

INTRODUCTION

AEO status is an internationally recognised quality mark indicating that your role in the international supply chain is secure, and that your customs controls and procedures are efficient and compliant.

It isn't mandatory, but it gives quicker access to certain simplified customs procedures and in some cases the right to 'fast-track' your shipments through some customs and safety and security procedures.

You can apply for AEO status for customs simplification (AEOC), AEO status for security and safety (AEOS) or both.

If you hold AEOC status, you could benefit from:

- a faster application process for customs simplifications and authorisations
- reductions or waivers of comprehensive guarantees



You'll need to be a holder of an AEOC if you wish to qualify for:

- moving goods in temporary storage between different member states
- a notification waiver when making an entry in a declarant's records (EIDR)
- a 70% reduction in a business's deferment account guarantee
- undertaking centralised clearance (when available)
- completing self-assessment (when implemented)

You'll need to be a holder of an AEOS if you'd like to benefit from arrangements under mutual recognition agreements with third countries.

AEO status is for businesses that are established in the EU, actively involved in customs operations and

international trade and have an Economic Operator Registration and Identification (EORI) number. The [EU AEO database](#) allows anyone to check who holds an AEO status, what type it is, and the date and country of issue.

UNION CUSTOMS CODE (UCC)

Customs legislation will change on 1 May 2016 with the implementation of the UCC.

The UCC introduces a new standard of practical competence or professional qualification directly related to customs activities. Training which provides recognised customs qualifications is limited in the UK, so the focus will be on evidence and demonstration of practical competence over the previous 3 years. This standard only applies to AEOC.

There's also an amendment to the compliance standard which means you need to meet customs legislation and taxation rules relating to your economic activity.

There's a transitional period for AEO authorisations issued before 1 May 2016. This period will go to 1 May 2019, when all AEOs must meet the new requirements. The reassessment work will be managed over this 3-year period and AEOs will be given more information on how and when this will be done.

DATA PROTECTION REQUIREMENTS

Under data protection, holders of an AEO authorisation need to give permission for some limited data to be shared with third country customs authorities. This will enable their AEO status in the EU to be recognised and benefits applied. The [C118](#) AEO self-assessment questionnaire asks that new applicants give their consent to publication and exchange of AEO data.

AEO AUTHORISATION

Anyone involved in the international supply chain that carries out customs related activities in the EU can apply for AEO status irrespective of the size of their business.

This includes:

- manufacturers
- exporters

- freight forwarders
- warehouse keepers
- customs agents
- carriers
- importers
- others (for example, port operators, secure freight parking operatives, airline loaders)

For more detail on where the international supply chain is deemed to start and end for AEOs read [Notice 117](#).

Your AEO application must be submitted by a responsible person in your business, for example a partner or director, or in the case of a sole trader, the proprietor. If the application is made by someone else, they must be sanctioned by a responsible person of the business.

TYPES OF AEO AUTHORISATION AND THE BENEFITS

AEOC status is issued to any business that fulfils the specified criteria of having:

- good tax and customs compliance history
- good commercial and transport record-keeping standards
- financial solvency
- professional qualifications or demonstrating practical standards of competence in the activity they're involved in

A holder of an AEOC status can benefit from being able to qualify for:

- moving goods in temporary storage between different member states
- a notification waiver when making an EIDR
- a 70% reduction in a business's deferment account guarantee
- undertaking centralised clearance (when available)
- completing self-assessment (when implemented)

AEOC holders could also benefit from a faster application process for customs simplifications,

authorisations and reductions or waivers of potential debt guarantees.

AEOS is issued to any business that fulfils all of the above criteria with the exception of professional qualifications and practical standards of competence, which is only applicable to AEOC. The business must also have appropriate security and safety standards to protect the international supply chain. These should include:

- physical integrity and access controls
- logistical processes and, if appropriate, the handling of specific types of goods
- personnel and identification of business partners

A holder of AEOS will benefit from:

- a lower risk score - used to determine the frequency of customs physical and documentary checks
- consignments being fast-tracked through customs control
- reduced requirements for the mandatory pre-arrival/pre-departure **Entry Summary Declarations** or **Exit Summary Declarations (EXS)**
- reciprocal arrangements and mutual recognition with countries outside the EU - for example, USA or trading partners that adopt the World Customs Organisation safe framework

The guide on [The National Export System for export declarations](#) gives more on EXS.

You can apply for both AEOC and AEOS if you'd like to benefit from each of them. Whichever authorisation you hold, you'll benefit from:

- recognised status across the EU
- an industry 'kite mark'

CRITERIA FOR GRANTING AEO STATUS

For AEOC, you must fulfil the criteria listed below for:

- compliance
- record keeping
- solvency

- professional qualifications and practical standards of competence

For AEOS, you don't need to fulfil the criteria for professional qualifications and practical standards of competence, but you must fulfil the security criteria. Applicants for both types of AEO must first be enrolled with the [EORI scheme](#).

COMPLIANCE

HM Revenue and Customs (HMRC) will check your record of compliance with customs and tax requirements for your business over the last 3 years, or will use the latest available information if you've been established for less than that time.

They will also look at whether serious or repeated infringements of customs rules have been committed by:

- your business
- the people managing your business
- the people in your business responsible for customs matters
- your legal representative for customs matters

You'll need to show that:

- you have procedures in place to identify and disclose any irregularities or errors to HMRC
- you've taken appropriate remedial action for any irregularities identified
- you have satisfactory procedures for handling controlled goods such as:
 - military goods or technology
 - dual-use goods
 - excise or Common Agricultural Policy goods
 - dangerous goods or hazardous materials
- you have procedures in place to tell HMRC about any changes in your customs business activities

Find out about the necessary standards of compliance by AEOs in [Notice 117](#).

RECORD KEEPING

HMRC need to be satisfied that you have a satisfactory system of managing commercial and,

where appropriate, transport records. You'll need to have:

- methods to allow HMRC access to your customs records
- an appropriate logistical system
- an appropriate level of administrative organisation
- documented procedures to control and manage the flow of goods
- internal controls in place to detect illegal or irregular transactions
- procedures in place to handle certain licences and authorisations
- archival and retrieval procedures in place
- trained staff to inform HMRC if systems errors are discovered
- procedures for verifying the accuracy of customs declarations submitted on your behalf by third parties - if appropriate
- information technology security measures in place
- a well maintained accounting system with a full audit trail

Find more about the standards for record keeping by AEOs in [Notice 117](#).

SOLVENCY

You have to prove you've been financially solvent for 3 years before your application and that you have the ability to meet your financial commitments both to HMRC and other creditors.

HMRC will expect your net current assets to be positive, but will take into account any special circumstances that mean it is normal for your company to have negative net assets.

Find more about the necessary standards for solvency of AEOs in [Notice 117](#).

PRACTICAL COMPETENCE OR PROFESSIONAL QUALIFICATION

Due to the lack of recognised customs qualifications in the UK, the focus is to be on the demonstration and evidence of practical competence over the previous 3 years.

Depending on the size and type of the business, the person that needs to be competent could be the AEO applicant, or the person in charge of the customs matters. For example, where the work is outsourced to one or more business partner they must be competent to carry out that role or hold an AEOC authorisation.

The business applying for AEOC status will need to provide evidence of the roles, responsibilities and competence and how this is assured.

SECURITY

HMRC will look at what you've put in place to protect your business and its supply chain against potential risks. You'll need to:

- have a safety and security risk assessment in place
- have secured external boundaries with documented procedures to control access to your premises
- have measures in place to protect your cargo units and to prevent unauthorised access to shipping areas, loading docks and cargo areas
- use procedures to secure the safety of your goods during storage, manufacture and transport
- agree appropriate safety and security measures with your suppliers
- carry out security screening and procedures for prospective employees and contracted parties
- train your staff in the security and safety requirements

Find out about the necessary security standards for AEOs in [Notice 117](#).

You can use the [security declaration](#) as evidence of control between the business and their business partners.

HOW TO APPLY FOR AEO AUTHORISATION

To obtain AEO authorisation, you must have an EORI number and complete an application pack which contains:

- [form C117 \(application form\)](#) - requiring basic information about the business

- [form C118 \(self-assessment questionnaire\)](#) - a detailed questionnaire about your business activities and explanatory notes for the AEO application

Send both forms together to HMRC so the application can be accepted and processed.

SUBMIT THE AEO APPLICATION AND QUESTIONNAIRE

The C117 and C118 online forms should be completed and sent to:
AEOapplications@hmrc.gsi.gov.uk

You'll need to have evidence of your processes and procedures to support your application and meet the AEO criteria. These should be retained and produced at the audit stage of the process or at the request of the auditor.

If you're a group of companies, you have to submit separate applications for each legal entity. If you have common corporate standards and customs procedures, you only need send in one questionnaire C118 together with an application form for each legal entity. However, if you submit a separate C118 for each legal entity, you can speed up the application process.

Each legal entity will receive their own authorisation number.

If you operate in other EU member states as well as the UK, your application must cover all your business activities in every country. However, if that operation is a separate legal entity, you need to apply for AEO status in that member state using their forms.

ISLE OF MAN AND THE CHANNEL ISLANDS

Send your application to the following address:

HMRC AEO Central Site
Fitz Roy House
Castle Meadow Road
Nottingham
NG2 1AB

Acceptance checks will then be carried out. Any audits will be conducted by Isle of Man, Jersey or Guernsey customs.

SECURITY REQUIREMENTS

If you're applying for an AEOs authorisation, you should prepare for your HMRC visit by completing a risk assessment to check whether you're able to meet the AEO security requirements. This assessment should be made available during the HMRC visit.

You should also have available:

- contracts for temporary personnel
- details of owners of cargo units
- all outsourcing contracts (including cleaning, security, maintenance and any others)

HR REQUIREMENTS FOR SECURITY AND SAFETY

The standard requirement for regulated agent or known consignor status is an employment history for the last 5 years. Although this is not a legal requirement for AEO, it's expected that you'll have a recruitment policy that is robust and stands up to scrutiny. You should have a minimum of a 3-year pre-employment check in place.

You should ensure that employees in security sensitive positions or high risk areas have received appropriate security screening. If you use an agency for recruitment purposes you must ensure that the background checks are being carried out on your behalf - including any additional company requirements.

EXCHANGE OF INFORMATION BETWEEN HMRC AND THE CIVIL AVIATION AUTHORITY (CAA)

EU legislation requires member states customs authorities and national authorities responsible for civil aviation security to exchange information on the status of AEOs authorisation holders and regulated agents or known consignors.

The legislation asks for the exchange of:

- the name of the holder
- any amendment to the authorisation
- any revocation or suspension and the reason
- any re-assessments of the authorisation and the results

The information is only used by the CAA for the regulated agent or known consignor programmes and the organisation is responsible for data security.

AEO APPROVAL PROCESS

When HMRC receives your application, you'll be sent an acknowledgment. If your application is complete and satisfactory, HMRC will visit you to verify your supplementary documentation. All the documentation referred to throughout the questionnaire and the explanatory notes must be made available for this visit, along with the necessary documented procedures.

If you meet the relevant criteria, you'll receive your authorisation within 120 calendar days. It will take effect on the 10th working day (5th working day from 1 May 2016) after the date of issue.

This time can be extended by either the business or HMRC to deal with any areas where the criteria isn't met.

For applications where there are business connections in other EU member states, it is mandatory to consult those states. The customs authorities have up to 80 days to complete this consultation.

NON-ACCEPTANCE, REJECTION AND WITHDRAWAL OF YOUR APPLICATION

Your application will be rejected if you or your legal representative for customs has been convicted of serious criminal offences or if you're subject to bankruptcy proceedings.

If your application is incomplete it will be returned to you for completion.

If you can't satisfy all the criteria for AEO you won't be granted AEO status, but you'll be given time to get things right. If you can't do this within the time allowed, your application will be refused.

You can withdraw your application if you need more time to meet the criteria for gaining AEO status. If your application is refused, or you withdraw it yourself, you can re-apply when you've satisfied the criteria. You can also request a [review or appeal](#) if your application is rejected.

KEEPING AND REVOKING YOUR STATUS

To keep your authorisation or status, you must continue to meet the criteria. You should notify HMRC of specified material changes to your organisation, personnel, systems or procedures.

If you don't do this, your authorisation will be reviewed and can be suspended or revoked. If it's suspended, you'll be given a chance to put things right. If it's revoked, you'll have to wait 3 years before re-applying.

Find out about maintaining your AEO status in [Notice 117](#).

RECOGNITION OF AEO IN OTHER COUNTRIES

If your business has AEO status in one member state, that status is recognised across the EU.

If you have AEOS status you can benefit from arrangements under Mutual Recognition Agreements (MRAs). MRAs are negotiated by the EU with third country customs authorities. Normally the benefits will reflect those for AEO, for example faster clearance at the frontier, less interventions and lower risk scores.

From November 2015 the EU has MRAs with:

- USA
- Japan
- Norway (security declarations only)
- Switzerland (security declarations only)
- China

Negotiations with Canada will soon be completed.

HELP AND INFORMATION

If you're interested in applying for AEO status or already hold it and would like further guidance, you can phone the AEO Central Site on 03000 564 556 or email them at:

AEOapplications@hmrc.gsi.gov.uk

DANSKE BANK EXPORT FIRST



The Danske Bank Export First programme, developed by NI Chamber, is a dynamic and unique platform of support which seeks to encourage and develop export activity, and ultimately economic growth in Northern Ireland, through the inspirational stories and shared learning of our successful exporters.

New, aspiring and growing exporters have the opportunity to access leading business people, listen to how they have grown their businesses in international markets, and obtain advice on all aspects of commercial development through export.

The 2016 programme consists of three Private Dinners and two Ministerial events.

official airline
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