

A Guide to Preparing to Become a Customs Agent



In response to a high volume of queries about becoming a customs agent BIFA decided to prepare this guidance to assist those who would like to start operating as a customs broker. Before traders can comfortably start customs clearance operations there has to be an understanding of their duties, rights and obligations relative to the profession.

Understanding the legal aspects underpinning customs clearance activities is equally as important as the commercial aspects and this publication guides traders through the basics of establishing a customs clearance business.

A customs agent's main activities

The main function of a customs agent is to offer a professional customs clearance and representation service to traders importing and/or exporting goods from/to countries outside the European Union.

The primary activity for a customs agent is lodging import/export customs declarations to Customs (HMRC in the UK) and facilitating the payment of import duties, VAT, excise duty etc. on behalf of importers and exporters. For intra-EU movements, some customs agents file their clients' statistical data into "Intrastat".

Also, customs agents frequently provide guidance and, in some cases, consultancy services to their clients covering the legal aspects and procedures governing customs activities. Due to their broad knowledge Customs agents often offer general guidance on subjects as diverse as:

- Phytosanitary or veterinary requirements
- Pharmaceutical or technical regulations
- Quantitative quotas
- Licencing requirements
- Dual use goods advice
- Market protection and access regulations
- Trading Standards requirements.

Are customs agents licensed in the UK?

There are no licensing requirements in the UK for a trader to establish themselves as a customs agent. A customs agent's work is regulated by the complex laws specific to the customs clearance and import/export regulations.

The main document detailing customs and other regulatory activities is **The Integrated Tariff of the United Kingdom (The Tariff)**. This provides an invaluable guide to the overall Customs function and also the role of various parties within it.

What formal training is required to act as a customs agent?

In the UK no formal training or qualifications are officially required in order to become a customs agent. BIFA recommends that, due to the complexity of the operations, the legal obligations and potential to be fined, candidates aspiring to become customs agents demonstrate a sound understanding of Customs law and other regulations. They must understand their rights and the legal obligations that they will be governed by.

Considering the complex nature of the subject matter some professional tuition is highly desirable and recommended. In addition to that, HMRC and other government agencies may expect a certain level of certified training and/or experience in order for agents to apply for certain types of authorisations or facilitations. In particular this applies to agents wishing to become Authorised Economic Operators where there are specific requirements relative to experience or training ([See BIFA's Guide for AEO Applicants](#)).

There is a wide choice of training available in all aspects of the freight industry including customs, and even individuals with years of experience may find that training courses will enable them to fill in the gaps in their current knowledge. For more details see: [List of BIFA courses](#).

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THE LAW

Despite the fact that no formal licensing regime applies, a customs agent's work is highly controlled and is subject to a wide range of regulations. Understanding these is key to becoming a successful and compliant trader able to provide good quality services to customers.

The Tariff

The Integrated Tariff of the United Kingdom is the basis for every customs agent's clearance activities. As previously stated in this document, The Tariff details the regulatory requirements applicable to customs declarations including Customs Procedure Codes (CPCs), rules of completion, documentary requirements, commodity codes etc.

The Tariff comprises 3 volumes and as a customs agent you have a copy either electronically or in hard copy.

Volume 1 provides detailed information for importers and exporters covering prohibitions and restrictions, reliefs, duties, suspensions, and VAT regulations. It also covers other applicable charges and rules that traders need to apply when importing or exporting from the UK.

Volume 3 brings together instructions for completing the Single Administrative Document (form C88) and related customs documentation. It includes import, export and community transit documentary procedures, information about customs warehousing, trader data input, details of customs procedure codes and certain other special procedures for facilitating trade.

Volume 2 contains the Harmonised System (HS) based nomenclature, codes and rates of duty including within the Schedule the descriptions, codes and rates relating to preferences, quotas, suspensions and anti-dumping duties, together with details on excise duties and drawbacks. It also incorporates detail of other tariff related measures included in the EU's Integrated Tariff (TARIC) together with an indication of liability to value added tax (VAT) of goods described.

The Union Customs Code (UCC)

The Tariff setting out the general rules for importing and exporting goods is derived from the Union Customs Code EU Regulation 952/2013. The UCC is supported by the Implementing Act and Delegating regulations which further specify the scope of legislation applicable to import/export/transit etc. and provide technical information relative to the legislation.

The UCC has been implemented across the EU since the 1st May 2016 and this process has been ongoing and has driven some significant customs procedures, especially relative to customs declaration procedures. A customs agent will need to understand the UCC and accompanying legislation in order to fulfil their role correctly.

Who is responsible for customs clearance instructions?

A customs agent deals with a variety of products entered to various customs procedures and operates on the basis of clearance instructions received from the importers/exporters. For example, it is the importer's/exporter's legal responsibility to provide the Tariff classification of the goods.

These instructions may be of permanent (standing) nature (usually applicable to one type of goods imported/exported from/to the same trader) or specific where they would be applied on an individual shipment basis only.

It is important for clearance agents to ensure instructions are always available and detailed, because they may be requested by Customs. It is crucial that agents understand how to read these instructions particularly in combination with various types of shipping documents accompanying the freight.

We must emphasise that being an agent doesn't automatically make you the importer/exporter and all the information relative to customs clearance should be provided by the trading party, on whose behalf you are acting. However, in certain circumstances the customs agent may become the declarant which imposes greater responsibilities and thus liabilities. Very careful consideration should be given to whether or not you wish to act as a Customs agent in these circumstances.

Representation

The issue of Representation, closely linked to the topic of clearance instructions, is a very important aspect of every agent's operations. Depending on business arrangements and legal requirements, the customs agent may be authorised to act in the capacity of Direct or Indirect representative. The two types of representation affect the agent in different ways and it is crucial to distinguish and understand the differences between them.

The direct representation means the agent acts in the name of and on behalf of the principal. The indirect representative performs legal actions in the name of the principal, but on their own behalf. Understanding and choosing the right type of representation is crucial for customs agents and BIFA has prepared a separate guide on [Representation](#).

TECHNOLOGY AND SOFTWARE REQUIREMENTS

Before starting operations agents need to determine what system requirements will apply to their business. There are a number of operational aspects that need to be considered which will determine the final cost of the software package.

Below is a non-exhaustive list of criteria to consider when deciding on what software to use:

- Type of operations as a customs agent within the freight forwarding environment: Sea/Air/Road/Import/Export/Customs Warehousing/ETSF/ITSF/ Designated Export Place/NCTS
- How many locations will you operate from?
- How many users will require access to the system?
- Is hosted service or an in-house server going to work better for you?

When the above questions have been answered you need to determine further criteria of your setup as a customs clearance agent:

- Integration requirements – In the age of automation you may need to determine whether your customs declarations system needs to be integrated with other systems including but not limited to:
 - Import/Export Freight forwarding packages
 - CRM databases
 - Warehousing/CFSP programmes

Decisions will need to be made as to whether one fully integrated system is purchased, or individual elements procured and linked together.

Customs Handling of Import Export Freight (CHIEF)

Customs agents operating in the UK use electronic systems for the majority of declarations submitted to HMRC. This requires a connection to CHIEF an electronic system which records the declarations made to Customs for goods moving by land, air and sea. It allows importers, exporters and freight forwarders to complete customs information electronically, calculates duties and taxes and automatically checks for entry errors.

CHIEF is also part of HM Revenue and Customs (HMRC) risk assessment process, it identifies which consignments, or goods within a consignment, will need to be physically examined, or have their documentation checked. This gives legitimate goods, and those deemed to be a low-level risk, faster passage when they are directly imported from non-EU countries or exported to them from the UK.

Customs Declaration Service (CDS)

CHIEF will be replaced by the new Customs Declaration Service (CDS) which will replicate all the functionalities of the outgoing system whilst simultaneously adding new functions designed to create a comprehensive trade facilitation environment. As CDS is still under development more information will be added to the revised version of the guide soon.

[Click here for more information about CDS](#)

Commercial Software

Although CHIEF can be accessed directly via HCI (Human Computer Interface) functionality few agents use this option, the majority use commercial software interfaces which

provide a wide array of functions and compatibility with the CHIEF requirements. There are a number of compatible commercial systems offering various functionalities and it is important that agents choose the software based on their needs and requirements.

A list of commercial software providers can be found on: www.afss.org.uk

Community System Providers (CSP)

The vast majority of cargo entering/leaving the UK is via a port of entry/exit linked to a specific inventory system. The inventory linking is facilitated by Community System Providers (CSP). CSPs link together the customs agent, HMRC and the holder of the inventory system. This allows the customs declaration to be submitted by the clearance agent, clearance of the consignment by HMRC and release of cargo by the holder of the inventory in a single electronic environment.

Connection to a CSP inventory system enables traders to electronically clear cargo entering/leaving the UK through the (air)port where that CSP is responsible for the inventory system. Some CSP systems, particularly in the maritime environment communicate with one another. However, some CSP's do not offer this functionality.

When selecting a software package, it is essential to check that it is fully compatible and will successfully link to the appropriate CSP(s). We must emphasise that connection to a CSP is linked to the payment of various fees, some of which are paid on a per message basis. Therefore, it is a business decision and should be made upon evaluation of the traffic levels that the agent will handle via a particular CSP.

CUSTOMS AUTHORISATIONS AND FACILITATIONS

Payment facilities - Flexible Accounting System (FAS) & Deferment Approval Number (DAN)

In order to operate efficiently and to release goods from the frontier a customs agent needs to ensure that the payment of duties and taxes is processed without unnecessary delays. In principal most agents use two methods of payment: Flexible Accounting System (FAS) and Duty Deferment Account (DAN).

FAS

In order to use FAS you need to be a Direct Trader Input (DTI) agent: that is, if you process import entries through a computer terminal linked to HM Revenue and Customs (HMRC) Customs Handling of Import and Export Freight (CHIEF) or its replacement system, CDS. FAS allows traders to make payments and is used in a similar way to a bank current account. However, there are no charges for using the account, no overdraft facility and no interest to be gained.

Deferment Approval Number (DAN)

A Duty Deferment Account is a guarantee-based system which allows for speedy clearance at the border by deferring the payment of duties and taxes. Unlike the FAS it can be utilised by both importers and agents. Agents using their client's Duty Deferment Accounts need to ensure they are authorised to do so.

The Duty Deferment Account is a guarantee-based system and any party wishing to use it needs to apply for a Customs Comprehensive Guarantee, which incurs a financial cost.

More information on Comprehensive Customs Guarantees can be found here: [CCG](#)

Customs Warehousing and External Temporary Storage Facility (ETSF)

In order to be able to move goods away from the port or airport of arrival in the UK, agents may want to consider applying to be authorised to operate an External Temporary Storage Facility (ETSF)

An external temporary storage facility (ETSF) is a place situated inside or outside the approved area of a seaport or airport, where non-Union goods may be placed in storage prior to being placed under a customs procedure or re-exported. Such a facility is considered to be part of the UK Border and as a result it must be approved for this purpose by the Border Force.

For further information on temporary storage approvals please refer to: <https://www.gov.uk/government/publications/notice-199a-temporary-storage-and-approved-depositories/notice-199a-temporary-storage>

Additional points to consider

Whilst the main direction of this guidance has been to examine the IT and regulatory requirements relative to establishing a customs clearance business, there are wider commercial aspects to consider. Given modern technology, we are aware that some people operate a stand-alone customs clearance business, but the vast majority of customs agents provide this service as part of a wider freight forwarding/logistics business.

The wider commercial aspects to consider include but are not limited to:

- Structure and incorporation of the business
- Appointment of auditors and solicitors
- IT and communication requirements
- Staffing and training requirements
- Location of and acquisition of premises
- Provision of sufficient financial support
- Membership of trade association
- Identification of liabilities and provision of adequate insurance cover
- Evaluation of wider operational processes and how to inter-face with other parties within the supply chain

BIFA receives many enquiries from people wishing to set up a customs clearance business for commercial reasons. Usually, during the conversation, we establish an accurate impression as to the capability of the person at the other end of the telephone. Our final piece of guidance is simple, unless you fully understand customs procedures, your responsibilities and the financial penalties that can be imposed for non-compliance we would urge you to gain the relevant experience by working in the industry first.

This Guide has been produced by the Association with a view to providing general industry guidance to members. However, it is not legal advice nor is it a substitute for legal advice. The Association is only in a position to provide general non-legal guidance as each member's situation may be different and this may affect particular legal advice that may be given by suitably qualified lawyers to each member. The Association is not able to provide legal advice and if you wish to ensure that any specific action you intend to take while relying on this general guide is legally appropriate you are advised to consult a qualified lawyer experienced in the relevant legal field which may include forwarding, transport, logistics, international trade and commerce in advance of taking such action.