



FOCUS ON

Authorised Economic Operator (AEO) Status

The concept

The European Union ("EU") Authorised Economic Operator ("AEO") scheme is a voluntary system which was introduced to create a system of 'legitimate' businesses identifiable within the international supply chain as being safe and secure.

The AEO scheme followed the American supply chain security initiative introduced to protect the borders of the USA known as the Customs & Trade Partnership Against Terrorism ("C-TPAT").

The AEO concept is based on the Customs-to-Business partnership introduced by the World Customs Organisation ("WCO"). Businesses who voluntarily meet a wide range of criteria work in close cooperation with customs authorities to assure the common objective of supply chain security are entitled to enjoy tangible benefits throughout the EU.

Currently, the AEO scheme is governed by European Union law but after the it's exit from the European Union, the UK will continue to operate the scheme using the same processes and benefits.

An application for AEO certification in the UK is made to HM Revenue & Customs ("HMRC"). From the point of written 'acceptance' of an application, HMRC has 120 days to make a decision regarding whether AEO certification will be awarded to the UK applicant. Due to the potential demand for AEO as a result of the UK's EU Exit, HMRC has revised its internal timescales to attempt to provide a decision within 90 days. This places more focus than ever on businesses being ready before any application for AEO is submitted to HMRC to avoid applications being rejected.

Mutual Recognition Agreements

The mutual recognition of AEO programmes is a key element of the WCO SAFE Framework of Standards which seeks to strengthen the end-to-end security of supply chains and multiply the benefits for businesses.

The EU has concluded and implemented Mutual Recognition Agreements ("MRA") of AEO programmes with the USA, China, Japan, Norway, Switzerland and Andorra. Further negotiations are currently taking place with Canada.

After the UK's exit from the EU, it will have its own mutual recognition agreements and it is understood that any UK AEO authorisations will be recognised by the EU.

In general the benefits of being authorised for AEO include the following core elements:

- Fewer security and safety related controls;
- Recognition of business partners during the application process;
- Priority treatment at customs clearance.

Types of certification

There are two types of certification; AEOC (Customs Simplifications) and AEOS (Security and Safety). These can be applied for separately or at the same time.

- AEOC status – is issued to a business that fulfils the criteria of customs compliance, appropriate record keeping standards, financial solvency and practical standards of competence or professional qualifications directly related to the activity carried out.
- AEOS status – is issued to a business that fulfils the criteria on safety and security of its part in the international supply chain.

The benefits

AEO benefits are an integral part of the EU legislation governing the AEO status. The AEO benefits are dependent on the type of authorisation held and include the following:

AEOC certification:

- An industry 'kite mark' standard and useful marketing tool;
- Swifter application processes when applying for customs simplified procedures such as; Customs Freight Simplified Procedures, Inward Processing and Customs Warehousing etc.
- Up to a 70% reduction in a deferment account guarantee;
- Reduction or waiver of a comprehensive guarantee;
- A recognised status across the EU that should make it easier for businesses to apply and use simplifications across the Union;
- Fewer physical and document-based controls related to other customs legislation;

AEOS certification:

- A lower risk score which will be incorporated into customs' risk management systems and be used to determine the frequency of customs physical and documentary checks;
- Consignments selected for examination will receive priority over non AEO consignments through customs controls;
- Fewer physical and document-based controls related to safety and security;
- A recognised status across the EU that should make it easier for businesses to apply and use simplifications across the Union;
- An industry 'kite mark' standard and useful marketing tool;
- Mutual recognition with countries outside the EU and trading partners that have adopted the WCO Safe framework.

Brexit tools

UK reporting on the progress of the Brexit negotiations has included multiple references to a 'Trusted Trader' scheme. The AEO system represents the UK's current 'Trusted Trader' scheme in all but name.

With the UK set to leave the European Union on the 31st January 2020, it will enter into an agreed transitional period lasting until the 31st December 2020. After this date it is envisaged that the UK will leave the EU completely with a free trade agreement in place. Even so, UK companies must consider AEO and other customs regimes such as IPR and customs warehousing now to ensure it has the ability within the organisation to meet the extra demands that leaving the EU entails.

As part of the Withdrawal Agreement, Northern Ireland will be subjected to both UK and EU legislation. This means that it is uniquely placed for issues relating to additional duty costs where

the final destination of goods is in Europe. If your business is based in Northern Ireland, and imports goods into the UK, we recommend that urgent consideration is made on AEO and customs warehousing to assist in minimising the impact of the suggested border arrangements documented in the Withdrawal Agreement.

AEO certification should be considered by businesses seeking to preserve the speed of their supply chain as a potential proactive tool, to enhance their business continuity and contingency planning as the Free Trade negotiations with the EU evolve.

We recommend that any Brexit planning should be initiated as soon as possible to ensure the business has all its customs processes in place. Leaving this planning until the second half of 2020 could subject your business to the possibility of being unprepared and liable to increased customs activity and duty implications.

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