

# **Import/Export Business in the Isle of Man and the Isle of Man Entry Processing Unit (EPU)**

The Isle of Man and the UK form a single area for customs purposes, and hence an “import” or an “export” generally means an import into this single area from a third country, or an export from it to a third country.

Where goods are moving only between the Island and the UK these are regarded as “removals”, rather than imports and exports. However, certain legislation provides for certain removals to, in fact, be treated as an import or an export. Most of these are due to domestic non-customs law between the Island and the UK, for example in respect of firearms and explosives. The other chief differences affecting movements are –

- the requirement for certain cultural items to have an export licence (issued by Manx National Heritage – see Notice 279C MAN) even if only going to the UK;
- import restrictions on human and veterinary medicines;
- controls on the movement of endangered species – as the Island is outside the EU for the purposes of CITES; and
- controls on the movement of “cash” (see Notice 9011 MAN) – as the Island is outside the EU for the purpose of EU Anti-Money Laundering Directives.

As part of the customs territory of the EU, the chief customs legislation in the Island (and the UK) is the Union Customs Code (which replaced the Community Customs Code with effect from May 2016) and associated implementing measures. These are supplemented by domestic legislation. Being a part of the customs territory, there are no formal customs barriers between the Island and Member States of the EU.

The same duty suspension and other special customs procedures that are available in the UK and other Member States are also available in the Island.

As a part of the EU fiscal territory (for VAT and certain excise duties), goods may move freely between the Island and Member States, in the same way as between the Island and the UK. Where special arrangements exist – for high-risk, high-value goods such as manufactured tobacco, cigarettes and alcohol for example, or goods in transit into, through or from the EU – these are the same in the Island as in the UK and other Member States.

Authorisations for use of special procedures for customs and excise purposes, including approval of excise tax warehouses, are handled by Customs and Excise with assistance from HMRC; and any authorisations granted are included on databases maintained, or contributed to, by HMRC (e.g. the SEED database of excise tax warehouses in the EU). This facilitates the transfer of any goods subject to controls throughout the UK and the rest of the EU.

Note that non-established businesses (e.g. foreign companies) wishing to, or required to, register for VAT and having no connection (office, branch, named agent or representative) to the Island are directed to apply for registration to the appropriate office of HMRC in the UK.

Subject to certain *de minimis* thresholds, all goods from outside the EU must be formally entered (declared) on importation. In the Island, this is mainly done via manual customs declarations, with Customs and Excise entering the details onto CHIEF (see below). Such formal entry is also required for postal imports of above £750 in value, or where applying for use of special customs procedures or a quota, or where an import licence is involved.

The Isle of Man EPU is a means by which importers and exporters and their agents are able to declare imports into the single area from outside the EU, and exports from the single area to places outside the EU.

Isle of Man businesses have three main routes available for making import declarations –

- for goods arriving directly to the Island (predominantly aircraft and vessels, but also postal imports – see Notice 143 MAN) – a manual declaration procedure with Customs and Excise;
- for goods arriving directly into the Island *or* arriving at UK airports and seaports – an electronic declaration service with all facilities provided by Customs and Excise but making use of the CHIEF systems operated by HMRC. To use this method the business, or their Island-based customs representative, must have the necessary, specific approvals from Customs and Excise;
- for goods arriving directly into the Island *or* goods arriving at UK airports and seaports – using the HMRC electronic declaration service in the UK.

There are additional, but less important, methods of making a declaration (such as Merchandise in Baggage (see HMRC Notice 6).

Both UK and Isle of Man businesses are able to make use of electronic means of making declarations, using the CHIEF system operated by HMRC. This allows importers, exporters and their agents to obtain computer-generated customs clearance. Access to CHIEF is primarily obtained via third party software suppliers, known as Community System Providers.

CHIEF stands for Customs Handling of Import and Export Freight and is a computerised system operated by HMRC. HMRC is currently developing a replacement, and this will incorporate changes required to comply with the EU Union Customs Code that is being implemented in stages from May 2016. Isle of Man Customs and Excise has requested that HMRC design out of the new system features that currently require Island businesses wishing to use the Isle of Man EPU to use the process called CFSP (Customs Freight Simplified Procedure).

VAT-registered businesses intending to import or export must first apply for an EORI (Economic Operator Registration Identification) 12-digit number, normally based on their VAT registration number with 3 additional digits. An EORI must be applied for to, and are allocated by, HMRC.

When it established the EPU, Customs and Excise sought to make available a comprehensive service for the international trade sector which would provide facilities whereby businesses could deal exclusively (and electronically) with Isle of Man Customs and Excise for all their import and export needs, in much the same way as they can for VAT. Use of the EPU allows them to make their electronic declarations to CHIEF as required, but hold their deferment

accounts and make payments to Customs and Excise in the Island for goods arriving in either the UK or the Island. However, due to the structure of CHIEF, this arrangement was not possible without the use of CFSP.

It has been found that, being an authorised procedure, the time and resource implications needed to conform to the required Authorised Economic Operator (AEO) standard required for such authorisation, plus the costs involved in acquiring the CFSP software etc, has proved a barrier to trade. For this reason, Customs and Excise has asked for the need to use CFSP to be removed from the replacement for CHIEF.

By contrast to the additional requirements imposed on importers by the requirement for CFSP, Island-based exporters can access an online, uncomplicated declaration facility via CHIEF.