

IMPORTING TO DEVELOP YOUR BUSINESS

A GUIDE TO IMPORTING

From one of the UK's leading independent
funding specialists



WE BELIEVE IN **YOUR BUSINESS**

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HOW TO MAKE IMPORTING WORK FOR YOU

Whether you are importing goods, or considering it, there are some basic principles that will help you gain a commercial advantage. Whether it's researching markets and suppliers, managing risk or understanding the differences between EU or non EU rules, the work you put in up-front is key to unlocking the opportunities importing presents.

THE CONTEXT FOR IMPORTING

Government research and our own surveys indicate that although importing has become more challenging with the uncertainty around Brexit and currency fluctuations, volumes are increasing with the USA, China and Germany, the preferred importing partners. Our International Trade Survey shows that

- 1 in 5 SMEs now consider China to be their greatest trading partner for importing
- On average SMEs import from 5 countries
- The greatest challenge to SMEs importing is currency fluctuations (51%)
- Overall 67% said they have been negatively affected by currency fluctuations over the past 12 months

THE BENEFITS OF IMPORTING

Nevertheless there are commercial benefits that when maximised will provide a competitive advantage for your business - such as overseas suppliers offering lower priced products and materials, and being able to source certain goods that are not available in the UK to provide a wider range of products to your customers.

Regardless of the current economic climate, you should build your import strategy with the aim of creating a solid base to achieve a competitive advantage. This guide will take you through a step-by-step process to make sure that importing has the potential to be profitable for your business.



*ONS UK Trade: May 2017
**HM Revenue & Customs



1 WHAT TO CONSIDER BEFORE IMPORTING

Before you start to import, doing your research is a must. Here are some of the key points you need to consider:

- **Payment terms** – Fully understand the payment terms being offered by suppliers and how they will impact your cashflow. There are 4 different payment options; Open Account, Documentary Collections, Letters of Credit and Advance Payment. Each has associated risks and costs to consider, with Open Account having the lowest risk to the importer and Advance Payment the highest. The reverse is the case for the overseas supplier, so these terms need to be negotiated.
- **Suppliers** – Get to know potential suppliers by visiting trade shows to prove legitimacy. Where practical, visit them directly to see who can provide the best product and quality. As in the UK, you want to deal with reliable suppliers who can deliver what you want, so ask lots of questions. Check how long they have been in business, make sure they have the relevant rights and permissions to sell and distribute and understand their financial background.
- **Import country** – Look at the countries you'll be importing from, it could make a significant difference to your costs. Consider the distance to travel, the currency you will be charged and any countries where there are Free Trade Agreements.
- **Production times and quantities** – Consider the production time and minimum quantities per order.
- **Regulations** – Understand the restrictions and regulations that affect the goods when they arrive in the UK.
- **Incoterms rules** – International Commercial Terms reduce misunderstandings and minimise trade disputes and litigation. Published by the [International Chamber of Commerce](#) (ICC), they are widely used in international commercial transactions or procurement processes.
- **Duties** – Depending on what you are importing and where you are importing from, the goods will determine the [duty rate](#) you will pay.

2 HOW TO MANAGE THE RISKS OF IMPORTING

The risks can vary, depending on which country you are dealing with.

- Be careful when committing to long-term sales or prices with overseas suppliers. Variables such as currency fluctuations may adversely affect your costs and margins.
- It's important to make sure you have a clear contract setting out who is responsible for transport at every stage.
- Before agreeing a contract, check the effect on your cashflow – recovering your money or getting compensation can be very time consuming and expensive. Consider the option of Trade Finance as a funding solution to bridge any cashflow gaps between paying suppliers and receiving payment from customers.
- Choosing the right payment method can protect your business. Whichever method you are paying, it's important you have a clear contract so you know exactly what costs you and your supplier are each responsible for at every stage. These typically include shipping (or air freight) to the UK, UK import duties and taxes, onwards delivery to your premises and charges for international payments.
- Bear in mind that some costs may fluctuate. For example, import duties could change. One way to protect yourself is to deal in pounds. Alternatively, you can protect yourself against changes in the exchange rate using forward foreign exchange contracts or currency options. These allow you to fix the exchange rate at which you can buy the foreign currency.

FIND OUT MORE

You can find out more about importing and trade at www.bibbyfinancialservices.com/trade



3 IMPORTING FROM THE EU AND OUTSIDE THE EU

There are different rules for importing goods into the UK, which can vary depending on where your goods originate from – the European Union (EU), or further afield. Although the UK voted to leave the EU, this process has some way to go, and for now the rules on importing remain the same.

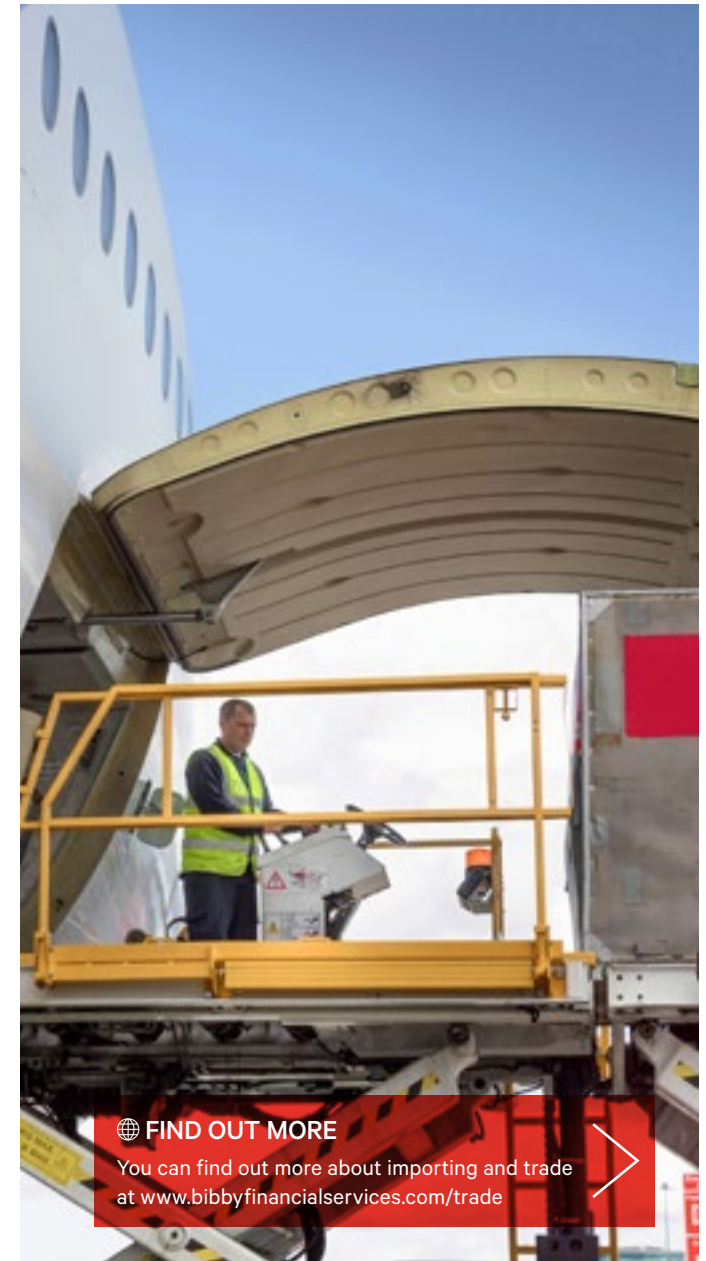
Import duty is payable on goods that come into the UK from outside of the EU. In most cases, goods imported from within the EU are not liable to import duty – where they're formally known as acquisitions instead of imports.

IF YOU'RE IMPORTING FROM THE EU:


- You are able to access favourable conditions – but only if you prove that your goods originated from an EU member state. You should have documentary evidence to demonstrate this, which needs to travel with your goods at all times.
- If the goods originate from within the EU, or have already had duty paid elsewhere in the EU, then they are EU acquisitions – described as being in 'free circulation' within the EU. You don't usually pay import duty, but you still need to have a commodity code used to categorise the type of goods, for tax and regulation purposes. You can check the commodity code for your imports, using the trade tariff tool on the UK government [website](#).
- Usually you don't need an [import license](#) to bring goods in from the EU, however, in some regulated areas this may be necessary.

IF YOU'RE IMPORTING FROM OUTSIDE THE EU:

- You will need an [EORI number](#) (Economic Operator Registration and Identification), which is required before your goods can clear customs.
- Your goods should have a [commodity code](#) (as for EU imports), and be declared to customs. Usually your freight forwarder will do this for you.
- You will usually have to pay import duty or associated tariffs on goods imported to the UK from outside the EU. The exact amount payable depends on what you are importing, and the country of origin.
- The rules regarding import tariffs and the process for declaration can be found in the UK Government's [tariff notices](#). The tariff payable varies, depending on the goods, origin, value and how they will be used.
- There is a requirement that all calculations are done in GBP, according to the tax authorities' [guidelines](#), even though you may have paid for the products in a different currency.
- Businesses importing duty payable goods to the UK often use the services of a freight forwarder or specialist importer. If you decide to declare and pay import duty yourself, familiarise yourself with the UK government's [guide](#) to the law first.



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ADMINISTRATION

When importing, you need to understand what paperwork is required. Even if you use a freight forwarder or an agent, ultimately, it's your responsibility to make sure you have the correct documentation and insurance. Missing or inaccurate documents can increase risks, lead to delays and extra costs, or even prevent a deal from being completed.

- You should have a clear written contract, including details of exactly where goods will be delivered, who arranges transport, who is responsible for insuring the goods, who pays for insurance, who handles customs procedures and who pays any duties and taxes.
- Work out the right duty and tax charges – there may be requirements both for the country the goods are being exported from and the country they are being imported into.
- Issue a commercial invoice to understand commodity codes and calculate any cost implications. These also form part of the shipping documents required on import.
- Use packing lists to give an indication of quantities to help you match your purchase order, commercial invoice and shipping document. Also determine the level of tax and duty you must pay on import.
- Issue shipping documents that explain where the goods should be shipped, how they should get there, how they should be handled, and to provide an auditable record of transactions.
- Certificates of origin will help you to work out duty and get through Customs faster – according to the ICC, this attests that your goods are “wholly obtained, produced, manufactured or processed in a particular country.”

 FIND OUT MORE

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SUMMARY

Importing goods from overseas suppliers involves all the same issues as purchasing from suppliers in the UK. It's up to your business to establish what you require, and find the right supplier. Our guide aims to provide a practical source of help to enable you to import and develop your business. Being aware of and understanding the necessary aspects of importing is essential to gain a commercial advantage.

For more information on how we support those wishing to import or those already importing, visit: www.bibbyfinancialservices.com/trade.

ABOUT BIBBY FINANCIAL SERVICES

As a global business with more than 35 years' experience of supporting SMEs and 40 offices worldwide, Bibby Financial Services has a unique understanding of trade cycles both within the UK and in overseas markets.

Unlike other lenders, our team of dedicated trade experts respond quickly to enquiries, helping our clients to purchase the goods they need, when they need them.

We are a trusted financial services partner to over 7,500 businesses in the UK and have built a reputation for consistently delivering high levels of client service.

We help businesses both large and small and our clients are at the heart of everything we do. We don't just fund a business, we believe in it.



OUR PRODUCTS AND SERVICES

We help businesses unlock working capital for a range of scenarios, including cashflow funding, new equipment purchase, growth and expansion, management buy-ins and buy-outs, refinancing, corporate restructuring and mergers and acquisitions.

Our range of financing options includes:

- Trade Finance
- Specialist finance for the construction and recruitment sectors
- Foreign Exchange
- Invoice Discounting
- Factoring
- Lease Finance
- Export Finance
- Stock Finance