

# WHY IS USING THE CORRECT COMMODITY CODE IMPORTANT?

Commodity codes or trade tariffs are used by customs authorities to identify goods and calculate how much VAT and customs duty is payable when moving goods across borders. They are also used to denote whether there are any licensing requirements, any sanctions and what the rules of origin are. All goods are covered by the trade tariff but ascertaining the correct code will need a good understanding of the product, how it is made and what it is used for. It is the responsibility of the importer to ensure that the correct commodity code is being used. HMRC regularly update the commodity codes including introducing new ones, consolidating some and retiring others, regularly checking that the commodity code is still in use is good practice. A good example is batteries for electric vehicles, as technology evolves more commodity codes are being added regularly to identify the components correctly.

## Why does this matter?

Using the correct commodity code ensures that you are paying the correct amount of import VAT and duty, and any required licences are in place. It also shows if there are any sanctions on the goods being imported or any quotas and safeguarding measures. If the incorrect commodity code is used, you could be paying the wrong import duty. If they have underpaid HMRC can reclaim this and apply penalties, they can go back between 4 and 6 years if they think it was a mistake and up to 20 years if they suspect foul play. If you have overpaid the duty through an incorrect code then you can make a reclaim, this can go back three years. You will need evidence of the goods and commodity codes used on the original imports, the correct commodity code and any evidence to show how you have arrived at that commodity code. If you think you might have underpaid you can submit a declaration and pay the outstanding amount, this will save an enquiry from HMRC.

### Case Study

**Our client was importing dog toys made from rubber, fabric and plastic, all of these have high rates of duty. However, there is a chapter for toys and more specifically a code for toys representing animals or non-human creatures, which many of these toys were, for stuffed toys the duty rate is 4% and for other toys, this rate is zero. We successfully submitted a reclaim for this client for a seven-figure sum.**

## How we can help

We would be happy to discuss the options available for any of your clients who import into the UK or export.

Please contact:

**Sarah Boyes** [sboyes@dains.com](mailto:sboyes@dains.com)

**Terri Bruce** [tbruce@dains.com](mailto:tbruce@dains.com)