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MAKERS

EXPORTING A HOW-TO GUIDE EXECUTION

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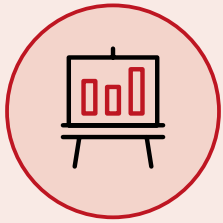


MAIN STEPS ON THE EXPORT JOURNEY

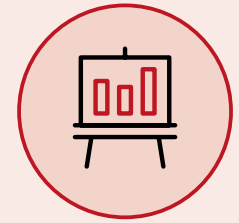


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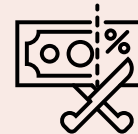
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STEP FIVE EXECUTION



Go for it...



DEAL

- Access your rights and obligations and choice of law
- Agree your commercial and payment terms with customer

SHIPPING

- Establish a good relationship with a freight forwarder or customs agent
- Monitoring potential transportation problems can bring peace of mind and bottom line preservation
- Explore insurance options

AVOIDING DELAYS AND COSTS

- Ensure correct trade documentation
- Regularly update product export files on a product-by-product basis

VALUED ADDED TAX (VAT)

- Understand the impact on cash flow from VAT and similar charges
- Consider VAT (or equivalent) registration in the destination country

COMMUNICATING WITH YOUR CUSTOMER

- Track and monitor goods in production and in transit
- Communicate regularly with your customer

FOLLOW UP

- Seek feedback and learn lessons

EXECUTION



DEAL

A first step in setting up your new relationship should be accessing your high-level expectations for your commercial contracts, which set out your rights and obligations under agreements with your customers. Your commercial terms will set out the price and also who will be responsible for the product during transportation (risk), when handover of responsibility happens and who handles customs documents, pays the tariffs and any excise duties (see Incoterms®).

For new commercial contracts you should consider the territorial scope of your agreements and the choice of law. Understanding whether your contractual relationship is governed by UK law or domestic law in your export market will be essential to accessing your rights, obligations and representation.

In addition, commercial contracts should consider the impact of trade barriers (including regulatory changes), commitments to aftersales and the impact of restrictions on the movement of persons (particularly important for businesses carrying out services).

- **Access your rights and obligations under any new agreements, including choice of law**
- **Agree your International Commercial Terms or Incoterms® and payment plan terms with the customer**



SHIPPING

International trade will often involve a more complicated supply chain, with more opportunities for things to go wrong. Transportation can be every bit as critical as manufacturing or sourcing, and minimising transportation issues protects your reputation as a trusted exporter.

Reliability is key to building a good reputation, and punctual delivery of goods is clearly important. While the legal liability for safe shipment of goods may change during their movement, from an importer's perspective the reputational liability still tends to lie with the exporter. Using a reputable international freight forwarder will maximise the likelihood of trouble-free international trade.

Insurance plays an important role in mitigating some of the potential problems in shipping internationally. However, while cargo insurance may cover some of these, the exporter will still have to deal with the associated business and cash-flow disruption in the event of a loss, plus the administrative overhead of making a claim.

- **Establish a good relationship with a freight forwarder or customs agent**
- **Monitoring potential transportation problems can bring peace of mind and bottom line preservation**
- **Explore insurance options**

EXECUTION



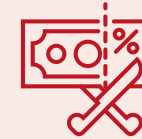
AVOIDING DELAYS AND COSTS

Making sure you have the right documentation isn't the most exciting part of doing business overseas, but it is one of the most important aspects to avoid delays and costs. It is worth spending time on the careful preparation of trade documentation to maximise the likelihood of dispute-free, profitable trading.

In addition to any commercial considerations, importers will require documentation in a particular format so that it satisfies local customs or other regulatory requirements. It is important to consider that documentary requirements can vary significantly between countries and importers.

Ensure that your product export files have the information needed to complete and submit correct paperwork, including your commodity codes, rules of origin calculations and relevant technical and regulatory documentation.

- **Minimise contractual disputes and maximise profitability with correct trade documentation**
- **Regularly update product export files on a product-by-product basis**



VALUED ADDED TAX (VAT)

For countries that have a Valued Added Tax (VAT) system, VAT is often payable to customs authorities at the time of importation at the rate of VAT for the good/product in that country. The business responsible for clearing customs for the goods must pay this VAT at the time of import.

The main impact of this is on cash flow and cost of importing. To address this impact, many countries have a VAT deferment scheme for imports. However, when exporting, the cost and cash flow impact should be considered.

In order to execute your VAT or other tax obligations, you may need to register in your destination market.

- **Understand the impact on cash flow from VAT and similar charges**
- **Consider VAT (or equivalent) registration in the destination country**

EXECUTION



COMMUNICATING WITH YOUR CUSTOMER

Making sure that your customer is aware of where you are in the process of preparing, sending and delivering your products is highly recommended.

Regularly sending information when a good enters a new phase of production, processing or shipping will keep customer expectations under control.

Similarly, early communication of any difficulties and challenges and working together to overcome any delays or unintended costs is vital.

- Track and monitor goods in production and in transit
- Communicate regularly with your customer



FOLLOW UP

Following up with your customer is essential. You should confirm satisfactory delivery, actively seek feedback and agree mutual improvements on future orders.

- Seek feedback and learn lessons



GLOSSARY

Term	Meaning
Advance Payment	Advance Payment – paying for a good or service before it is received.
Authorised Economic Operator status (AEO)	<p>A compliance certification signifying secure and reliable exporter status and offering smoother customs flows and deferred payment of duties. Predominantly used across the EU but with WTO links.</p> <p>Your freight forwarder will likely be AEO approved and a known consignor.</p>
AWB	Air Waybill - a receipt issued by an international airline for goods and an evidence of the contract of carriage. This document sets out the routing of an exporter's cargo while it is in the hands of the air carrier.
BL	Bill of Lading - document of title, a receipt for shipped goods, and a contract between a carrier and shipper. This document must accompany the shipped goods
BoE	Bill of Exchange - is used in international trade to help importers and exporters fulfil transactions. While a bill of exchange is not a contract itself, the involved parties can use it to specify the terms of a transaction, such as the credit terms and the rate of accrued interest
Border Operating Model	Post Brexit, this is the UK Government's new border control system that will be introduced in three stages up until 1 July 2021.
Carnet	A document permitting the holder to temporarily send goods to certain foreign countries for display or demonstration purposes without having to pay duties
CHIEF/CDS	CHIEF (Customs Handling of Import and Export Freight) is the HMRC computer system used to make customs declarations. Mostly used by freight forwarders, it will be replaced by a new system called CDS (Customs Declaration System) in 2021.
Certificate of Origin (CO)	An international trade document that certifies that goods in a particular export shipment are wholly obtained, produced, manufactured or processed in a particular country.
COD / OA	Cash on Delivery / Open Account - The sale of goods or services in which payment is made upon delivery rather than in advance
Commodity Code	A number allocated to goods to classify exports/imports. It dictates your duty rating, and alerts you to any import or export regulations. Department for International Trade UK Global Tariff Look Up
Consignor, consignee and declarant	Customs terminology referencing the person/organisation exporting, the person/organisation receiving the goods (taking ownership) and the person responsible for the import respectively.
Country of Origin (COO)	Countries use rules of origin to define the COO of goods – the COO determines how tariffs might apply. For example, to be 'made in the UK' a certain percentage of the ex-works value must be of UK origin.

Customs procedure code (CPC)	Tells customs what will happen to the goods.
Customs simplified procedures	Customs special and simplified procedures deal with customs treatment of goods transiting a country or held in storage – also known as bonded storage or warehouses.
Customs declaration	An electronic export declaration.
Customs union	Members apply a common external tariff (e.g. the European Union)
DIT	The Department for International Trade (DIT) is the UK Government department tasked with promoting and financing international trade and investment, as well as championing free trade.
Documentary Collection	Documentary Collection - A simple alternative payment method to Export Letters of Credit that protects the sellers interests over documents and payment collections via banks.
Duty	A duty or tariff is a tax imposed on goods when transported across international borders. The term duty could include import tariffs, VAT (or equivalent) and/or an excise duty.
Economic Operators Registration and Identification (EORI) number	A UK EORI number is issued by HMRC to identify an organisation for the purposes of customs and import/export.
EU Common External Tariff	The EU's external tariff regime, or MFN tariffs. See MFN Tariff
Free circulation	Free circulation refers to goods entering the European Union and, once cleared by customs, are free to circulate within the EU.
Freight forwarder	An agent who organises shipments and transport and can manage certain related customs procedures on behalf of the exporter. British International Freight Association
Generalized System of Preferences	The Generalized System of Preferences (GSP), is required to validate claims for preferential duty treatment (a reduced or duty-free entry). This form is granted by certain developed countries for certain manufactured goods exported by least developed countries to boost exports.
Incoterms®	Created by the International Chamber of Commerce (ICC) and used universally Incoterms are a set of internationally recognised three-letter trade terms that describe the practical arrangements for the delivery of goods from sellers to buyers and allocate the obligations, costs and risks between the two parties. Link to ICC

LC / DC	Letter of Credit (Documentary Credit) - A letter of credit, also known as a documentary credit is a commitment given by the buyer's bank that they will make payment when a pre-agreed, specified set of documents are presented to a nominated bank by the seller (video link)
MFN (Most Favoured Nation) tariff	Normal non-discriminatory tariff charged on imports (excludes preferential tariffs under free trade agreements and other schemes or tariffs charged inside quotas).
Open Account	Shipping goods to your buyer before you get paid.
Rules of origin	Rules of Origin (ROO) allow an importing country to identify and classify the origin of a product and therefore whether it should be subject to preferential treatment, such as tariff reductions. See also Country of Origin.
SWOT Analysis	SWOT is an acronym for a method of analysis looking at Strengths, Weaknesses, Opportunities, and Threats
Tariffs	A duty or tariff is a tax imposed on goods when transported across international borders. Often an import tax applied at a rate specific to the product. These can be applied at either MFN or at preferential rate through trade agreements.
TCI	Trade Credit Insurance (TCI) provides cover for businesses if customers who owe money for products or services do not pay their debts, or pay them later than the payment terms dictate.
UK Export Finance	UKEF is the UK's export credit agency
UK Global Tariff (UKGT)	The UK's external tariff regime, or MFN tariffs. The tariff or duty that applies to all goods imported into the UK unless the country you're importing from has a trade agreement with the UK or another exception applies.





Make UK is backing manufacturing – helping our sector to engineer a digital, global and green future. From the First Industrial Revolution to the emergence of the Fourth, the manufacturing sector has been the UK’s economic engine and the world’s workshop. The 20,000 manufacturers we represent have created the new technologies of today and are designing the innovations of tomorrow. By investing in their people, they continue to compete on a global stage, providing the solutions to the world’s biggest challenges. Together, manufacturing is changing, adapting and transforming to meet the future needs of the UK economy. A forward-thinking, bold and versatile sector, manufacturers are engineering their own future.

www.makeuk.org

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HSBC is one of the world's largest banks. We support around 1 million UK businesses, among 37 million customers worldwide. Our international banking network covers 64 international markets and territories and gives us access to around 90% of world trade flows.

Our aim is be acknowledged as the UK's leading bank for national and international trade, and in Euromoney's Trade Finance Survey 2021 we were recognised as the UK's best bank in trade finance for the fifth consecutive year. Globally, we were voted the world's #1 Global Trade Finance bank for the fourth year running, demonstrating our delivery of safe, fast and simple trade transactions.

These awards reflect our commitment to British businesses and our support in helping them realise their growth ambitions. With trade solutions ranging from paper-based documentary credits to sophisticated upstream supply chain financing we can help companies of all sizes trade with confidence.

For businesses with international ambitions, our global network provides unique access to global trade flows and means we can connect businesses to opportunities worldwide.

A strong balance sheet, advanced technology and an extensive network of dedicated trade and supply chain teams worldwide – including 800 specialist UK trade staff – puts us in an excellent position to support UK businesses as they expand overseas.

We understand that growing businesses want more than finance and products from their bank, they want a partner and expert guidance. To this end, we run a series of initiatives to meet the needs of companies across the country at every stage of their growth journey.

We also recognise the value of access to up-to-date information and insight on building a successful business. Our recently launched Tomorrow Ready hub contains a wide range tools and resources to help businesses prepare for the future and there is a section on the hub dedicated to exporting and Brexit preparedness.

To find out more, visit:

www.business.hsbc.uk/en-gb/tomorrow-ready-programme/prepare-for-exporting-and-brexit



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