Bannerman Rendell
Lloyd's Insurance Brokers

Duty Deferment Guarantees

OVERVIEW

- Duty on goods (imported from outside of the E.U) is payable as soon as they enter the UK.
- Rather than paying duties instantaneously upon arrival, a 'Deferment Account' with HMRC allows Importers to delay the payment for up to 45-days. This arrangement however requires the Importer to provide HMRC with a Duty Deferment Guarantee as security.
- The Duty Deferment Guarantee provides the security to HMRC against the failure of that Importer to pay its customs duties.
- Bannerman Rendell Ltd has an extensive track record of providing these types of Guarantee on behalf of Importers and Freight Forwarders.

THE BENEFITS

- Being able to defer payment of duty for the 45 days provides a huge cash flow advantage to the Importer / Freight Forwarder.
- The Deferment Accounts offers significant flexibility to the importing company as it:
    - enables the distribution and potential collection of payment from customer prior to having to pay the duty to HMRC.
    - can clear imported goods more quickly by Customs, as companies are no longer required to pay officials upfront for each individual shipment.

ADVANTAGES OF A DUTY DEFERMENT FACILITY

- Both Banks and Insurance Companies can provide these types of Guarantees – but by using an Insurance Company Guarantee you would not be tying up vital banking facilities.
- The Guarantee from an Insurance Company is seen as a Contingent Liability and therefore "Off Balance Sheet"
- The Duty Deferment Guarantee offered is continuous but is reviewable on an annual basis.
- We respond promptly to all enquiries and offer competitive rates.

OUR REQUIREMENTS

- The applicant is an established limited liability company and able to provide 3 years' worth of audited financial statements together with up-to-date management accounts.
- A fully completed Insurer proposal form.
- A signed Counter Indemnity (on Insurer documentation).

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- The premium is payable prior to issue of the bond.

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OUR PRE-VETTING SERVICE

- To ensure that we do not waste your time, we offer a Pre-Vetting service where we can quickly determine if a risk is viable. All that we require your 'company name' or 'registration number'.
- We will then swiftly respond with our verdict, and assuming that minimum underwriting criteria have been met, progress the enquiry further.

Additional Information/Explanation:

- Companies importing non-European Union goods must put up security to Customs (this is a legal requirement). Otherwise, they must pay cash, bank draft, or use their agent's account which can be even pricier.
- Customs offer a "credit card" type arrangement where all your liabilities can be accrued throughout the month and paid off in one lump sum on the 15th day of the following month of entry. (So, all of January's import duty/vat liabilities will be settled on the 15th February.
- Each company sets their own account limit subject only to the provision that the Guarantor (Insurance Company) agrees to the level requested.
- The Guarantor is liable for twice the account limit as February's charges could be incurred before the 15th February as well.
    - Banks will employ a variety of mechanisms, charged across accordingly, to protect their liability, but we believe:
        - Banks are Over-Protective
        - Not Correctly Risk Assessed
        - Costing Companies considerable sums of money

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The Benefits of using an Insurance Company over a Bank (Example):

In a theoretical example let's say that:

- An Account limit of £100,000.00 is required
- Customs will therefore need twice this amount as a Guarantee (£200,000.00)
- Typically, a company would use about 75% of that account.

A Banks typical Charge Regime:

- 2% on £200,000.00 Per Annum = £4,000.00 (this could vary depending on the favourability of the client)
- However, a guarantee through their bank could reduce their borrowing capability by the value of the Guarantee.
- This therefore means that the company may have the cost of securing additional working capital elsewhere (Nominal interest rate on this would determine the full cost, but this is likely to a considerable sum) – a process which is much more frustrating for the company to address and can be highly time consuming.
- This additional funding would also incur other charges such as arrangement fees.
- So, the overall cost to the company of the guarantee is not simply the £4,000.00 initially stated, it is significantly greater due to the cost of securing the additional working capital that was originally lost.

In this example, an Insurance Company Guarantee would therefore:

- Free up the £200,000.00 Working Capital available through its bank, which possibly negates the need for the client to seek additional Working Capital facilities and avoid the associated costs – savings here could be substantial.
- Benefit Middle-Tier companies the most as they generally secure less competitive rates from their banks (especially in the current economic environment where Working Capital is tight/heavily monitored, and costs are under focus)
- Help to alleviate Cash Flow issues.

Please contact John-Paul Tester at Bannerman Rendell Ltd for further details: -

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