



Why is finance vital for supply chain performance?

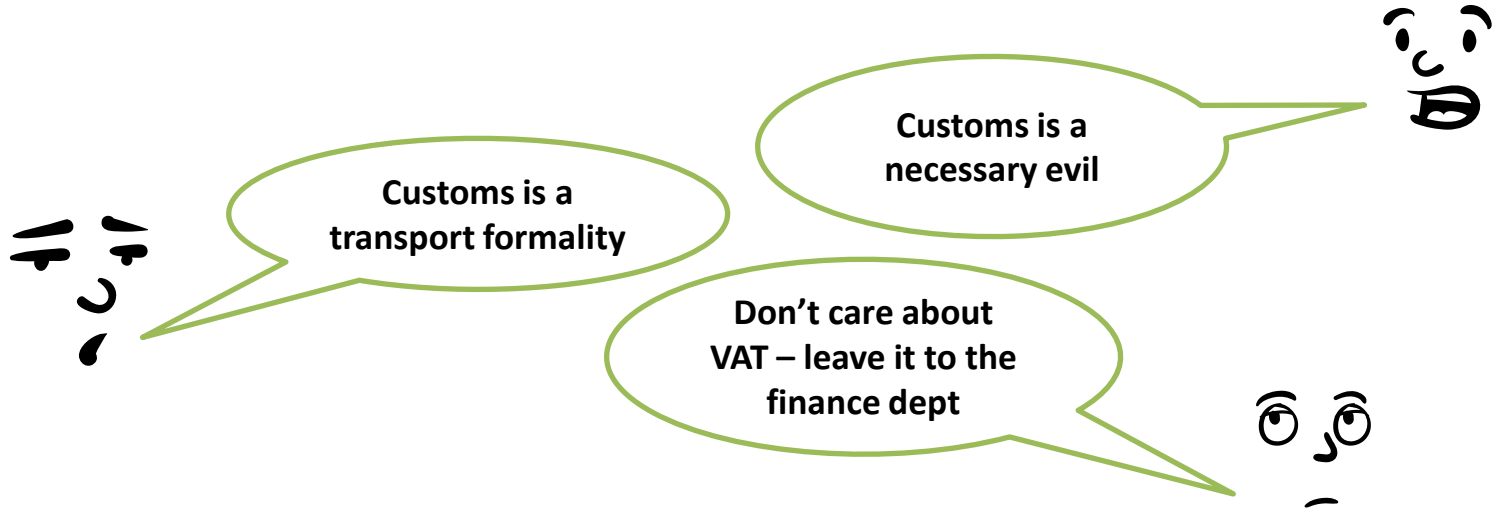
Leverage on Customs and VAT to reduce supply chain costs



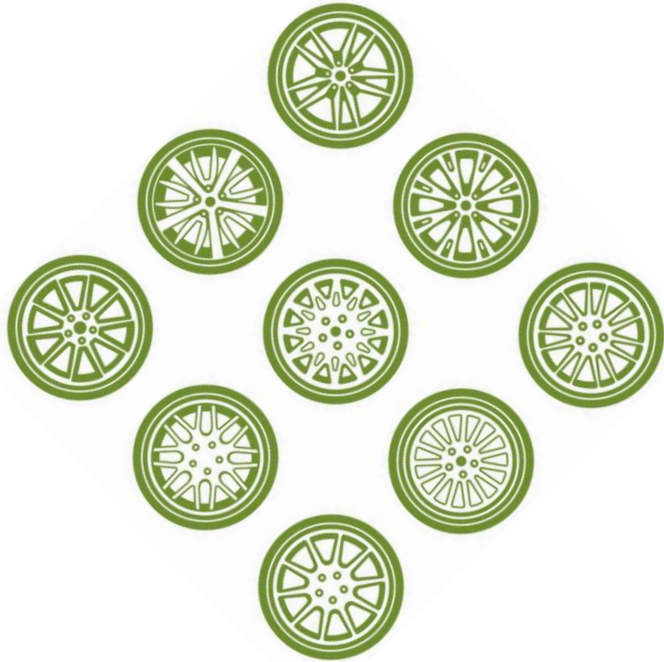
VAT SOLUTIONS

Customs, VAT and supply chain

Some stereotypes



Let's start a business involving wheels



Key factors of success

- ✓ Superstar designer
 - ✓ Top manufacturer
 - ✓ Valued customers
 - ✓ First class logistic
- Good margin!



Let's talk about figures and geography



US superstar designer costs
€200 K for top trendy design!

EU Wheels manufacturer
€70 CIF excl. VAT each!

Chinese wheels manufacturer
€50 CIF excl. VAT each!

+ most of the potential valued customers located in Europe



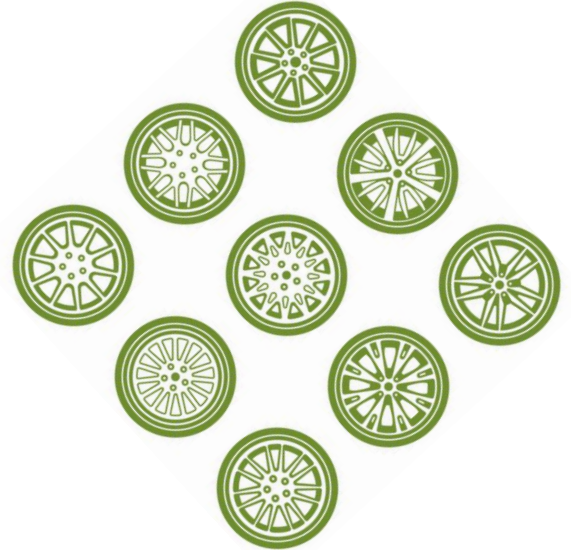
Which supplier should I chose?

EU? CN?

- ✓ Usual selection criteria are met : quality, delivery deadlines, etc
- ? So – the cheapest?
- ! Chinese supplier seems to be a good option!

EU Wheels manufacturer
€70

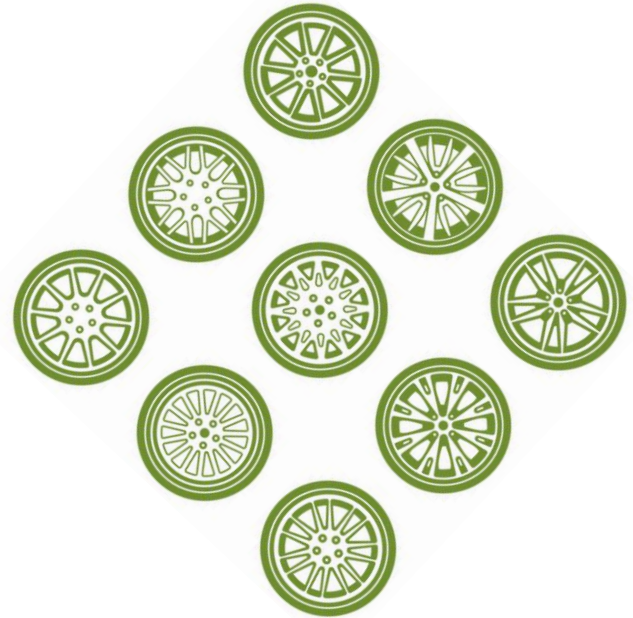
CN wheels manufacturer
€50



Don't neglect the customs costs!

What should be considered?

- Customs nomenclature
- Customs origin
- Customs value
- Final destinations



Concept of customs nomenclature

- Code allocated to each type of goods notably for the purpose of levying customs duties on imported goods
- In the European Union, codes listed in the annex I of the EU Regulation no 2658/87 (updated each year)
- More than 15,500 classification categories
- Available tools to support the customs classification:
 - [TARIC](#) (EU)
 - [TARLUX](#) (Luxembourg)
 - In case of doubt, apply for a [binding tariff information](#)!



Impact of customs nomenclature

Aluminium wheels

Imported for other purpose than
the industrial assembly of vehicles

Customs code 8708 70 50 15

4.5% customs duties apply

!! Additional cost of €2.25 each

Origin	Start date	End date	Measure type	Footnotes	Geographical area	Excluded countries	Duty expression	Conditions	Additional code	Regulation	Quota order no.
EU	01/01/1999		Third country duty (103)		ERGA OMNES (1011)		4.5000%			R2261/98	

Imported
for the industrial assembly of vehicles

Customs code 8708 70 10 50

3% customs duties apply

!! Additional cost of €1.5 each

Origin	Start date	End date	Measure type	Footnotes	Geographical area	Excluded countries	Duty expression	Conditions	Additional code	Regulation	Quota order no.
EU	01/01/2007		Non preferential duty under end-use (105)		ERGA OMNES (1011)		3.0000%	View conditions		R1549/06	



Impact of origin

Aluminium wheels imported from China

Imported for other purpose than
the industrial assembly of vehicles

Customs code 8708 70 50 15

Imported
for the industrial assembly of vehicles

Customs code 8708 70 10 50

22.3% anti dumping duties
!! Additional cost of €11.15 each

	20/01/2023	Definitive anti-dumping duty (552)	China (CN)	22.3000%		R0112/23
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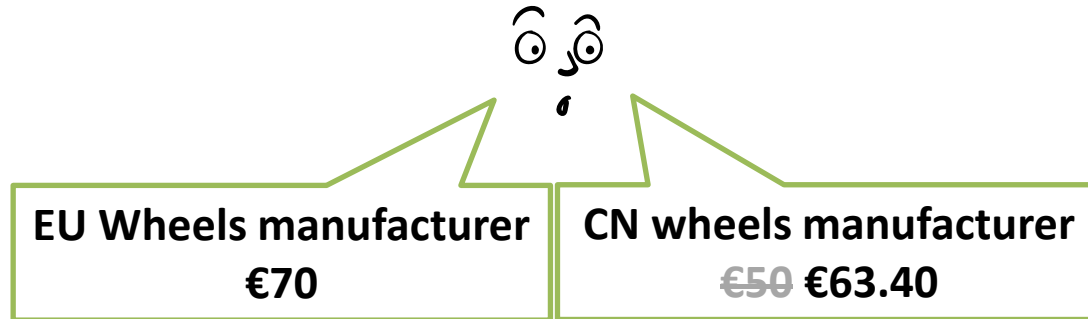


Impact of origin

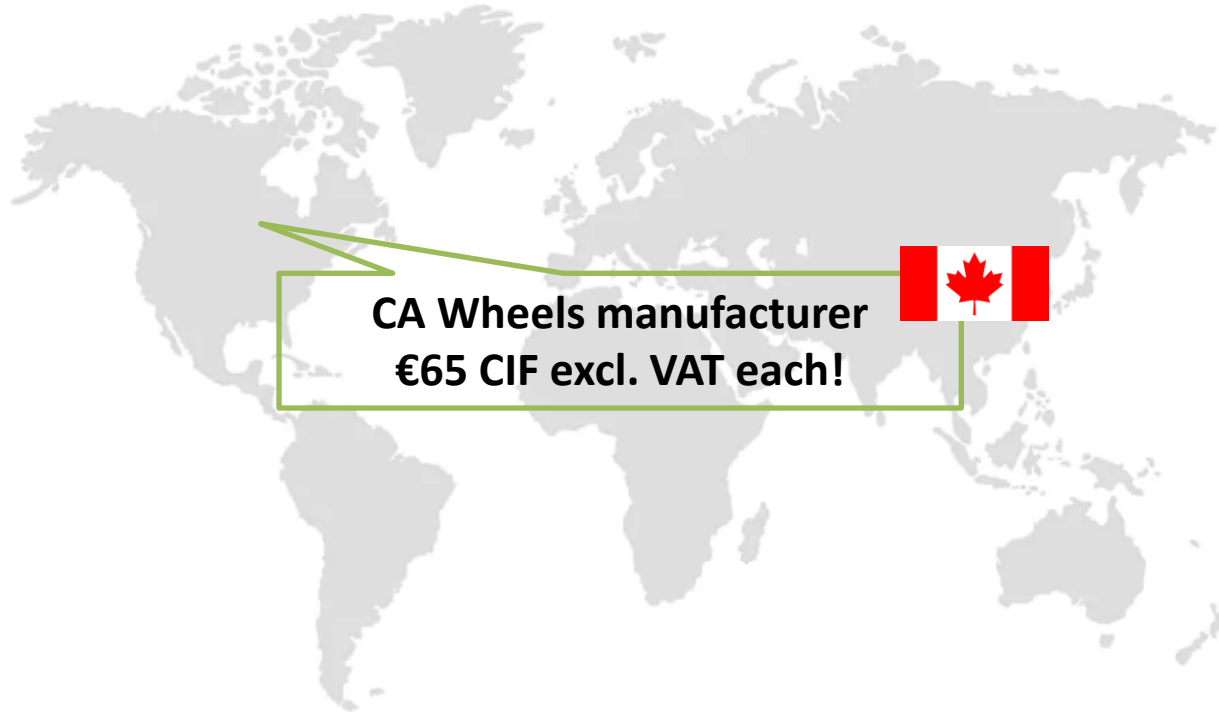
Aluminium wheels imported from China

Not imported for the industrial assembly of vehicles

- Customs code 8708 70 50 15
- Total customs duties and anti dumping additional costs **€13.40 each**



Impact of origin / another potential supplier



CA Wheels manufacturer
€65 CIF excl. VAT each!



Impact of origin / preferential origin

Imported for other purpose than
the industrial assembly of vehicles

Customs code 8708 70 50 15
Preferential origin
0% customs duties apply

Imported
for the industrial assembly of vehicles

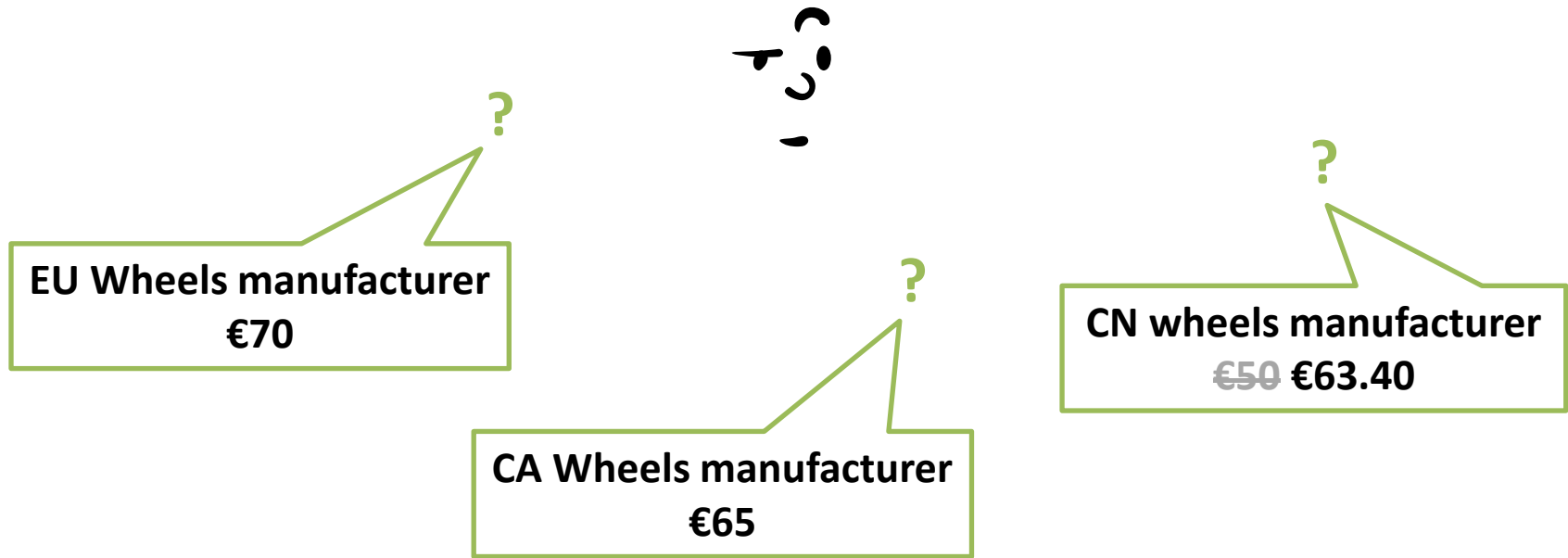
Customs code 8708 70 10 50
Preferential origin
0% customs duties apply

Origin	Start date ⇅	End date ⇅	Measure type ⇅	Footnotes	Geographical area ⇅	Excluded countries	Duty expression	Conditions	Additional code ⇅	Regulation ⇅	o
	21/09/2017		Tariff preference (142)		Canada (CA)		0.0000%			D0037/17	



Impact of origin

Aluminium wheels not imported for the industrial assembly of vehicles



Impact of origin

Let's go for the Chinese wheels – that remain the cheapest

EU Wheels manufacturer
€70

CA Wheels manufacturer
€65



CN wheels manufacturer
~~€50~~ €63.40

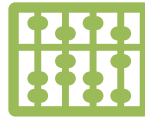


Impact of customs value

Additional costs may have to be integrated into the customs value!



When preparing the data for the first importation of wheels, an additional unexpected cost appeared



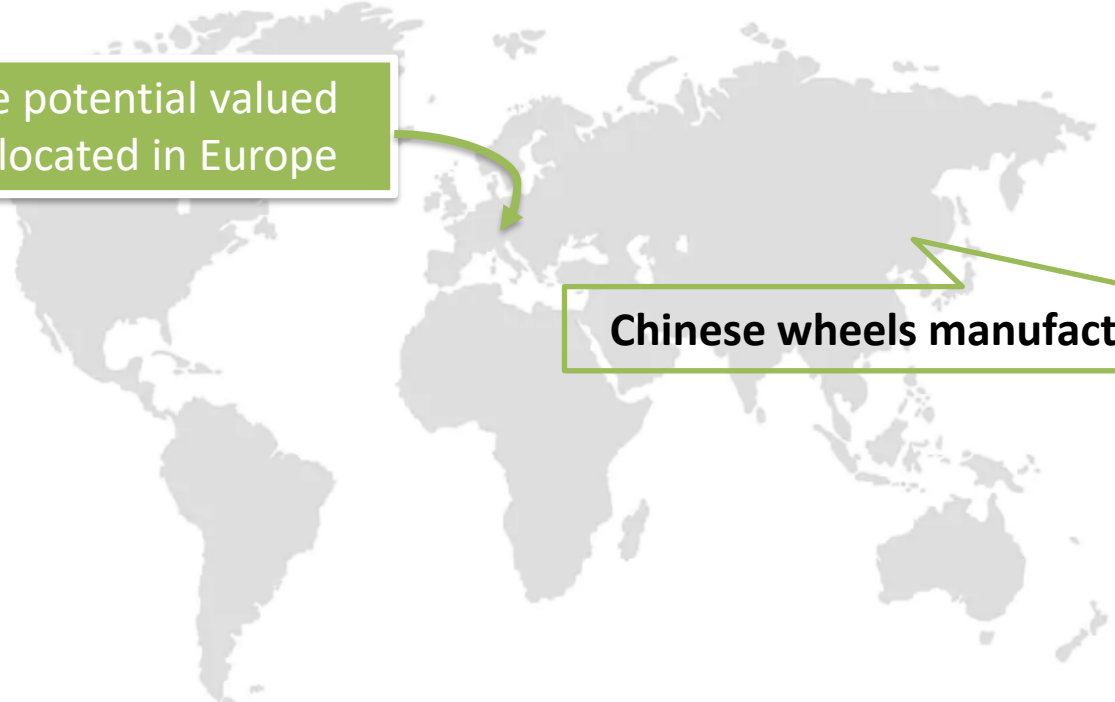
Because the superstar designer was located in the USA, the value of its fees must be added to the customs value



Additional duties of €53,600 had to be paid to customs (4.5% + 22.3% on €200 K of design fees)



Let's talk about supply chain organisation

A light gray world map is centered on the slide. A green callout box on the left points to Europe, and another green callout box on the right points to China. A small Chinese flag is positioned above the second callout box.

Most of the potential valued customers located in Europe

Chinese wheels manufacturer



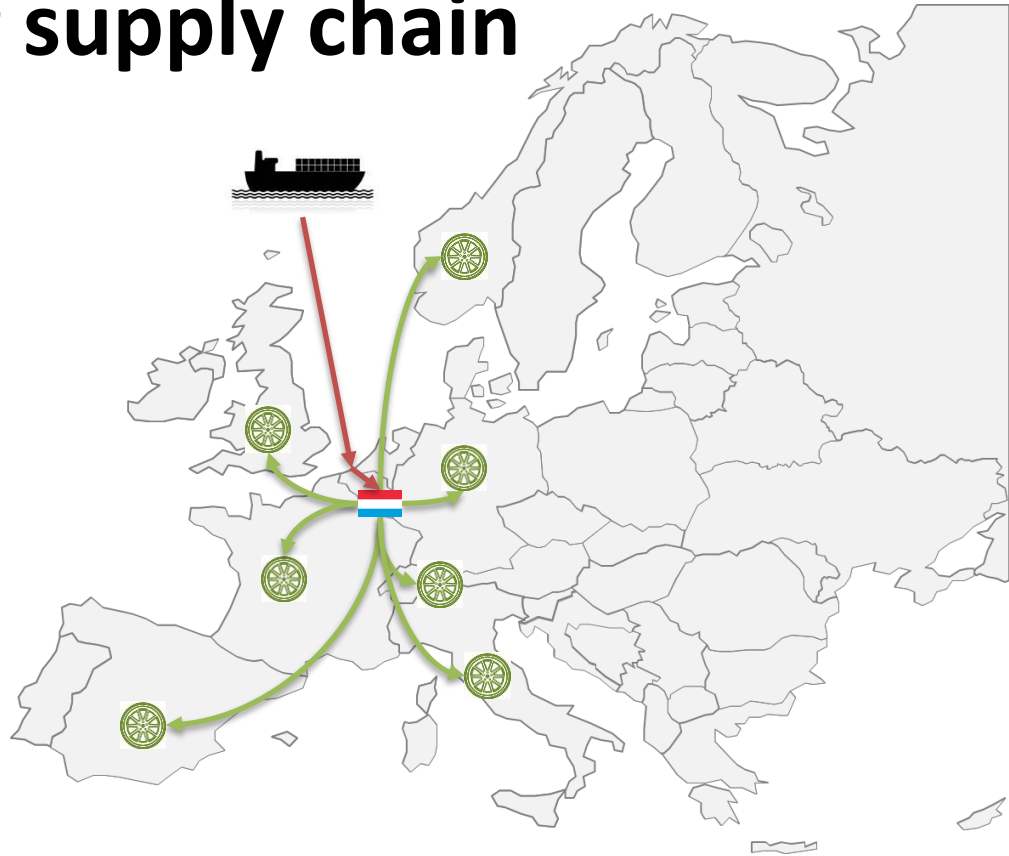
Considered setup of supply chain

Arrival in Antwerp

Distribution center in Luxembourg

European key markets

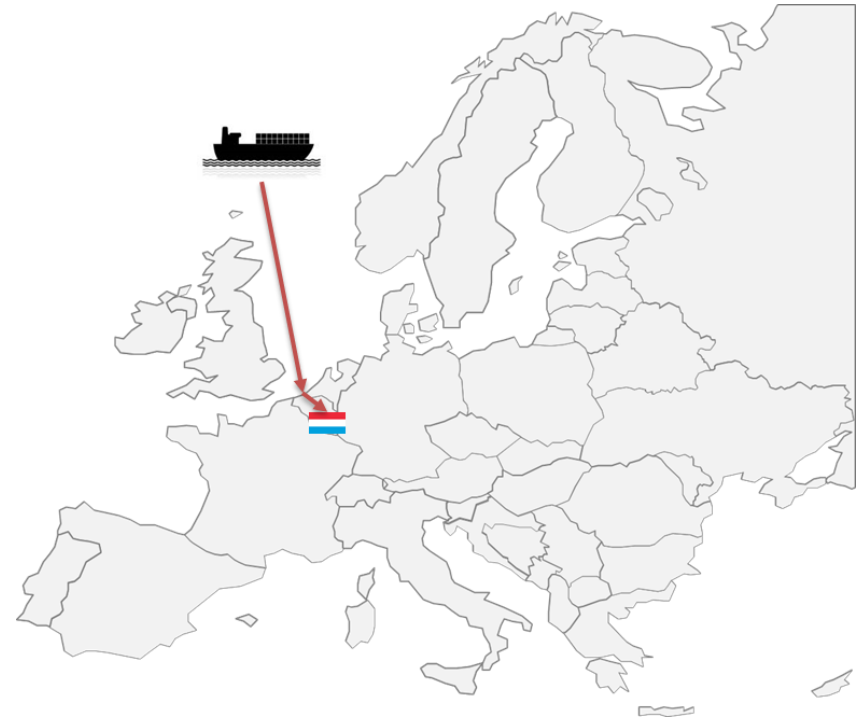
- 60% European Union
- 20% Switzerland
- 10% UK
- 10% Norway



Points of attention

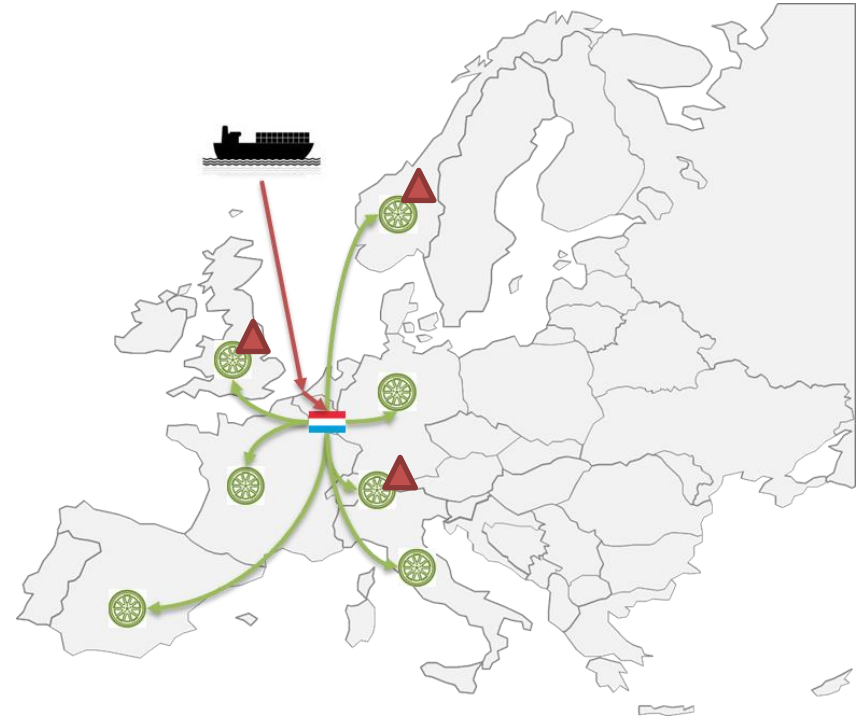
Place of importation and VAT return

- **Import in Antwerp** triggers Belgian VAT obligations that can be managed by a Belgian fiscal representative
- **Option to use a T1** from Antwerp to Luxembourg to organize the customs clearance in Luxembourg
- In both cases, no prefinancing of import VAT but impact in the Luxembourg VAT return
- Accounting department must be well informed of the point of importation to manage the Luxembourg VAT returns correctly



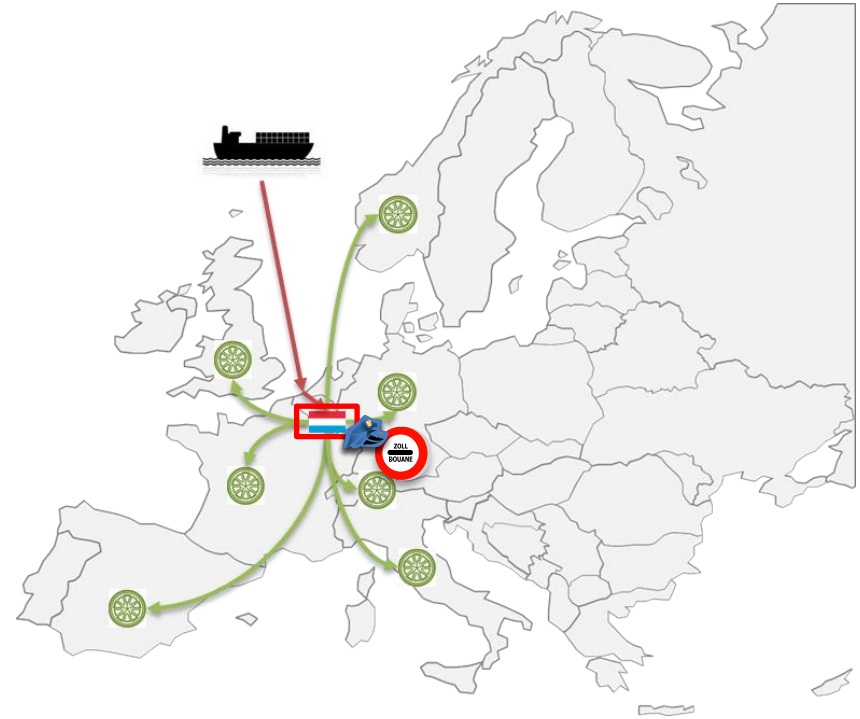
Points of attention / Customs

- Immediate import may not be a good option, considering the non EU countries of final destination where 40% of the products will ultimately be sold
- **Double payment of customs duties** upon importation in the EU, and most probably again in the countries of importation!
- Indeed:
 - Customs duties paid upon importation are not refundable for goods that are exported at a later stage
 - Storage in LU does not change the customs origin that remain Chinese



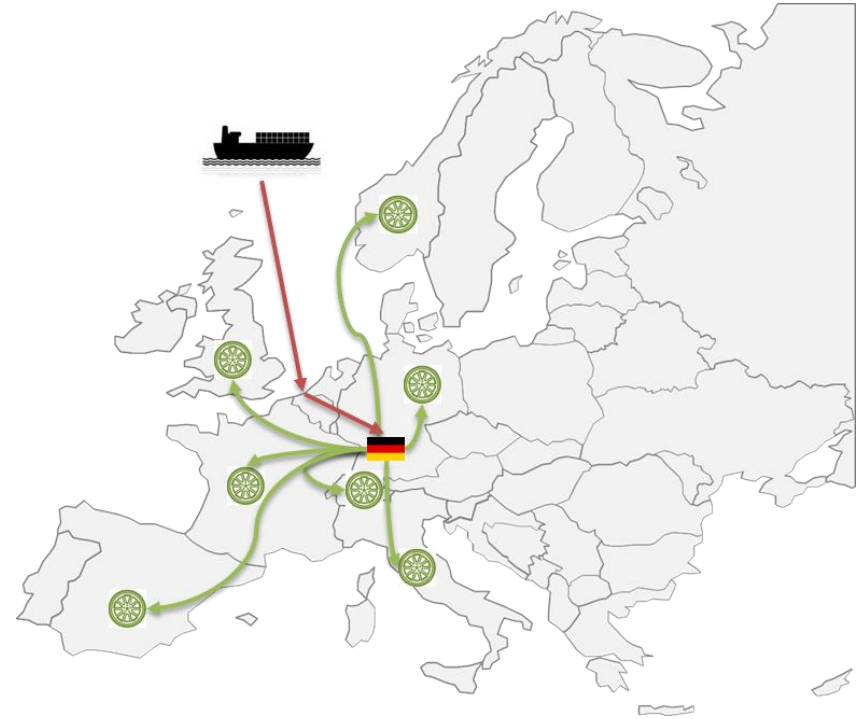
Solution / Customs

- The use of a customs warehouse in Luxembourg brings the following benefits
 - Postpone the payment of EU import duties until the dispatch to the EU client takes place (cash flow improvement)
 - Eliminate EU customs duties for the wheels that will be delivered to the non EU countries (savings)



Option / warehouse in Germany?

- **Implementing the warehouse in Germany is a cheaper option**
 - However holding a stock abroad obliges the company to register for German VAT (need to adapt invoicing system and file German VAT returns)
 - German import VAT must be prefinanced
 - (vs no prefinancing in LU)
 - Invoices to German client should be issued with German VAT
 - (vs all invoices VAT exempt in LU)
- Holding the stock in Germany triggers VAT issues



Thank you for your attention!

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