



**Baker
McKenzie.**

Asia Pacific Industrials, Manufacturing & Transportation Webinar Series

22 November 2022 | 3:00 - 4:00 pm (SGT)



Webinar Housekeeping Reminders



The session is being recorded; all webinar materials will be shared post-event.



Please use the Q&A function at the bottom of your screen to submit your questions. Questions will be answered at the end of session or post-event.

1

Welcome & Introduction



Yaeko Hodaka

Co-chair, Asia Pacific IMT Industry Group,
Baker McKenzie, Tokyo

Speakers

Baker McKenzie



Yaeko Hodaka
Co-chair, Asia Pacific IMT
Industry Group
Baker McKenzie, Tokyo

yaeko.hodaka
@bakermckenzie.com



Lionel van Reet
Partner, Tax
Baker McKenzie
Brussels

lionel.vanreet
@bakermckenzie.com



Jennifer Revis
Partner, Customs
Baker McKenzie
London

jennifer.revis
@bakermckenzie.com

Agenda

1 Welcome & Introduction

Yaeko Hodaka

2 Why Customs Compliance Matters

Lionel van Reet/ Jennifer Revis

3 Types of UK/EU Customs Audits

Lionel van Reet/ Jennifer Revis

4 Focus Areas in an Audit

Lionel van Reet/ Jennifer Revis

5 How to Mitigate Customs Risks and Prepare for an Audit

Lionel van Reet/ Jennifer Revis

6 Looking Towards the Future

Lionel van Reet/ Jennifer Revis

7 Closing & Wrap Up

Yaeko Hodaka

A large cargo ship is docked at a port at night. The ship is illuminated by warm lights, and its reflection is visible in the water. In the foreground, a metal walkway with railings leads towards the ship. The background shows industrial cranes and other port structures, all lit up against a dark, twilight sky. The overall scene is a busy port at night.

1

Why Customs Compliance Matters

Trade Compliance...Why it Matters in the First Place..

20% of world's largest companies serve more than 150 countries

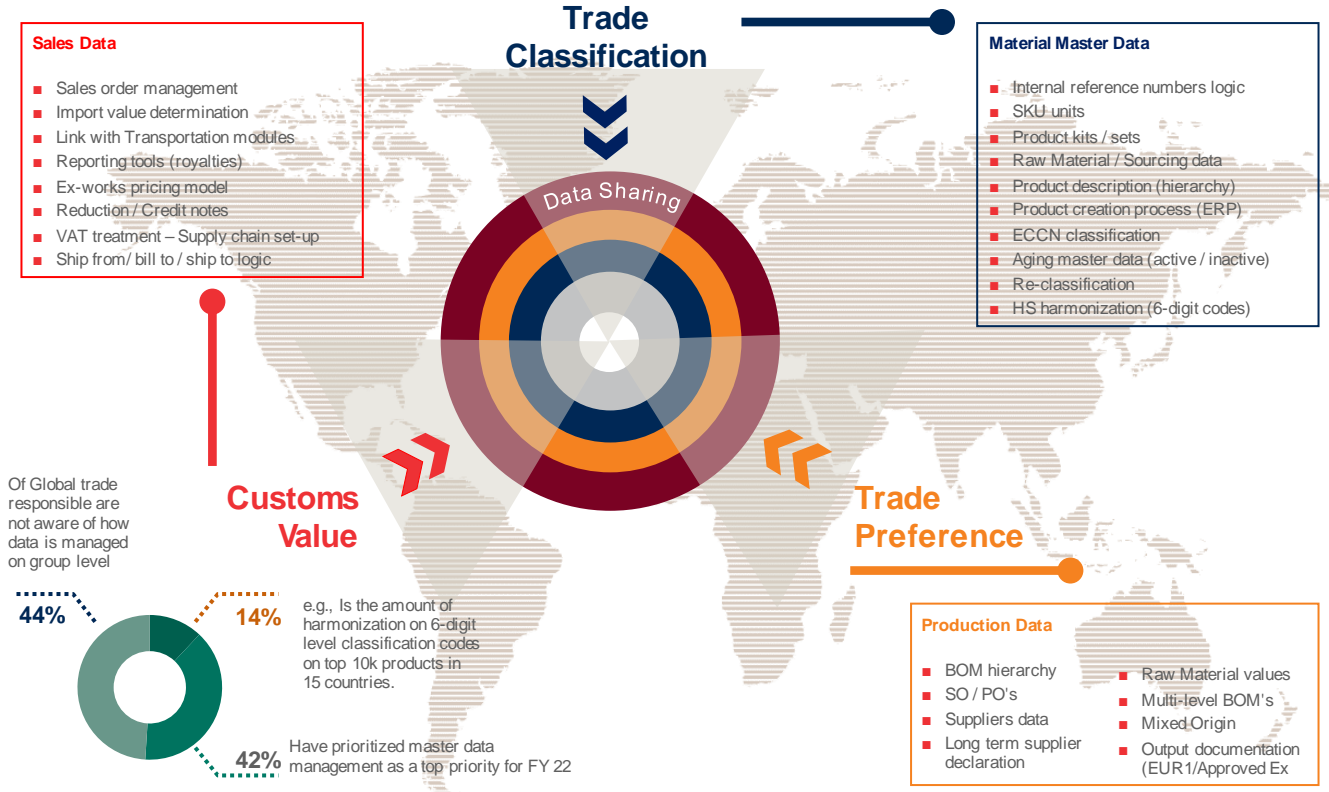
80% deal with identical topics minds

90% of the **companies** do not feel in control on customs global operations

75% feel that an harmonized approach and strategy would bring along significant savings

70% of Multinationals employ local decision makers to deal with customs matters

Trade Compliance... So Much More Than a Few Simple Trade Concepts



A large cargo ship is docked at a port at dusk. The ship is illuminated by warm lights, and its reflection is visible in the water. In the foreground, a metal walkway with railings leads towards the ship. In the background, another cargo ship is docked, and the sky is a mix of dark blue and orange. The overall scene is a busy port at twilight.

2

Types of UK/ EU Customs Audits

EU/ UK Customs Audit Trends

Where Are Audits Headed?

Audit Type

- Authorised Economic Operator (AEO)
- "Standard" audit:
 - desktop
 - in person
- *Specific* audits or *Recurring* audits e.g. preference; special procedure; etc.

Priority Issues

- Related Party Valuation
- AD/CVD
- Country of Origin/Preference Claims
- Special procedures
- In future: forced labour issues

Who to Audit?

- High Risk to Moderate Risk Companies (i.e. Risk profile of the companies)
- Targeting (issues / patterns in trade data/ existing authorisations/specific sectors)
- Prior Disclosures
- Referrals

EU/ UK Focus on Enforcement

Protecting the EU
budget and prosecuting

EUROPEAN
PUBLIC
PROSECUTOR'S
OFFICE



Investigating fraud for
follow-up by Member
States



UK: HMRC annual report and accounts 2021 to 2022

A large container ship is docked at a port at dusk. The ship is illuminated by warm lights, and its reflection is visible in the water. In the foreground, a metal walkway with railings leads towards the ship. In the background, another container ship is docked, and the sky is a mix of blue and orange. The overall scene is a busy port at twilight.

3

Focus Areas in an Audit

Four Key Pillars of Customs Compliance



- Tariff classification code
- Determines duty rate of product



- Reduced duty or duty free imports for goods from Free Trade Agreement (FTA) country or Generalised System Preference (GSP) country



- Duty rate applies to the "value" of product
- Challenging areas: royalties and licence fees; assists; transfer pricing



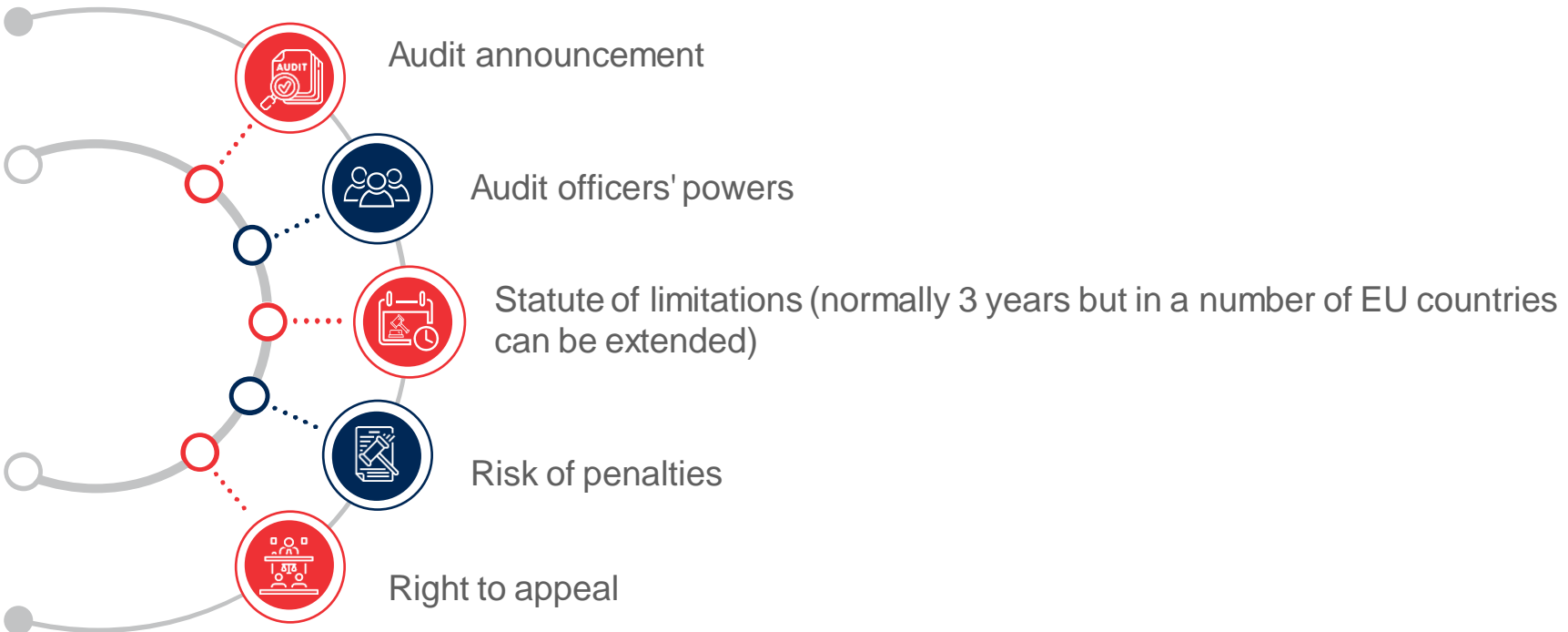
- Customs procedures: e.g., Customs warehousing, IPR, OPR, etc.



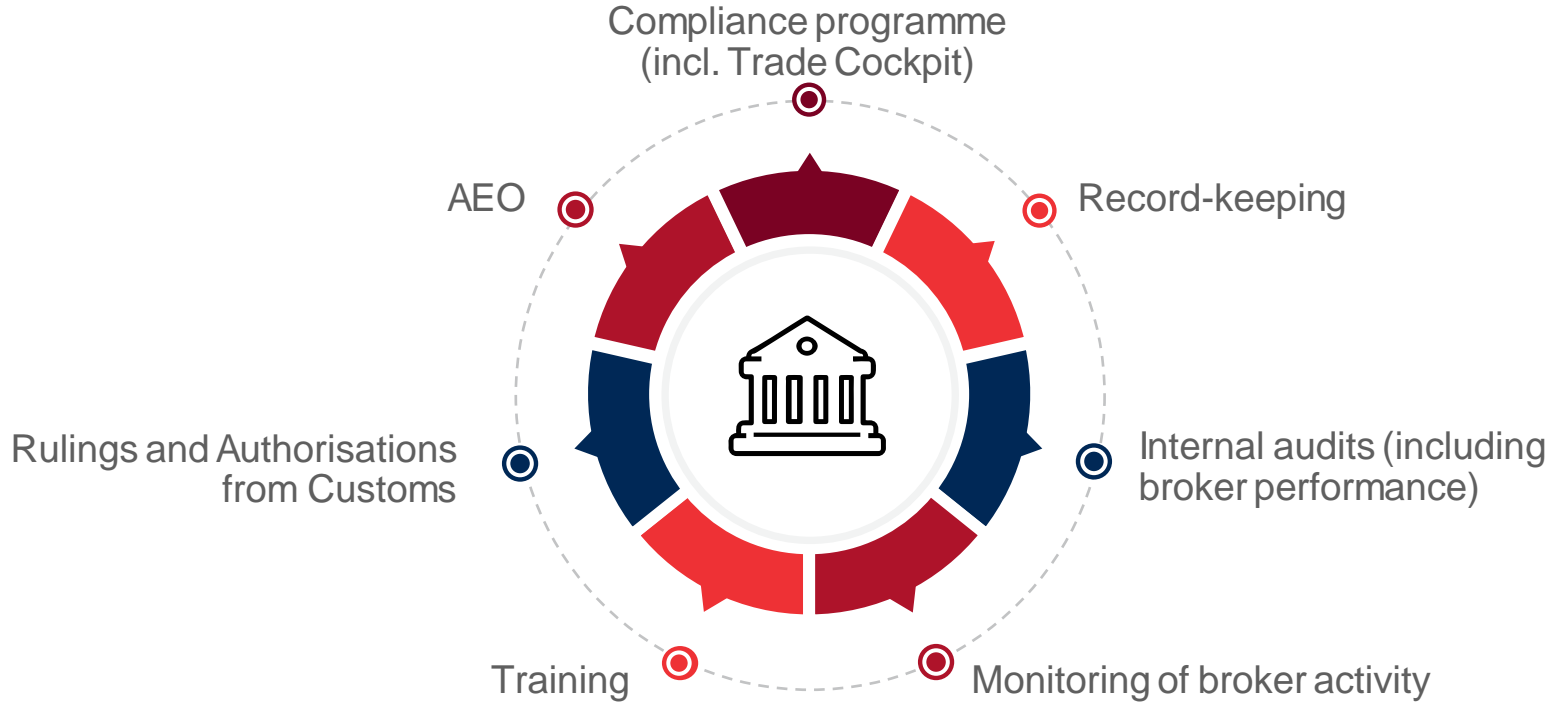
4

How to Mitigate Customs Risks and Prepare for an Audit

Audit Overview



Well Before an Audit



Additional Considerations in the UK



Senior Accounting Officer

- Duty to take reasonable steps to ensure that the company establishes and maintains appropriate tax accounting arrangements to allow tax liabilities to be calculated accurately in all material respects
- Certificate each financial year stating whether the company had appropriate tax accounting arrangements



Business Risk Review

- Business Risk Review meetings and determination of company or group's risk rating

Trade Compliance Risks Have Many Faces

Trade Compliance Risks are not **one way streets..**

1

Customs
legislation



- Regulatory changes
- Complex internal and external structures
- Changing environment
- Activities in several countries
- M&A // Demergers
- Development of new activities & new product portfolio

2

Customs
Operations



- Concrete risks derived from Customs implemented procedures
- Practical risks inherent to any system implementation
- Lack of knowledge gives rise to major exposure
- Absence of adequate Customs and trade processes & SOP.

3

Public
Authorities



- What if the Authorities were faster than us.
- Are all the Authorities equal?
- Are all Countries/ Regions equal?
- Snowball effect?

4

Other
Departments



- Trade risks are being amplified when departments are not communicating with one another
- Are we all using the same data...really?
- What if it was "nobody's budget"?

5

1/3rd parties



- So you are outsourcing your activities..do keep the full responsibilities and yet..no embedded audit processes?
- Are all the necessary contracts and SOP's in place?
- Do you have a precise view on your 1/3rd party footprint?

Mitigating Trade Compliance Risks

Our recommendations...

- 
- 1 Formulate your vision & define your strategy
 - 2 Assign roles & responsibilities
 - 3 Define priorities & implement processes
 - 4 Remediate & regularize
 - 5 Don't take "good" for granted...

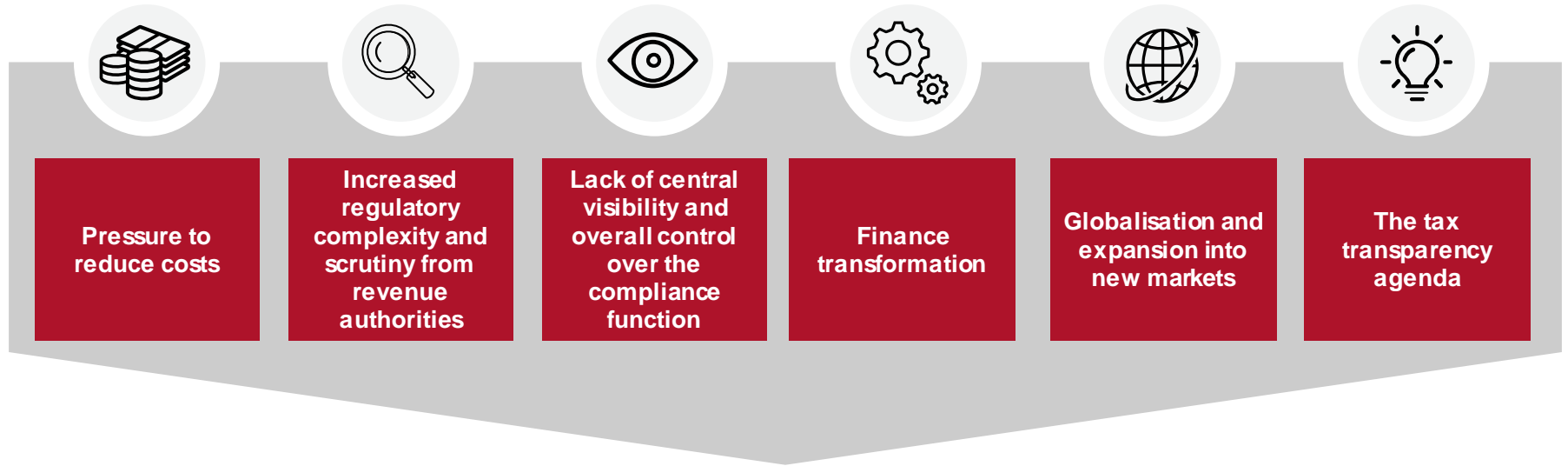
Once all of it is up and running.. enlarge the scope & repeat

A large container ship is docked at a port at dusk. The ship is illuminated by warm lights, and its reflection is visible in the water. In the foreground, a metal walkway with railings leads towards the ship. In the background, another container ship is docked, and the sky is a mix of blue and orange. The overall scene is a busy port at twilight.

5

Looking Towards the Future

The Rush Towards Trade Compliance



Trade Compliance solution must...

Flexible and scalable

More accurate, quality filings

Greater visibility and control

Leveraged processes and technology

Local knowledge and expertise

Baker's Trade Cockpit

Baker's Trade Cockpit will enable you to assess your Trade compliance "in real-time" and will enable you to anticipate/forecast



Commodity codes



Customs value



Origin



Customs broker



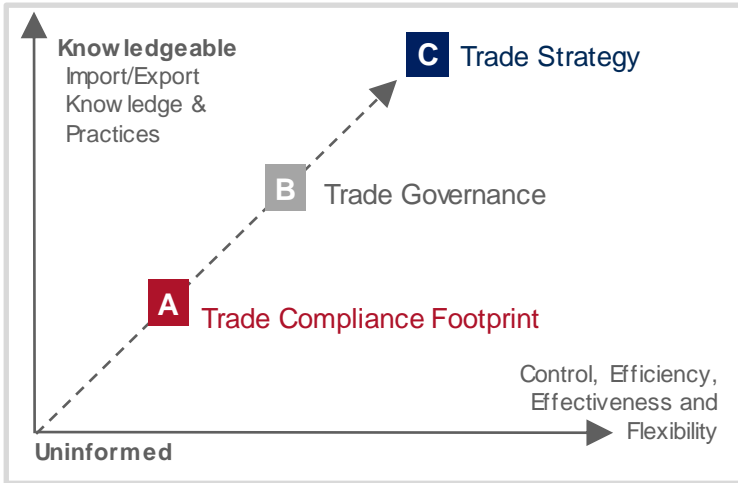
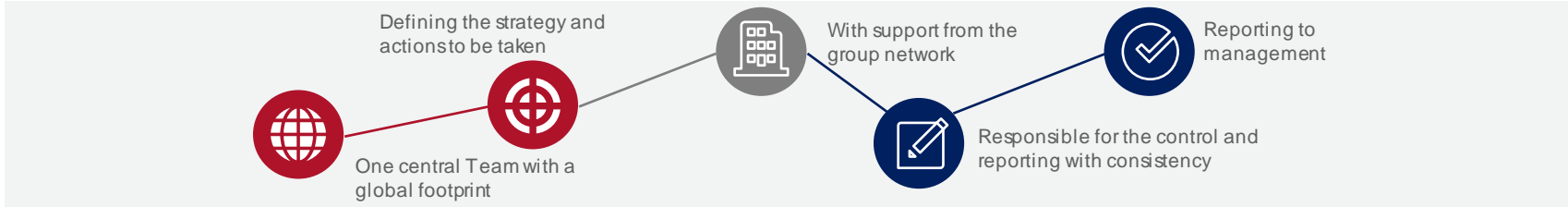
- ✓ Identify customs brokers in use and their fees;
- ✓ Identify your company's duty burden;
- ✓ Identify the number of transactions;
- ✓ Identify the HTS codes in use;
- ✓ Identify risks to be mitigated;
- ✓ Audit existing Trade setup;

....



Finally it All Comes Down to...

From trade compliance footprint to trade strategy



Trade Strategy

A

- Understand the strategic trade agenda: a Board Room issue.
- Adapt trade function to benefit from upcoming opportunities or mitigate upcoming risks.
- Proactive organization: control, efficiency, effectiveness and flexibility.

Trade Governance

B

- Centralised global trade function ensuring consistency across the network.
- Standard operating procedures.
- Independent organization, able to monitor the trade compliance footprint, take mitigating actions and ensure operation effectiveness.

Trade Compliance Footprint

C

- Visibility on the customs operations.
- Lack of dedicated trade compliance organization.
- Fire fighting – incident driven organisation.
- Some procedures are in place, but not covering all processes.
- Highly dependent on third parties (e.g., consultants, brokers).

Questions



7

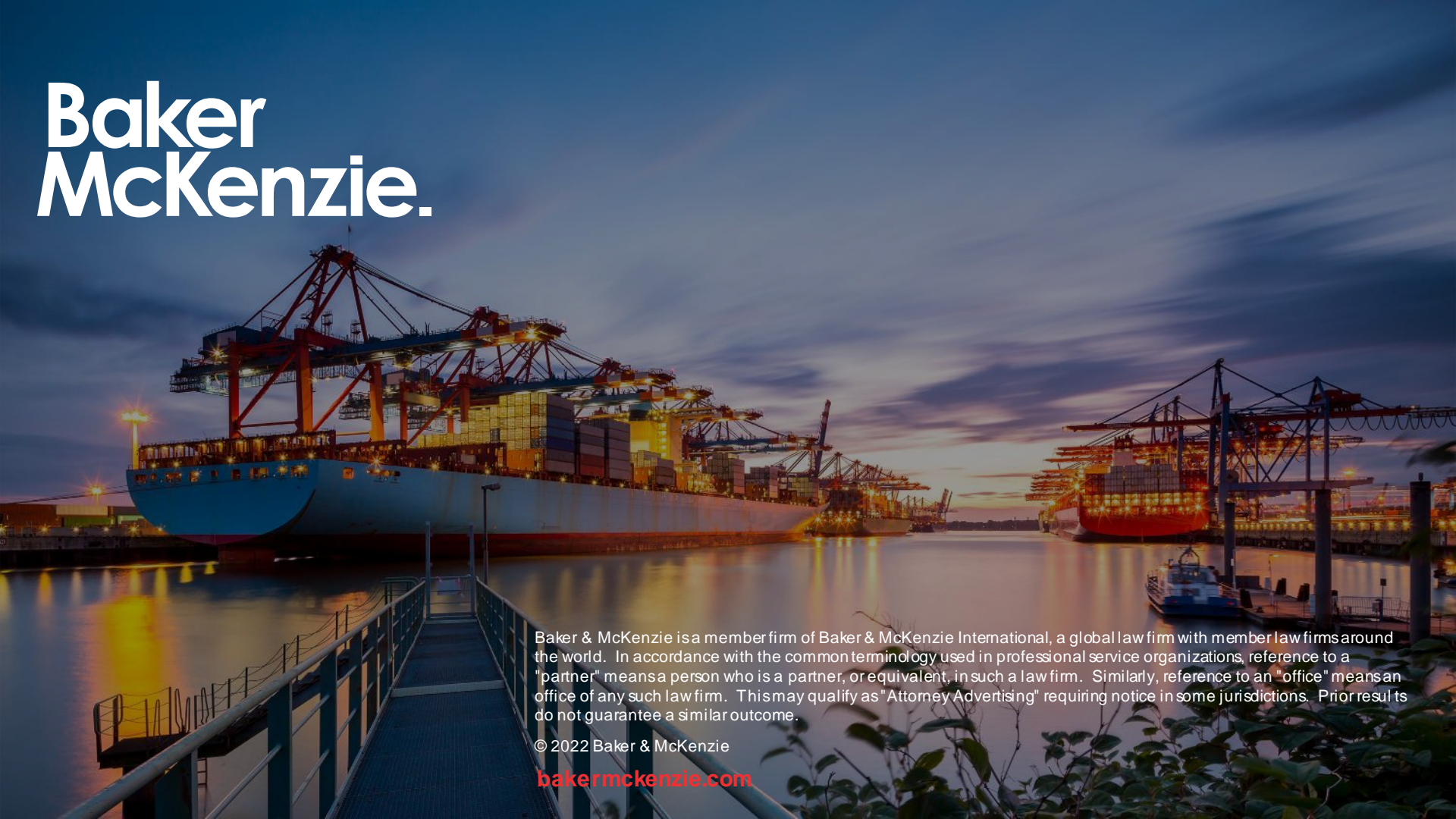
Closing & Wrap-up



Yaeko Hodaka

Co-chair, Asia Pacific IMT Industry Group,
Baker McKenzie, Tokyo

Baker McKenzie.



Baker & McKenzie is a member firm of Baker & McKenzie International, a global law firm with member law firms around the world. In accordance with the common terminology used in professional service organizations, reference to a "partner" means a person who is a partner, or equivalent, in such a law firm. Similarly, reference to an "office" means an office of any such law firm. This may qualify as "Attorney Advertising" requiring notice in some jurisdictions. Prior results do not guarantee a similar outcome.

© 2022 Baker & McKenzie

[bakermckenzie.com](https://www.bakermckenzie.com)