Customs and excise

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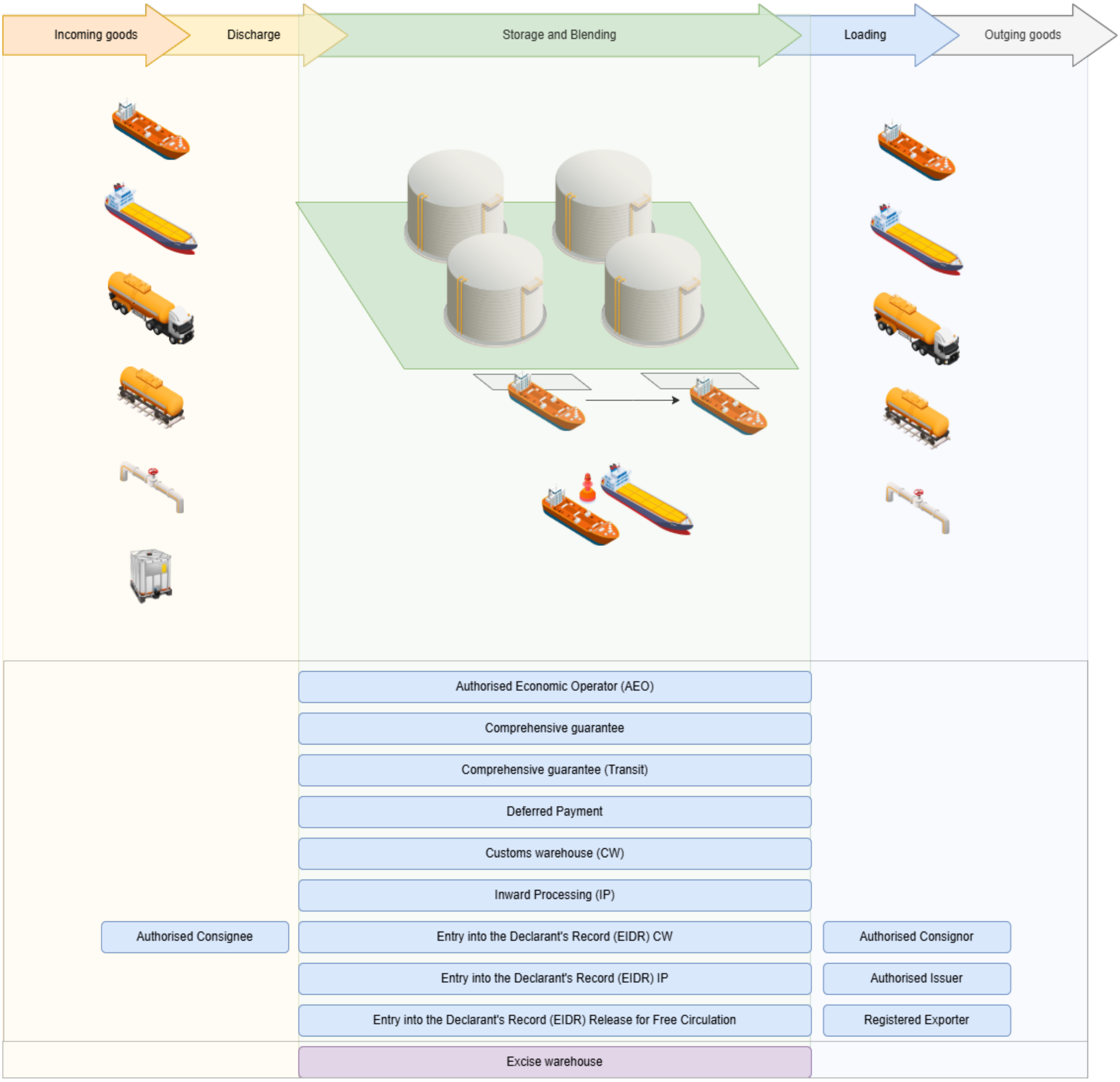
Customs and Excise Authorisations

VTTI holds the following customs and excise authorisations to support its terminal operations and the associated customs and excise activities:



> Copies of the customs and excise authorisations are maintained in BzCtrl under the VTTI Terminals II B.V. section (Files → Customs and Excise Licenses).

All customs authorisations listed above apply to the operations of ETT and ETA. The Customs Warehousing authorisation has a broader, cross-border scope and also covers the relevant operations of VTTI in Cyprus. The customs warehousing activities and related records at these locations are administered under a single cross-border authorisation, in accordance with the applicable conditions, controls and administrative requirements.

The Customs Warehousing authorisation permits the use of equivalent goods. The use of equivalent goods is subject to the specific conditions and control measures set out in the authorisation.

> The practical application of equivalent goods, including the related control measures, is described in VTTI's “Equivalent Goods” procedure.

> The customs and excise authorisations are crucial to the continuity of VTTI's terminal operations. Their scope determines which operations the terminals can and cannot execute (e.g. which products can be stored or blended). As such, VTTI has implemented measures to prevent non-compliance with authorisation requirements, activities outside the scope of the authorisations, and the unintended expiry of an authorisation.
> See Risk R-01 in the Risk Register.

Customs procedures

General principles

The customs and excise procedures applied at the terminals are aligned with the operational lifecycle of the goods involved. The operational processes are described in detail in the Operations section of this AO/IC. This chapter describes the customs and excise procedures governing the movement, storage, processing and dispatch of the goods.

Throughout the terminal process, goods may be subject to customs supervision, excise duty suspension or be in free circulation, depending on their customs and excise status. The initial customs and excise treatment is determined upon first arrival at the terminal and may subsequently change during the lifecycle of the goods as a result of storage, blending, manufacturing, transshipment, importation or dispatch activities.

The customs and excise procedures described in this chapter are performed under the authorisations described in the preceding Customs and Excise Authorisations section.

Systems and User involvement

The administration and monitoring of customs and excise procedures is supported by an integrated process involving VTTI’s ERP System, its Customs Module and the relevant VTTI Users. Users register and maintain the operational activities and customs and excise-relevant data in the ERP System. Based on this information and predefined business rules, the Customs Module determines the applicable customs and excise treatment, performs compliance validations and initiates the required customs declarations, excise formalities and record-keeping actions.

Users review and follow up on the resulting system feedback, with Customs Specialists at the terminal or HQ providing support and specialist assessment where required by the nature or complexity of the transaction.

Incoming goods and goods receipt

Upon arrival, goods may enter the terminal under coverage of a Transit document (T1) or an electronic Administrative Document (e-AD). Union goods that are not subject to excise control may arrive without such a document. Goods arriving directly from locations outside the European Union may also arrive without a preceding customs or excise movement document and will be subject to the appropriate customs formalities upon arrival.

During the goods receipt process, VTTI records the arrival of the goods and performs the customs and excise actions associated with the preceding movement procedure. This may include the discharge or closure of transit procedures or excise movements and the registration of the goods and their customs and excise status within the terminal administration.

Storage and processing

Following receipt, the goods are assigned to the customs and excise treatment applicable to their status and intended storage and handling. Non-Union goods are generally placed under the Customs Warehousing procedure, Union goods subject to excise duty suspension are entered into the Excise Warehouse, and other Union goods are recorded in the Free Warehouse.

The terminal location is authorised as a customs warehouse, comprising of the complete infrastructure of tanks, pipelines, jetties and refinery. To optimize storage capacity and avoid disproportionate costs, accounting segregation is applied and non-Union and Union goods are commonly stored.

Non-Union goods may instead, or at a later stage, be released for free circulation. Following their release, the goods are entered into the Excise Warehouse or recorded in the Free Warehouse, depending on whether they are subject to excise duty suspension.

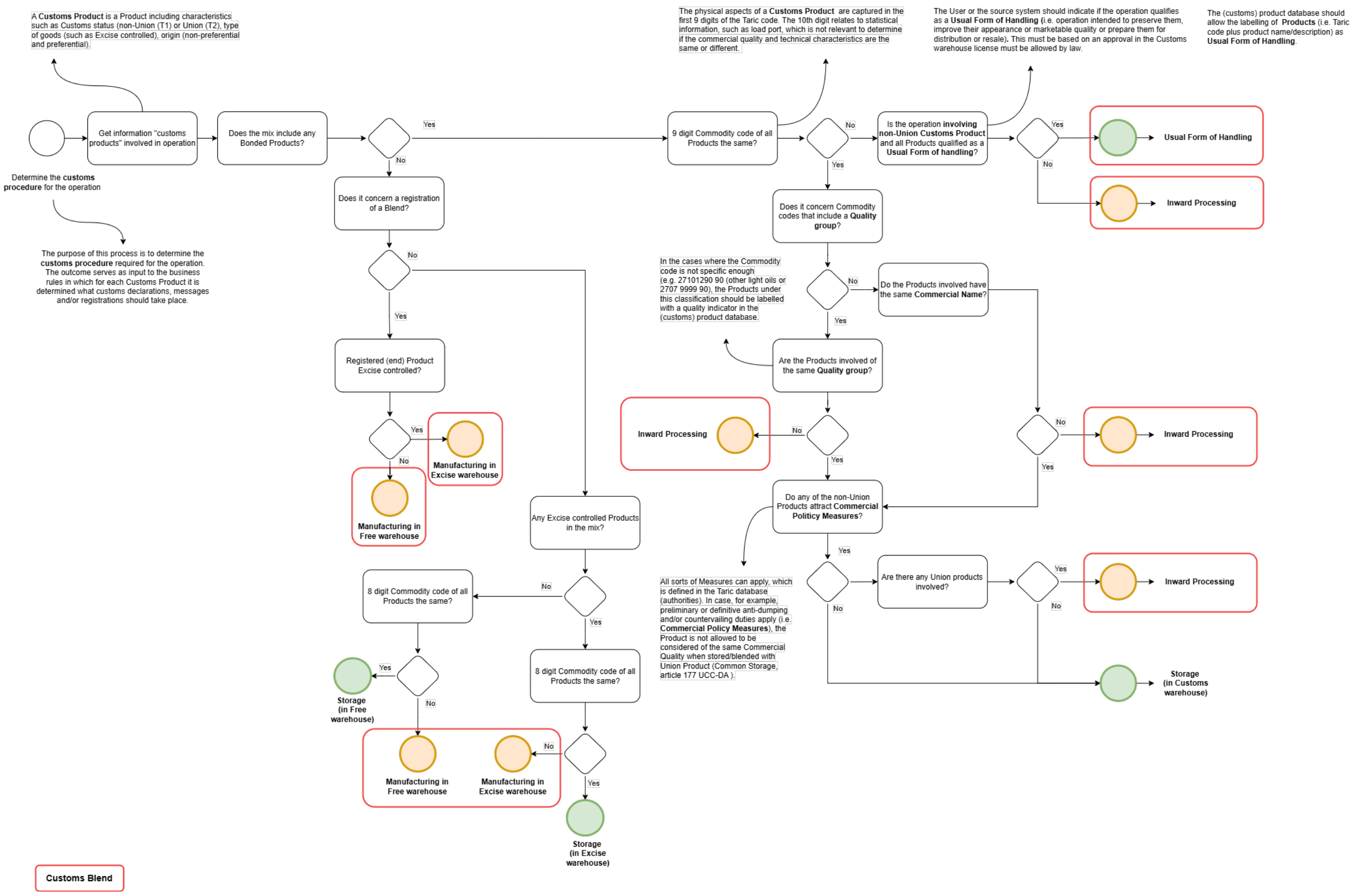
Where goods are blended, manufactured or otherwise processed, the applicable customs and excise treatment is determined based on the customs and excise status and technical characteristics of the goods involved, as well as the nature of the operation. Depending on the outcome of this assessment, the operation may be treated as storage, manufacturing in the Excise Warehouse or Free Warehouse, Usual Forms of Handling under the Customs Warehousing procedure, or Inward Processing.

Outgoing goods

Upon dispatch from the terminal, goods may leave under excise duty suspension covered by an e-AD, under the transit procedure covered by a T1 document, under an export or re-export procedure, or as Union goods in free circulation, where applicable. The required customs declarations, excise messages and supporting records are generated and maintained in accordance with the applicable legal requirements and authorisations.

> The detailed functional and technical design of the ERP System and Customs Module, including the Parcel administration model, procedure determination logic, business rules and declaration processes, is described in Annex AO/IC ATLAS-CMS.

The flow chart below provides an overview of the customs and excise procedures that may apply throughout the lifecycle of goods handled at a VTTI terminal.



A **Customs Product** is a Product including characteristics such as Customs status (non-Union (T1) or Union (T2), type of goods (such as Excise controlled), origin (non-preferential and preferential).
Get information "customs products" involved in operation
Does the mix include any Bonded Products?
Determine the **customs procedure** for the operation
The purpose of this process is to determine the **customs procedure** required for the operation. The outcome serves as input to the business rules in which for each Customs Product it is determined what customs declarations, messages and/or registrations should take place.
Does it concern a registration of a Blend?
Registered (end) Product Excise controlled?
Manufacturing in Excise warehouse
Manufacturing in Free warehouse
Any Excise controlled Products in the mix?
8 digit Commodity code of all Products the same?
Storage (in Free warehouse)
Manufacturing in Free warehouse
Manufacturing in Excise warehouse
8 digit Commodity code of all Products the same?
Storage (in Excise warehouse)
The physical aspects of a **Customs Product** are captured in the first 9 digits of the Taric code. The 10th digit relates to statistical information, such as load port, which is not relevant to determine if the commercial quality and technical characteristics are the same or different.
The User or the source system should indicate if the operation qualifies as a **Usual Form of Handling (**i.e. operation intended to preserve them, improve their appearance or marketable quality or prepare them for distribution or resale**)**. This must be based on an approval in the Customs warehouse license must be allowed by law.
The (customs) product database should allow the labelling of **Products** (i.e. Taric code plus product name/description) as **Usual Form of Handling**.
9 digit Commodity code of all Products the same?
Is the operation **involving non-Union Customs Product** and all Products qualified as a **Usual Form of handling**?
Usual Form of Handling
Inward Processing
Does it concern Commodity codes that include a **Quality group**?
In the cases where the Commodity code is not specific enough (e.g. 27101290 90 (other light oils or 2707 9999 90), the Products under this classification should be labelled with a quality indicator in the (customs) product database.
Do the Products involved have the same **Commercial Name**?
Are the Products involved of the same **Quality group**?
Inward Processing
Inward Processing
Do any of the non-Union Products attract **Commercial Politicy Measures**?
All sorts of Measures can apply, which is defined in the Taric database (authorities). In case, for example, preliminary or definitive anti-dumping and/or countervailing duties apply (i.e. **Commercial Policy Measures**), the Product is not allowed to be considered of the same Commercial Quality when stored/blended with Union Product (Common Storage, article 177 UCC-DA).
Are there any Union products involved?
Inward Processing
Storage (in Customs warehouse)
Customs Blend

Related work instructions to terminal activities are available in VTTI's quality management system QOL.

Declaration process

Nomination
VTTI submits customs declarations solely upon instruction from the customer. These instructions are provided through a nomination. The customer is responsible for providing VTTI with all data and documents (information) required to lodge a complete, correct and timely filed customs declaration. Where appropriate, CS performs reasonableness checks on the information provided by the customer before using that information to prepare and submit the customs declaration.

Entry in the Declarant's Records (EIDR)
VTTI holds an Entry in the Declarant's Records (EIDR) authorisation. EIDR is a customs declaration simplification that allows customs declarations to be lodged by entry in the declarant's records. Declarations are deemed to have been accepted by the customs authorities at the moment the goods are entered in the records. The use of EIDR shifts customs controls from pre-release declaration checks to post-clearance verification of the declarant's records, internal controls, and audit trail. Consequently, customs audits place increased emphasis on the completeness, accuracy, and traceability of entries in the records and on the effectiveness of the company's customs compliance framework.

VTTI applies the EIDR declaration process, to the greatest extent possible, for placing goods under the customs procedures release for free circulation, customs warehousing and inward processing. VTTI does not apply the EIDR process when placing goods under the export or re-export procedure, for those declarations, a standard export or re-export declaration is submitted electronically. VTTI does also not use the EIDR procedure in situations where this is not permitted. For example, in cases where the release of goods for free circulation requires the presentation of a valid AGRIM certificate. Where EIDR is not used, VTTI lodges customs declarations directly into the declaration system of Customs. This process is embedded in VTTI's ERP and CMS and to a large extent automated.

The EIDR process consists of the following three steps:

1. Presentation of the goods;
2. Entry in the declarant's records;
3. Submission of the supplementary declaration.

Presentation of the goods is the legal act of making goods available to Customs for control, while the presentation notification is the electronic message used to inform Customs that the goods have been presented. A presentation notification is lodged whenever goods are placed under a customs procedure requiring presentation of the goods. When goods are placed under successive customs procedures, Customs may waive the obligation to lodge a presentation notification. Dutch Customs waives this obligation at the second and further placements, provided that the goods are fully traceable in a single administration. This waiver is referred to as the Chain Arrangement (ketenregeling). The principal advantage of the Chain Arrangement is that physical customs controls (if any) can generally be limited to the arrival of the goods at the terminal when they are placed under the first customs procedure in the chain. A key condition for the application of the Chain Arrangement is that, at the first link in the chain, sufficient information and supporting documentation is available to enable Customs to perform any controls that may be required at later stages in the chain. For example, where goods are ultimately intended to be released for free circulation, Customs must be able to verify at the first placement in the link that all relevant import requirements have been met.

VTTI applies the Chain Arrangement to the greatest extend possible, i.e. wherever the applicable conditions are met. Under the Chain Arrangement, VTTI only lodges a presentation notification when goods first arrive at the terminal and are placed under the customs warehouse procedure. The goods are not presented again when they are subsequently placed under another customs procedure. For example, goods arriving at the terminal are placed under the customs warehousing procedure, followed by inward processing, return to customs warehousing and are ultimately released into free circulation. In this chain, a presentation notification is only lodged when the goods arrive at the terminal and are placed under the customs warehousing procedure.

Entry in the declarant's records is the lodging of a customs declaration through an electronic entry in VTTI's records. At the time of entry, the particulars of the declaration must be available in VTTI's systems and thereby at the disposal of the customs authorities. The entry contains all information required for the application of the relevant customs procedure and serves as the basis for the subsequent supplementary declaration.

The supplementary declaration is lodged via the customs declaration system and must be submitted no later than 10 days after the goods have been entered into the declarant's records. The reference period is one calendar day, meaning that all goods entered into the records on a particular day must be covered by supplementary declarations submitted 10 days later. For example, goods entered into the records on 1 January must be covered by supplementary declarations submitted on 11 January. Failure to submit a supplementary declaration within the prescribed deadline constitutes a breach of the conditions of the EIDR authorisation. Depending on the circumstances, Customs may require corrective action, impose administrative penalties, increase compliance monitoring, or, in cases of repeated or serious non-compliance, suspend or revoke the authorisation.

Each supplementary declaration relates to a single entry in the records. VTTI submits multiple supplementary declarations on a given day, depending on the volume of transactions. Supplementary declarations are not required for goods placed under the customs warehousing procedure.

Automation

The processes for lodging a presentation notification, making an entry into the records, and lodging a supplementary declaration are embedded in VTTI’s ERP system and CMS and are, to a large extent, automated based on predefined business rules. The automated process is subject to continuous monitoring and review by CS and CGT.

Review procedures

Automated processing is prevented where required information is missing or where errors, inconsistencies, or discrepancies are detected in customer-provided data or documentation. In such cases, CS and CGT review and resolve the issue before the relevant message, declaration, or entry is submitted or recorded.

> The detailed functional and technical design of the ERP System and Customs Module, including the Parcel administration model, procedure determination logic, business rules and declaration processes, is described in Annex AO/IC ATLAS-CMS.

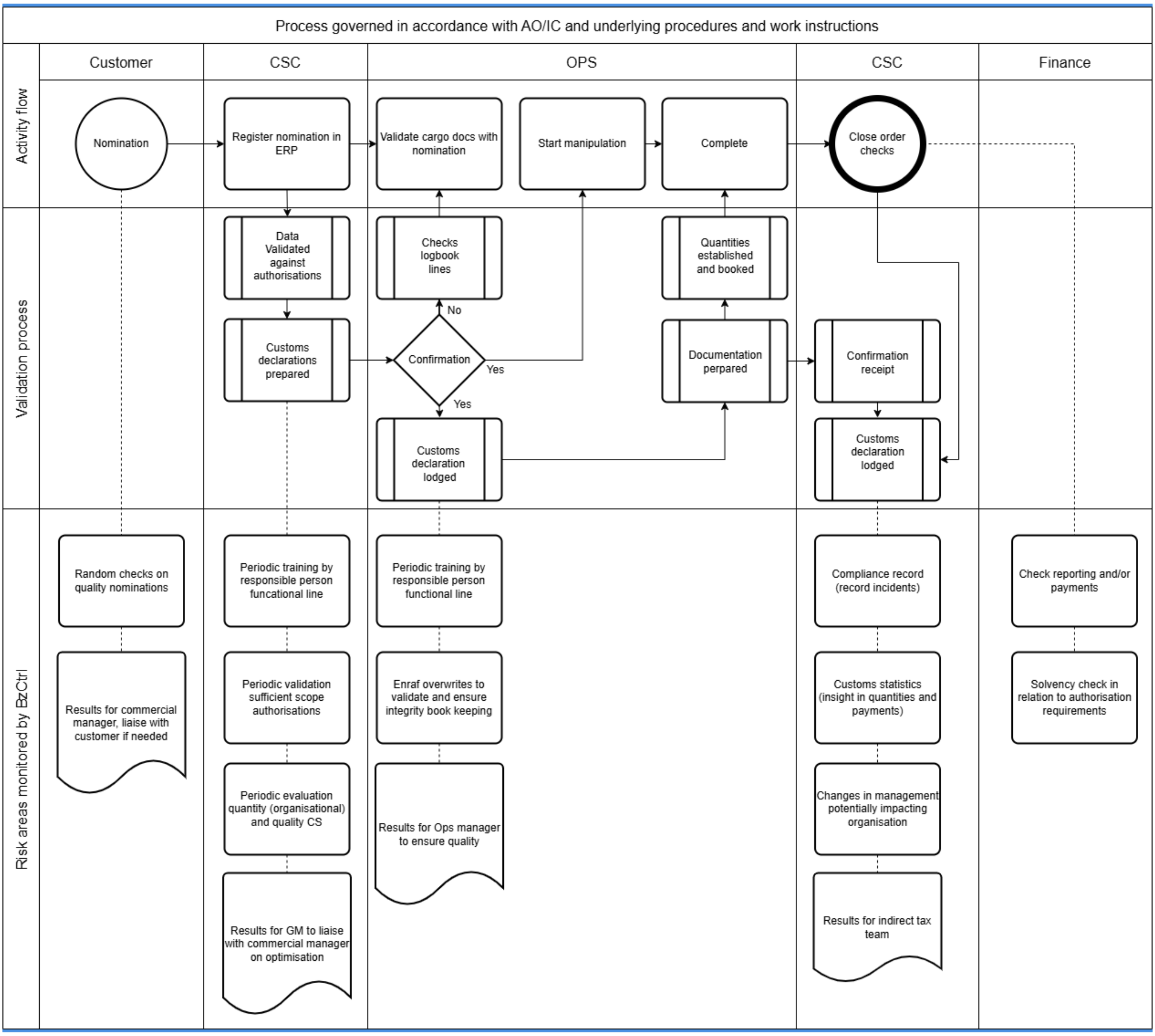
Declarations, notifications and supporting documents

During the month and ultimately with creating the monthly stock reports, it is checked if there are any outstanding transit documents and/or e-AD’s that have not been cleared within the timeframe one may expect.

In case documents are not cleared within the expected timeframe the customers are informed accordingly.

TBD

Schematic overview



TBD