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working world

COVID-19 Customs and Excise Considerations

Assessing and responding to the indirect tax implications

Around the globe, businesses are hit by the Corona (COVID-19) pandemic outbreak.

Tax authorities react with various tax measures in order to support companies in these challenging times. Besides these measures, there might also be other in-house opportunities available, which could help to further improve your company's financial position.

To learn more, consult our [COVID-19 EY page](#) or contact our global trade team.

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Global

General trend

- ▶ From a trade policy perspective, most governments are reacting in three ways
 1. Eliminating import tariffs on CV19 critical goods such as PPE, ventilators and soap
 2. Introducing export restrictions on CV19 critical goods
 3. Relaxing regulatory requirements so that businesses can respond quicker and more efficiently

WCO

- ▶ the WCO and its Member administrations, together with relevant international organizations are closely monitoring the situation and will utilize all relevant WCO working bodies to address the implementation of appropriate measures while sharing best practices.
- ▶ A link to the WCO newsroom for the latest updates can be found here:

[WCO Newsroom](#)

FRANCE

- The Amending Finance Bill for 2020 adopted by the National Assembly contains a measure allowing exemption from customs and similar duties on the import and delivery of certain goods needed in the event of a state of health emergency.

CHINA

- Cross-border donations for supporting the epidemic prevention and control are exempt from import duties and import-level VAT and Consumption Tax (CT)
- The import of ambulances and vehicles used for emergency purposes as well as certain medical supplies are exempted from customs duties
- China has cut VAT on medical services, catering and accommodation services, sundry personal services (e.g. hairdressing, laundry), public transport and on masks and protective clothing
- VAT has also been reduced from 3% to 1% on the cash accounting scheme for small businesses until the end of May

COLOMBIA

- Customs duties applicable to the importation of certain medicines, medical equipment and devices as well as non-locally produced goods for the use of air travel industry were reduced to 0%

THAILAND

- Face masks are exempted from import VAT

UAE

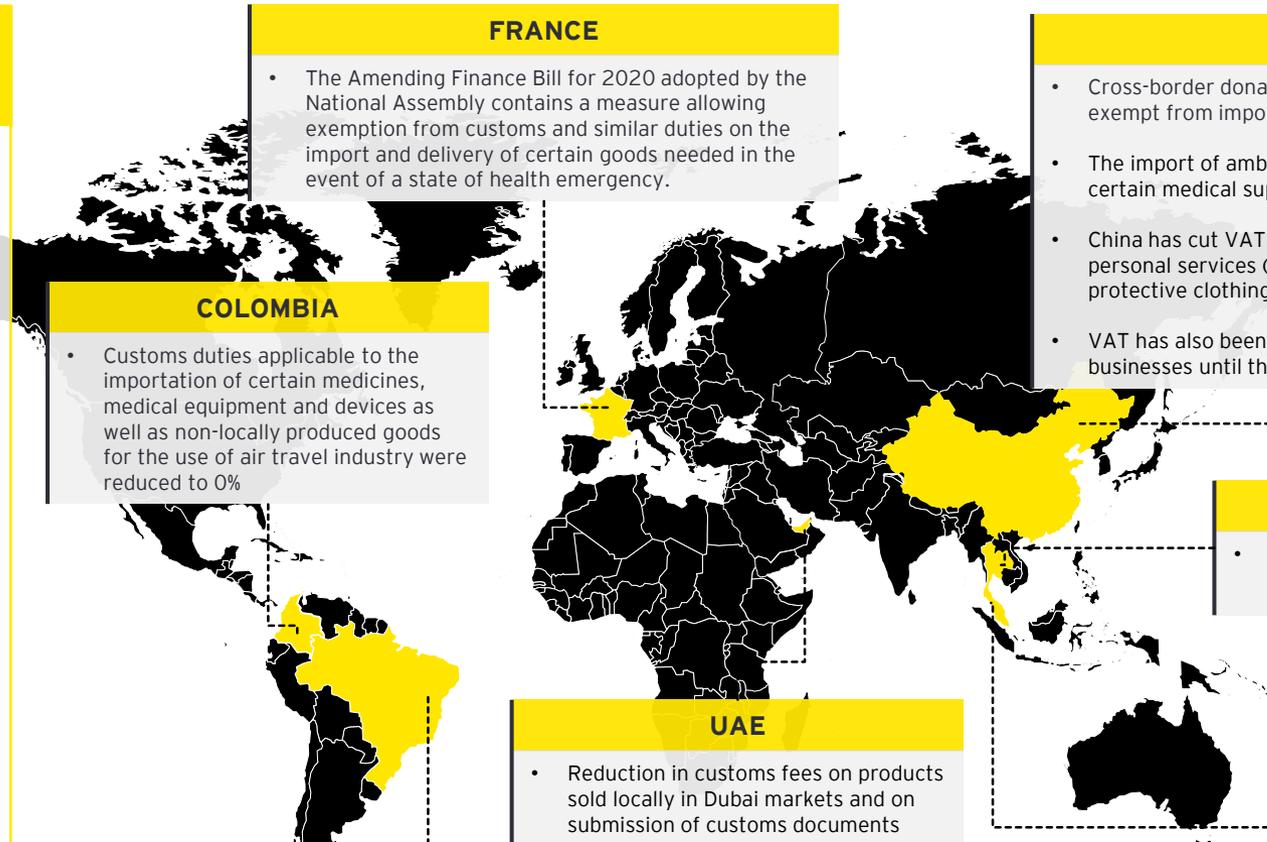
- Reduction in customs fees on products sold locally in Dubai markets and on submission of customs documents
- Suspension of bank guarantee requirements and refund of bank guarantee or cash paid by existing customs clearance companies

MALAYSIA

- The approval process for value-added activities performed by manufacturers with LMW status or located within an FIZ will no longer require approval from the Ministry of Finance/Royal Malaysian Customs Department (RMCD) headquarters; approvals will be given at the RMCD State/Zone level
- Import duty and/or sales tax exemption will be granted on the import or domestic purchase of machinery and equipment to be used in port operations

BRAZIL

- Import tariffs on CV19 critical goods such as PPE, ventilators and soap are eliminated



COVID-19 is unexpectedly disrupting the global trade landscape. To respond to this impact, broad indirect tax considerations need to be examined on different levels.

EU

Temporary admission

- ▶ The UCC and its Delegated Act provide for temporary admission procedures providing for a total relief of import duties in the event of:
 - ▶ Disaster relief material
 - ▶ Medical, surgical and laboratory equipment, urgently required because inadequacies of own facilities
- Please note that the customs procedure, “specific use” and more in particular “temporary admission” can, provided that certain conditions are met, made orally (i.e. no need to submit customs declarations, which may decrease lead times).

Export authorization - Protectionist measures

- ▶ Regulation (EU) 2020/402 making the exportation of protective equipment (e.g. face masks, mouth-nose-protection equipment, etc.) subject to an export authorization
 - ▶ As of 21/03, no export licence is required for EFTA countries (Norway, Switzerland, Iceland and Liechtenstein) as well as for Andorra, the Faroe Islands, San Marino, the Vatican and the associated countries and territories with Denmark, France, the Netherlands and the UK (so-called Annex II countries).
 - ▶ The export authorization is attributed at the national level

Continuation of trade defense procedures

- ▶ Despite limitations imposed by the COVID-19 outbreak, the commission ensures continuation of trade defence procedures to make sure that economic damages for European companies related to unfair trade remain adequately addressed

Customs duty relief

- ▶ Council regulation (EC) No 1186/2009 provides, under certain conditions, for customs duty relief:
 - ▶ Import of instruments and apparatus intended for medical research, establishing medical diagnoses or carrying out medical treatment
 - ▶ Import of goods for the benefit of disaster victims
- ▶ The conditions under which relief is provided are the following:
 - ▶ Goods imported by State organisations or other charitable or philanthropic organisations and intended for free-of-charge distribution
 - ▶ Goods imported by disaster-relief agencies in order to meet their needs
 - ▶ Goods that are subject to a donation to federally approved health or medical instances and in which the donor doesn't have any commercial intent and is not connected to the manufacturer of the goods

Mind the practicalities while applying for mentioned customs duty relief schemes (e.g. communication to broker, clear indication on customs declaration, etc)

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Belgium

Regulatory

- ▶ Consider EU quality standards when sourcing from outside the EU (e.g. quality standards for mouth masks, handgels, etc.)

Customs

- ▶ A shift from physical to virtual document controls and applications [not limited to Customs]
 - ▶ Certificates and permits that are originally delivered on paper may temporarily be sent digitally to the verifying officer, even if a write-off is required. In case of conformity, the declaration will be accepted
 - ▶ When permits or certificates are presented in this way, the declarant must enclose a declaration stating that the original documents are with him and will be archived within the framework of self-archiving
 - ▶ Exception on export: documents which must be endorsed by the customs authorities and which accompany the consignment (e.g. ATR, EUR1). Otherwise risk of not being accepted in the country of destination
- ▶ All holders of authorisation inward processing, customs warehousing, temporary storage, or loading and unloading areas can - *provided that certain conditions are met* - apply for expansion of their current authorisation with additional Belgian storage facilities. Generally speaking no prior audit required, exemptions are however possible.
- ▶ Investigate potential duty refund and VAT treatment of excess inventory destroyed or re-exported
- ▶ Investigate potential duty refund for returning goods
- ▶ Take advantage of VAT and duty deferral programs and other government stimuli
- ▶ Align with customs brokers to ensure operational continuity
- ▶ Align current customs procedures with a flexible supply-chain and potentially changing entry points
- ▶ At the national level, a potential reduction in guarantees for AEO companies
- ▶ Assess the impact on customs pillars :
 - ▶ Free trade agreements (FTA) eligibility and landed cost of alternate sourcing options (see case study - annex)
 - ▶ Customs valuation and elements that must be added or can be excluded due to changed global trade landscape
 - ▶ Potential increase of demurrage charges (see case study - annex); International transportation and insurance cost; etc.
 - ▶ Classification and need for national breakdown to qualify for duty exemption regimes

Excises

- ▶ Deferred payment

Extension of deferred payments is limited to **alcohol and alcoholic beverages** only; and relates to **excise duties, packaging levies and VAT**. This being said, the debt is payable Week 4 instead of Week 1 **after** submission excise declaration. In addition please note that:

 - ▶ A request for increased guarantee must be submitted with the competent customs & excise office (i.e. D&A Accounting Department) who will fictitiously increase guarantee;
 - ▶ Late payment interests will be waived; and
 - ▶ Supporting measures are valid up until June, 30 2020. Please note that regardless of the changed payment terms, declarations are still to be submitted on regular basis (weekly or monthly). If you want further details, please reach out to your EY contact
- ▶ Simplified excise procedures for production of ethyl alcohol and disinfectants
 - ▶ Possibility to produce ethyl alcohol under existing excise authorization, without need for extension S400 (specific extension for ethyl alcohol)
 - ▶ Exempt supply, however excise declarations are still to be submitted.
 - ▶ Increased list of denaturants (e.g. ether)
 - ▶ Possibility for pharmacists to produce disinfectants without having in place the necessary excise authorization
- ▶ Be aware of potential indirect tax liabilities (o.a. excise duties) linked to e-commerce, especially for operators who are purely acting as a facilitator (e.g. platforms, 3PL, etc.). All persons who are directly or indirectly involved with taxable transactions might be held jointly liable in case of irregularities

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UK

Regulatory

- Consider if any products are affected, after the expansion of list of medicine banned from parallel export
- Consider if any products being exported are subject to the production of an export authorisation, in line with Commission Implementing Regulation (EU) 2020/402
- Monitor the potential changes in import control requirements

Excises

- Explore duty refunds for excise goods e.g. those unfit for consumption.
- Consider possibility of expedited procedures for both ethyl alcohol denaturation as well as the production of disinfectants by pharmacists

Customs

- Accelerate Order to Cash process by ensuring accurate and therefore timely customs clearance
- Prepare for longer timeframe of HMRC processing Customs authorisations application
- Maximise cashflow benefit by using deferment account
- Explore possibility of guarantee reduction and waiver, e.g. through AEO or other VAT/Excise regimes
- Consider if any rebates or discounts will be anticipated, and the possibility of duty refund
- Use data and analytics solutions to identify quick cash savings for future imports
- Utilise FTAs to realise available preference
- Identify suboptimal classifications and valuations and seek refund
- Utilise Customs Special Procedures
- Review master data used for previous submissions to identify any available retrospective duty reclaims, including:-
 - Classification
 - Valuation
 - Origin
- Actively survey Government response measures to identify impacts and opportunities quickly

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Ireland

Customs - Import/export

- ▶ Critical pharmaceutical products and medicines will be given 'green routing' at import to facilitate uninterrupted supply.
- ▶ The export of certain personal protective equipment is subject to the production of an export control licence (in accordance with EU Regulation 2020/402). Irish established exporters should apply in writing to the Trade Licensing and Control Unit in the Department of Business, Enterprise and Innovation (DBEI) if they require an export control licence.
- ▶ Procedures at green lane border crossings should be minimised and streamlined to what is strictly necessary. Checks and screening should be carried out without drivers having to leave their vehicles, and drivers themselves should undergo only minimal checks. Drivers of freight vehicles should not be asked to produce any document other than their identification and driving license and if necessary a letter from the employer. The electronic submission/display of documents should be accepted.

Customs - operational

- ▶ Larger companies are expected to make payments as normal but Revenue will review the position by April and may extend it more broadly.
- ▶ Any larger businesses experiencing temporary cash flow or trading difficulties should contact and engage with Irish Revenue.
- ▶ All businesses experiencing temporary cash flow difficulties should continue to send in tax returns on time.
- ▶ All debt enforcement activity is suspended until further notice.
- ▶ Application of interest to late payments of VAT suspended for January/February, which effectively acts as a VAT payment deferral.
- ▶ There are currently no government restrictions on manufacturing (except for the new statutory instrument mentioned above regarding export licencing of protective clothing and equipment). Irish ports are currently committed to continuing to support the flow of essential cargoes along with all other supply chain operators in shipping, distribution and haulage sectors.

Government

- ▶ The Department of Foreign Affairs and Trade in Ireland has identified transport workers in the freight and haulage sector, the maritime sector and in aviation as "essential workers" in ensuring the supply of essential goods. They should be able to transport goods internationally, while their health and safety is protected to the greatest extent possible.
- ▶ A €200m Strategic Banking Corporation of Ireland (SBCI) Working Capital scheme for eligible businesses impacted by COVID-19.
- ▶ Microenterprises can access COVID-19 loans of up to €50,000 from MicroFinance Ireland. The terms include a six months interest free and repayment free moratorium, with the loan to then be repaid over the remaining 30 months of the 36-month loan period.
- ▶ The €200m SBCI COVID-19 Working Capital Scheme for eligible businesses will be available within the next week. Maximum loan size will be €1.5 million (first €500,000 unsecured) and the maximum interest rate will be 4%. Applications can be made through the SBCI website at sbc.gov.ie. Eligibility criteria apply.

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Germany

Taxes regulated by federal law and administered by the customs administration (e.g. import VAT, excise tax and air traffic tax)

- ▶ Deferments:
 - ▶ Applications for deferral can be submitted until the end of the year 2020
 - ▶ The measure applies both to import debt occurring in import transactions using regular duty payment (normally 10 days) as well as payment method of deferment account or payment deferral connected to simplified declaration or local clearance
- ▶ Temporary waiver of enforcement of unsettled debt:
 - ▶ May be requested, setting out the debtor's current situation
- ▶ Advance payments:
 - ▶ Adjustment of previously fixed advance payments possible on request by the end of the year (concerns especially energy tax and electricity tax)

Extension of deadlines in the area of greenhouse gas quota fulfillment reporting

- ▶ Deadlines for the reporting year 2019 are extended by 2 months until 15 June 2020, for:
 - ▶ the submission of the annual quota declaration,
 - ▶ the submission of written notifications by third parties pursuant
 - ▶ the conclusion of quota trading contracts pursuant

Foreign Trade Law

- ▶ From 19 March 2020: national export licensing requirement for exports and movements of medical protective equipment waived
- ▶ From 15 March 2020: new: eu export licensing requirement for export of medical protective equipment

Alcohol tax regulations for the production of disinfectants

- ▶ Simplifications for the production of disinfectants from 1-Propanol und 2-Propanol and denatured alcohol
- ▶ Tax exempt use of alcohol for pharmaceuticals is temporarily accepted also for production of disinfectants
- ▶ Licensed pharmacies are granted general license for use of untaxed alcohol for production of disinfectants
- ▶ → Formalities related to above points must be regarded, simplifications granted until 31 May 2020

Handling of postal packages

- ▶ Self-declaration of postal consignments from home or clearance by postal operator (Deutsche Post)
 - ▶ Clearance by postal operator not applicable for consignments of goods subject to prohibitions and restrictions

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Turkey

Customs: Import/Export

- ▶ Customs duty on importation of bulk ethanol that will be used in manufacture of colognes and disinfectants has been decreased to 0%.
- ▶ Additional customs duty collected during importation of ozonotherapy, oxygenotherapy, aerotherapy, artificial respiration or other therapeutic respiration devices and of single-use medical masks has been removed.
- ▶ Exportation of the following goods have been subjected to prior permission: Ethanol, Cologne, isinfectants, Protective masks, suits, glasses; hydrogen peroxide, Melt blown Fabrics, Medical masks, Medical sterile/non-sterile gloves, Aprons (used with chemicals).
- ▶ In exportation of goods supplied to market within the scope of Medical Device Regulation such as Ventilators, Ecmo, Cannulas, Intubation, Intensive Care Monitors, it has been stipulated that pre-approval is required by Pharmaceuticals and Medical Devices Agency of Turkey.
- ▶ In order to ensure customs operations of critical goods are carried out swiftly, it has been stated the requests for simplified procedures during importation of these goods are accepted and pre-arrival customs clearance is applied to these goods, until further notice: gloves used in surgery, serum and blood donor set cannula, Intravascular catheters, syringes, respiration devices.
- ▶ According to a letter by Ministry of Agriculture and Forestry, entry into Turkey of animals including exotic animals, amphibious animals, cats, dogs etc. accompanied by passengers or for commercial purposes has been suspended until further notice.
- ▶ According to Communiqué no 2019/1, a "registration document" is required during importation of goods classified under Chapter 64. A risk-based evaluation is carried out using the information in "registration document application form" filled by the importers. Those who do not meet the required criteria in this analysis are requested for further information and documentation. Single-use medical masks have been temporarily excluded from the process of requesting further information/documentation.

Relaxing Regulatory Requirements

- ▶ A letter has been published by Ministry of Trade on Authorized Economic Operator (AEO) responsibilities. With respect to fulfillment of responsibilities by companies, which apply for AEO status or already hold an AEO status, as defined in relevant articles of Regulation on Simplification of Customs Transactions (Regulation) under specific periods;
 - ▶ For responsibilities which arise as of March 19, 2020 according to stipulations of the Regulation, the relevant periods have stopped until further notice and they will continue after the measures are removed.
 - ▶ In the event that situations that will cause such responsibilities to occur after March 19, 2020, the relevant periods will not start until the measures are removed.
- ▶ Durations/deadlines in relation of Inward Processing have been extended.
- ▶ With a view to ensuring that businesses are not harmed, application of administrative fines has been suspended in the case that a transit period is exceeded.
- ▶ An amendment has been made regarding Recycling Contribution Fee. Therefore, return period for Recycling Contribution Fee in 2020 has been set to 6 months. The period is 3 months for the next years.
- ▶ Regime period has been extended to June 30, 2020 for goods subject to Temporary Importation, Processing under Customs Control, Outward Processing regimes and Temporary Exportation transactions and whose regime duration expired on 01.02.2020. No application is required.
- ▶ An information letter has been published on the customs services that can be provided via online systems by Directorate of Customs and Foreign Trade of Istanbul, Turkey. It has been reminded that it is important for importers to continue their operations without contacting the administrations in person as much as possible.

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