

## Summary of the benefits offered to and responsibilities incumbent upon businesses operating in secondary customs zones

Secondary customs sites (also known as Subzones) confer the same benefits and are subject to the same conditions as the primary customs site, as set out in the Government's Freeport Bidding Prospectus.

### Benefits

Businesses operating within Freeport customs sites will receive tariff benefits, including:

- **duty deferral** while the goods remain on site;
- **duty inversion** if the finished goods exiting the Freeport attract a lower tariff than their component parts;
- **customs duty exemption on goods that are imported into a Freeport, processed into finished goods and subsequently re-exported** (subject to the UK's trade agreements);
- ability to **suspend import VAT on goods entering the Freeport**; and
- authorisation to use **simplified import procedures**.

### Responsibilities

The operator of the customs site will be responsible for ensuring goods on site follow the correct customs processes. Operators of customs sites will need to **obtain HMRC authorisation** for their customs sites. HMRC rules will follow later but the following outlines the *expected* requirements.

Operators will be responsible for the **control of movement of goods and the access of people** in and out of the site. This will include ensuring that goods are only able to leave the Freeport customs site when permitted by HM Government.

Operators must adhere to the **OECD Code of Conduct for Clean Free Trade Zones** – and the specific anti-illicit trade and security measures therein. They will also need to maintain the current obligations set out in the UK's Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017.

Operators will be jointly and severally liable with a declarant for any import duty liability arising where there is a breach of any requirement of the Freeport operator's authorisation in relation to the keeping of goods in the Freeport customs site.

Authorisation of the Freeport customs site, meeting requirements from various government departments, will be based on the **existing Authorised Economic Operator security and safety (AEO(S)) standards**, including:

- Measures to prevent unauthorised access to the Freeport customs site (this involves
- having robust perimeter security measures such as fences, controlled access gates and
- lighting to secure goods within the customs site);
- Ensuring that businesses operating within the site are complying with the relevant security requirements; and

- Ensuring that their external service providers meet the relevant security requirements.

Operators will also need to designate part of the customs site as a **temporary storage area**, as per the standard UK customs import rules. To do this, the operator will need to secure a Temporary Storage authorisation (more information, including how to apply can be found at gov.uk).

HMRC-approved inventory linking systems control and monitor the movement of goods through frontiers. Inventory linking systems provide greater visibility for the control of goods and allow an electronic link to HMRC's declaration processing system, which saves significant resources for businesses. Operators of Freeports customs sites will need to have secured a HMRC-approved inventory linking system that would ensure control of the movement of goods entering and exiting the Freeport customs site. Additionally, the inventory linking system would need to ensure control of movement of goods between different Freeport locations and between a Freeport customs site and ports.

**Infrastructure** will be required by HMRC, Border Force and other agencies such as the Animal and Plant Health Agency (APHA) to carry out checks in line with existing arrangements at ports. Freeport operators will be required to provide this infrastructure. Infrastructure may include, but not be limited to, examination facilities, potential sites to scan goods and vehicles, and a dedicated area to securely store goods.

As excise goods are subject to additional controls to mitigate the risk of illicit trade, bidders will need to comply with additional requirements and potential operators will need to demonstrably pass the **"fit and proper" person test** to allow excise goods to enter and be processed in Freeport customs sites in line with the existing excise rules and conditions. This ensures a level playing field with excise businesses in the rest of the UK and helps to protect the revenue in respect of excise goods held in duty suspension within a Freeport customs site.

#### *Optional transit facilitation*

Operators may wish to facilitate Transit movements to and from different customs sites and there are different ways this can be done (for example, offering Transit facilities and Authorised Consignee and Consignor functions to businesses on site). This could offer a streamlined approach for businesses to start and end their transit movements. To do so, operators would need to have the **appropriate authorisations for Transit movements**, many of which will be required to operate as a Freeport customs site in any case. Alternatively, an operator of a Freeport customs site can allow businesses that are authorised consignors or consignees to use its Temporary Storage facilities as premises to start or end their movement.

#### *Continuing compliance*

Operators are required to continue to comply with the authorisation conditions as set out in their authorisation and as may be extended in future - failure to continue to meet these conditions may result in removal of their authorisation by HMG.