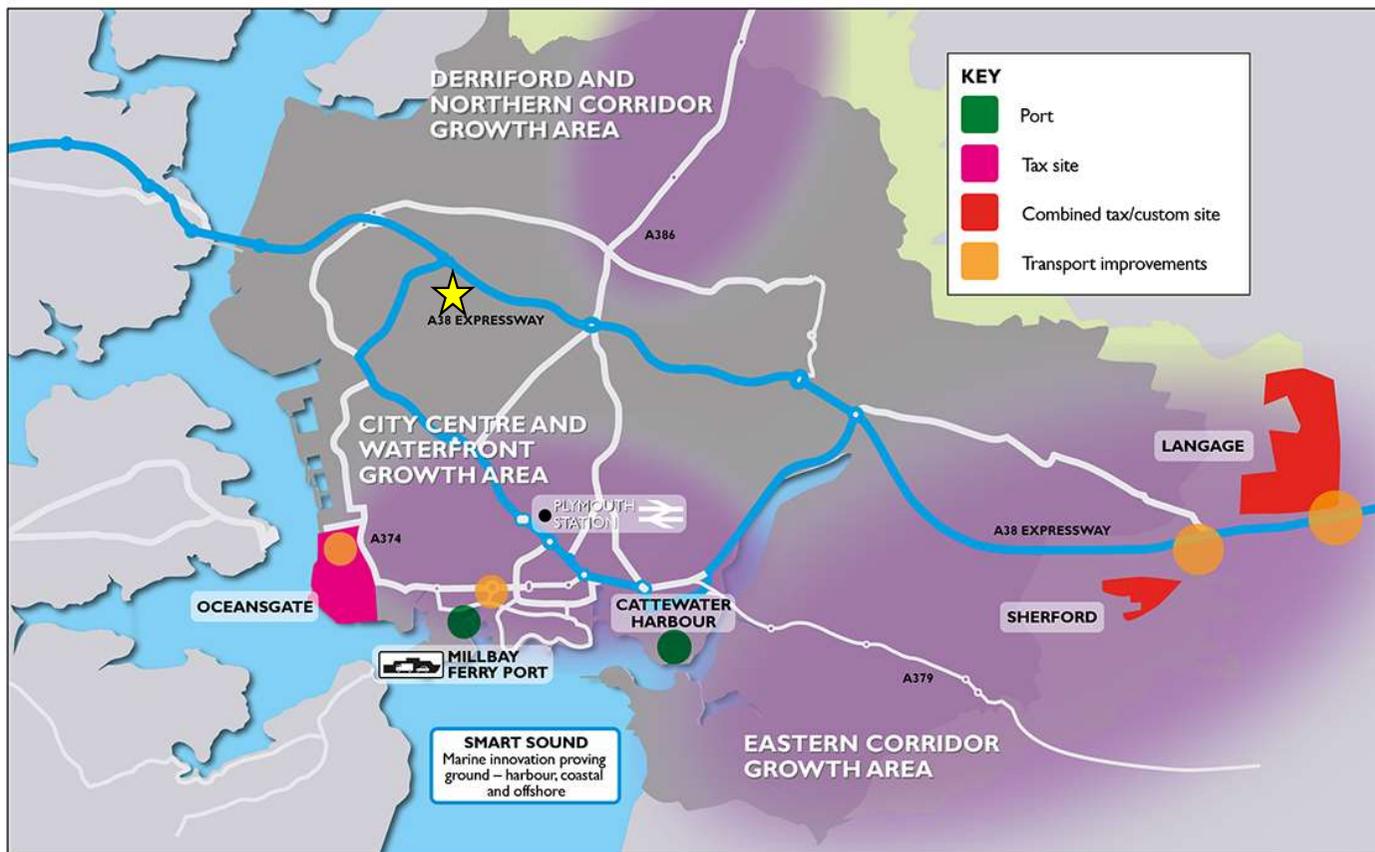
# ***Plymouth & South Devon Freepoint Case Study – Customs Sites (As Planned)***



<https://www.gov.uk/government/collections/maps-of-freeports-and-freeport-tax-sites>

# Plymouth & South Devon Freeport Case Study – Customs Sites (As Planned)

## PLYMOUTH AND SOUTH DEVON FREEZONE



★ Burrington Way  
- Customs Site

<https://new.plymouth.gov.uk/plymouth-and-south-devon-freeport>

# ***Freeport – VAT on Supplies***

Zero rating available for:

- Goods declared to the Freeport Customs Special Procedure, sold between businesses in the same customs site
- Services carried out on goods declared to the procedure if they have been performed by an authorised person

Note:

- Invoices must include the reference “free zone”
- The receiver may need to account for output tax if they do not make an onwards supply of goods within 3 months or if they breach the rules of the procedure

# ***Plymouth & South Devon Freeport Case Study – Customs Sites (As Planned)***

- **South Yard** - Encompassing existing Oceansgate complex, this area will be further developed as a **tax site** and will include an innovation centre, a mobility hub and new factory developments
- **Langage** - Developed as a **tax site with a customs zone / site** within it and space for light industrial units for high-value engineering and manufacturing. The focus will be marine, defence and space. The site also includes proposals for a green hydrogen electrolyser plant. **Designated 14 October 2022 – Regulation 972/2022**
- **Sherford** - Developed as a logistics hub with a **tax and customs** boundary with warehousing storage and engineering space.

# ***Plymouth & South Devon Freeport Case Study – Freeport Company***

- The Freeport has set up a company – “Plymouth and South Devon Freeport Ltd”
- An additional indicative sum is included in the operating model to secure a customs site operator when the main customs sites at Langage and Sherford are operational.
- This is not expected until April 2024

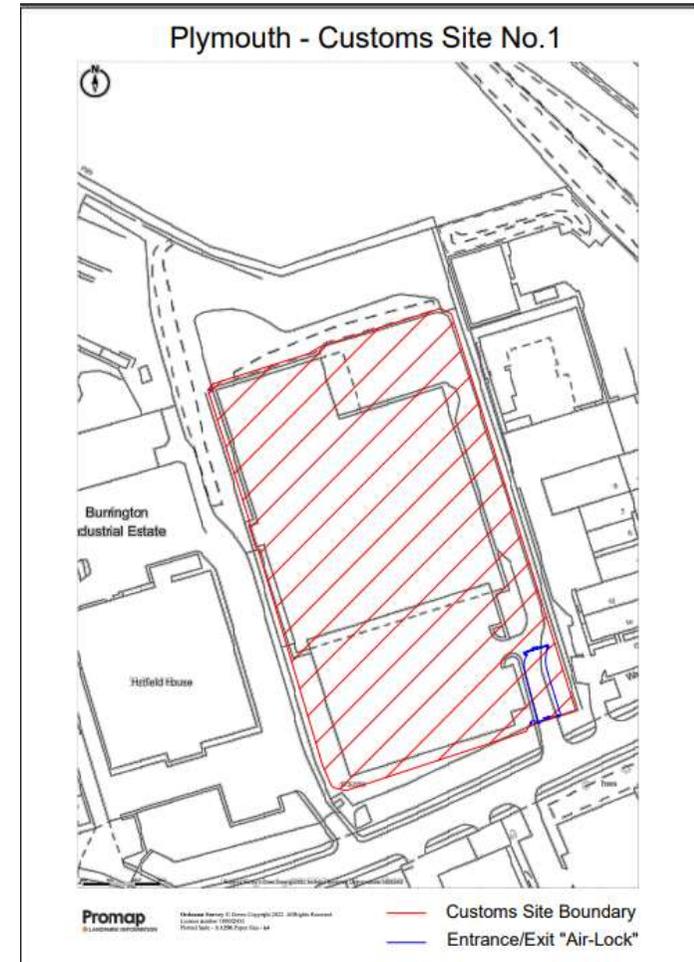
<b>Freeport Operating Costs</b>	<b>Start Date</b>
Freeport CEO	Jun-22
Freeport Manager	Jun-22
Skills Coordinator	Jun-22
Project co-ordinator (P/T)	Jun-22
<i>Customs &amp; security operator (via SLA)</i>	Apr-24
Marketing, Trade and Investment Manager	Jun-22
Innovation Manager	Jun-22
Finance Manager	Jun-22
<b>Annual Total Expenditure</b>	<b>£398,500</b>

# ***Plymouth & South Devon Freeport Case Study – Customs Sites (Reality)***

- None of the planned customs sites are operational
- *“Since these sites cannot be delivered before site infrastructure, a temporary customs site has been identified to ensure HMRC requirements are met to have a fully operational customs site before the Freeport can be formally designated.”*
- Babcock International Group PLC have agreed to seek authorisation as customs site operator at the Burrington way site in Plymouth. It is not known if other businesses can use this site yet.
- Consideration of longer term options, including the procurement of a single customs operator to cover all the customs operations is underway.

# Plymouth & South Devon Freeport Case Study – Customs Sites (Reality)

- Original plans had this temporary site completed in June 2022. The site was uploaded online on 11 October 2022.
- *“Babcock will also, in the shorter term, bring forward a smaller customs zone on the Burrington Way Industrial Estate in the North of Plymouth. Though sitting outside of our tax site boundaries, it will nevertheless form part of the Freeport footprint, enabling Babcock to meet their immediate needs whilst also serving other early Freeport tenants.”*
- The Local Chamber of Commerce backed the initial bid but are currently unaware of how businesses can go about using the site.



# *Take Away Points*



- Customs Sites can be different from Tax Sites – Understand the location
- Freeports and Investments Zones can overlap to increase benefits
- Customs Sites can relieve both VAT and Duties if you operate a special procedure
- Special procedures do require approval and on-going compliance
- Many Customs Sites will not be available for some time and the costs of compliance are currently unknown – Custom Site Operators need to detail costs / procedures
- If currently operating Inward Processing and Customs Warehousing the duty benefits will be negligent
- If trading with countries with Free Trade Agreements that do not allow for preference status from Freeports the overall benefit will be decreased
- Sign up for updates from your local Freeport