

Guidance for UK Shipments

IMPORT VAT AND DUTY SUMMARY

Guidance for clients shipping materials to Covance Laboratories Limited, United Kingdom (UK) sites and for re-export of materials from Covance Laboratories Limited UK sites to client and/or referral laboratories outside of the UK.

Introduction

The purpose of this guidance is to help ensure that client materials are quickly and efficiently cleared through Customs and that the client and Covance are clear on each party's responsibilities. The guidance is split into two sections:

- A. Guidance on the Import of client materials for Testing into the UK
- B. Guidance on the Export of client materials from the UK to the rest of the world (Including the EU from 1st January 2021)

The guidance, when followed, will help to ensure that any supply chain costs such as import VAT and Duty are borne by the appropriate party who (where applicable) is entitled to recover these costs from local authorities. As a consequence, this guidance will help minimize irrecoverable costs for all parties, reduce the volume of follow up queries (Client, Covance, Customs clearance agents, Couriers, Customs authorities etc.) and reduce the resultant administration and strain on resources.

This guidance is intended to clarify the roles of each party. It does not address other import/export issues that may arise with specific types of materials, including but not limited to dangerous goods or CITES requirements. This guidance is not intended to be either tax or regulatory/legal advice, and any specific questions or circumstances should be considered by the client's own advisors.

A. Guidance on the Import of Materials for Testing into the UK

- 1) The legal owner of the goods imported into the UK, assumed to be the Client, is in accordance with HMRC guidance by default regarded as the Importer of Record and is therefore required by HMRC to pay for any import VAT and Duty. The Importer of Record (Client) can then reclaim the import VAT and Duty through their own internal processes.
- 2) Covance Laboratories Limited can become the Importer of Record if, **and only if**, all of the materials are to be tested to destruction and any remaining materials are disposed of within three years from the date of import to the UK. Conditions for this relief will not be met if materials are re-exported. Claiming this relief allows materials to be imported into the UK free of import VAT and Duty.

To enable this latter option to be activated, clients must ensure that the following import clearance instruction is included within the Commercial Invoice and is written in bold text and not as small print.

- a. **UK Import Clearance Instruction**
- b. ***This import is for research purposes only, the imported materials will be tested to destruction and any remaining material will be disposed of within three years from the date of import clearance. Please use the following Customs Procedure Code (CPC) and Commodity Code(s):***
- c. ***Invoice Line 1 CPC 4000C33 & UK Commodity Code***
- d. ***Invoice Line 2 CPC 4000C33 & UK Commodity Code.....***
- e. ***The Commercial Invoice value is for Customs purposes only***

Please note that the Customs Procedure Code and the Commodity Code must be stated for each line on the Commercial Invoice. The Commercial Invoice with regard to the importation of materials is the primary document Customs use to ascertain classification, valuation and ultimately VAT and Duty payments owed on each imported shipment.

The client must use a reputable international door to door courier who will also clear the import through Customs. On request we can provide details of such couriers.

The Commercial Invoice that will accompany the shipment must state the following:

Who the Importer of Record is and include their UK EORI¹ number (refer to the 'Prepare to import goods from the EU to Great Britain from 1 January 2021'- link at the bottom of this guidance).

- 1) The delivery address and addressee.
- 2) The shippers address.
- 3) A full and clear description of materials being imported. Please do not use abbreviations and material codes to describe the materials being imported.
- 4) Clearly state the Commodity Code(s). To facilitate the efficient clearance of an import the ten digit UK Commodity Code should also be included. This can be provided by the Covance Study Director.
- 5) The Incoterm (International Commercial Term)².
- 6) A statement confirming that the materials are for research purposes only.

¹ EORI stands for “**Economic Operators Registration and Identification** number”. Businesses and people wishing to trade must use the EORI number as an identification number in all customs procedures when exchanging information with Customs administrations.

² International Commercial Terms (**Incoterms**) are international rules that describe the terms of goods delivery for global transactions (although some countries are already implementing them locally); they make trade easier and help partners from different countries understand each other.

- 7) The value of the materials being imported must comply with World Trade Organization rules for valuing goods. A zero value on the Commercial Invoice is not permitted.
- 8) Where Covance Laboratories Limited is the importer of record into the UK and goods for test relief is claimed, the import clearance instruction should be included on the Commercial Invoice as instructed under Section A, Sub-section 2 of this document.

NOTE: Covance Laboratories Limited (“Covance”) is, under UK tax law, not entitled to recover import VAT and Duty incurred on imports from the UK tax authority (“HMRC”) where Covance is not the legal owner of the goods imported into the UK for testing purposes. **Should Covance incur irrecoverable VAT and/or Duty, then these costs will be recovered from the Client.**

Further guidance can be accessed via the following links and/or through discussion with your advisors:

Pay no import duties or VAT on importing goods for testing

<https://www.gov.uk/guidance/pay-no-import-duties-or-vat-on-importing-goods-for-testing#who-can-get-relief>

Prepare to import goods from the EU to Great Britain from 1 January 2021

<https://www.gov.uk/prepare-to-import-to-great-britain-from-january-2021>

Valuation of imported goods for customs purposes, VAT and trade statistics

<https://www.gov.uk/government/publications/notice-252-valuation-of-imported-goods-for-customs-purposes-vat-and-trade-statistics>

Revenue & Customs Brief 15 (2020): VAT – Conclusion of review of Import VAT deducted as input tax by non-owners

<https://www.gov.uk/government/publications/revenue-and-customs-brief-15-2020-vat-conclusion-of-review-of-import-vat-deducted-as-input-tax-by-non-owners>

B. Guidance on the export of client materials from the UK to the rest of the world (Including the EU from 1st January 2021)

For all shipments of materials out of the UK, Covance has the following policy/procedure:

- Under no circumstances will Covance be the declared importer of record into a destination country.
- The client, or referral laboratory should be the declared importer of record into destination countries.
- The client should provide all relevant information required for commercial invoice completion; including:
 - Providing full details for the importer of record (consignee address, contact name etc.)
 - Providing a valid EU EORI³ where shipment is to the EU.
 - Providing other valid registrations required for customs clearance in non-EU destination countries.
 - Providing details of clearing agent/broker to be used to provide import clearance information
 - Under no circumstances will Covance use Incoterm⁴ DDP (Delivered Duty Paid). Any related import costs should be borne by the owner of the materials.
- Incoterm DAP (Delivered at Place) will be used for shipments by default.
- The client, or referral laboratory should, prior to export of any goods, inform Covance of any relevant certifications, permits/licenses, statutory instruments etc. (providing copies when available) where required to facilitate the export/import procedure.

³ EORI = “**Economic Operators Registration and Identification**” number. Businesses and people wishing to trade must use the EORI number as an identification number in all customs procedures when exchanging information with Customs administrations.

⁴ International Commercial Terms (**Incoterms**) are international rules that describe the terms of goods delivery for global transactions (although some countries are already implementing them locally); they make trade easier and help partners from different countries understand each other.