

# Comprehensive guarantee

## Introduction

A comprehensive guarantee is a single guarantee that covers multiple customs operations and obligations. It is used to secure the payment of customs debts and other charges that may arise under the Union Customs Code (UCC). Instead of providing separate guarantees for each transaction or procedure, the comprehensive guarantee allows the holder to use one instrument for several operations. The guarantee may be applied to customs procedures such as transit, temporary storage, special procedures, or the suspension of duties and charges. It ensures that the customs authorities are secured against non-payment, while providing the operator with a simplified and more efficient way of managing financial securities. The authorization to use a comprehensive guarantee is subject to specific conditions set by customs authorities. These include an assessment of the applicant's financial standing, compliance record, and, where applicable, Authorised Economic Operator (AEO) status. The amount, coverage, and possible reductions or waivers are determined in line with the provisions of the UCC and its implementing regulations.

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# Legal basis

## Executive Summary

A comprehensive guarantee under the UCC is an **umbrella guarantee** that can cover both **potential and existing customs debts**. For an existing debt, it can serve as an alternative to immediate payment. The legal framework is found mainly in Articles 89-95 UCC.

### Comparison Table

| Type of Customs Debt                                                 | Normal Guarantee | Reduction Options | Absolute Minimum                | Waiver (0%) Possible? |
|----------------------------------------------------------------------|------------------|-------------------|---------------------------------|-----------------------|
| <b>Existing customs debt</b> (already arisen, e.g. deferred payment) | 100%             | 50% or 30%        | <b>30%</b>                      | <b>No</b>             |
| <b>Potential customs debt</b> (may arise under special procedures)   | 100%             | 50% or 30%        | <b>0% (if AEO-C + low risk)</b> | Yes                   |

The normal guarantee is based on the so-called reference amount. The reference amount is determined on the basis of the actual amount of import or export duties and other charges payable and/or that could become payable in the period between:

- **the placing of the goods under the relevant customs procedure** or into temporary storage, **and**
- **the discharge of that procedure or storage.**

# Explanatory notes

The UCC distinguishes between:

1. Existing customs debt: a debt that has already arisen, for example when goods have been released for free circulation and the **import duties are due**, or when it is discovered afterwards that insufficient duties were levied.
2. Potential customs debt: a debt that **may arise** when using a procedure for which a guarantee is mandatory (e.g. under a T1 transit procedure: the risk that goods do not reach their intended customs office of destination).

For an existing customs debt, the customs authorities may **require immediate payment** or **allow the debtor to provide a guarantee** so that payment can be deferred.

The key articles are:

Article 89 UCC - obligation to provide a guarantee for potential or existing customs debts.

Article 95 UCC - a comprehensive guarantee may be used to cover several operations or procedures simultaneously.

Articles 92 et seq. UCC - rules on waivers, reductions and calculation of the guarantee amount.

## Reduction of Guarantee under the UCC

### General Rule

Article 89(3) UCC: A guarantee must normally cover 100% of the amount of the customs debt (existing or potential).

Article 95 UCC: A comprehensive guarantee may cover multiple debts/procedures, and reductions may be authorised by customs authorities under certain conditions.

### Existing Customs Debts

Definition: Debts that have already arisen (e.g. duties payable after release for free circulation, or under a deferred payment arrangement).

***Guarantee requirement:***

Normally: 100% of the existing debt.

Reduction: Possible down to 30% minimum.

Waiver (0%): Not allowed.

***Legal basis:***

Article 84(3) UCC Delegated Regulation (2015/2446):

For existing customs debts, the amount of the comprehensive guarantee shall not be less than 30% of the amount of such debts.

## Potential Customs Debts

Definition: Debts that may arise in the future under special procedures (e.g. transit, storage, inward processing, temporary admission).

***Guarantee requirement:***

Normally: 100% of the potential debt.

Reduction: May be authorised to 50% or 30% if the operator shows good compliance, solvency, and risk management.

Waiver (0%): Possible if strict conditions are met, typically requiring AEO-C authorisation and low risk.

***Legal basis:***

Articles 84-88 UCC Delegated Regulation, Articles 158-163 UCC Implementing Regulation.

**Conditions for Reduction / Waiver**

Customs authorities will assess:

- Compliance record (no serious/repeated infringements).
- Financial solvency (ability to meet obligations, often demonstrated by accounts/audit).
- Practical risk controls (internal systems to manage customs obligations).
- AEO status (AEO-C usually required for full waiver of potential debts).

Existing debts - stricter: minimum guarantee 30%, no waiver possible.

Potential debts - more flexible: reduction possible down to 0% (under strict conditions, typically AEO-C).

# Setting the Reference Amount for a Comprehensive Guarantee

When a comprehensive guarantee is required for import or export duties and other charges that:

- cannot be established with certainty at the time the guarantee is given, or
- may vary in amount over time,

the reference amount must be determined as follows:

1. Duties and charges already incurred: The reference amount shall equal the actual amount of import or export duties and other charges payable.
2. Duties and charges that **may be incurred**: The reference amount shall equal the amount of import or export duties and other charges that could become payable in relation to each customs declaration or temporary storage declaration covered by the guarantee.

This applies to the period between:

- **the placing of the goods under the relevant customs procedure** or into temporary storage, **and**
- **the discharge of that procedure or storage.**

# Calculations

## Introduction

The Comprehensive Guarantee (CGU) authorisation relates to the various authorisations for special procedures, such as in this case the authorisation for Inward processing. On the basis of Annex A UCC-DA, "the Common data requirements for applications and decisions referred to in article 2(1)", the Inward Processing license (IPO) is applied for on the basis of:

1. the **first 4 digits of the Harmonised System sub-heading code** of the goods to be placed under the inward processing procedure; and
2. The **8-digit Combined Nomenclature code** must be given, among other conditions, for **goods covered by Annex 71-02**. The latter is the case for, for example, ethanol (22071000 and 22072000).

The normal guarantee is based on the so-called reference amount. The reference amount is determined on the basis of the actual amount of import or export duties and other charges payable and/or that could become payable in the period between:

- **the placing of the goods under the relevant customs procedure** or into temporary storage, **and**
- **the discharge of that procedure or storage.**

It is common practice that the period "period for discharge" for Inward processing is set to 6 months.

On the basis of "**35 01 030 ... Goods quantity**" there is the exception to the aforementioned main rule for Inward Processing. **The guarantee and reference amount calculation** is to be **based on the total quantity of goods intended to be placed under the special procedure during the period of validity of the authorisation.**

Goods are identified by the **first 4 digits of their Harmonised System sub-heading code**

The reference amounts are based on the **period of validity of the authorisation**

The guarantee is calculated based on the reference amounts **taking into account the practical period of discharge**

# The basis for the identification of the relevant goods and the reference amounts

The customer provided input on the Goods and the related quantities deemed to be stored and/or processed at the terminal. For the processing of this input data the following considerations were applied:

1. The list of Goods are verified on the basis of the Commodity codes. Wherever ITR felt, based on industry practice and experience Commodity codes were missing, these were added. The estimated quantities for these Commodity codes were extrapolated on the basis of other similar Goods;
2. The list of Goods does not include a listing per (special) customs procedure. It is industry practice that all incoming Goods are declared for Customs warehouse first. After an Inward Processing is completed, the Goods are again declared for Customs warehouse. This procedure has two consequences in the context of identifying quantities and calculation the related reference amounts:
  - Where from an entry into the Terminal point of view the Goods physically arrive once, the same quantity (molecules) can be declared for Customs warehouse and/or Inward processing multiple times. To cover this, margins are applied to calculate the reference amounts;
  - Because of the unknown if Goods will be processed or not, all quantities are deemed to be processed.
3. The quantities reported by the Customer are in Metric Tons Air (MTA). As it concerns a prognosis, these quantities are used for calculations even where the legal based for levying duties is a different Unit of Measurement (UoM) than Kilograms (KG). For example, in the event ethanol is included in the calculations, where the UoM for calculating customs duties is Hectoliters (HL) and the basis for Excise duties is L20 Celsius (L20), the MTA quantities as mentioned are used for the calculations. The same applies for mineral oils where the UoM for calculating Excise duties is L15. For the calculation of Excise duties for

ethanol, the alcohol percentage is relevant. For the purpose of calculating the absolute alcohol percentage is deemed 100%;

4. The customer provided estimates in terms of customs status, where for certain Goods a percentage is included to give a prognosis on the quantities of non-Union customs status and the quantities of Union customs status. Given the volatile nature of our industry we have deemed the estimated quantities provided to reflect the non-Union customs status to be on the 'safe side'. Regardless, we will implement internal controls to monitor the quantities declared for Inward Processing to ensure that these declarations fall within scope of the license;
5. It is anticipated that Ethanol, an agricultural product falling within the scope of Annex 71-02 UCC-DA, is processed at the Terminal. This is a common process in the industry, also taking into account the sustainability objectives set out by the European Commission, whereby ethanol is added to fuels. The inclusion of ethanol in the Inward Processing license is subject to meeting economic conditions. As ITR is not the Owner of the Goods, all operations qualify as **Toll manufacturing**. The toll manufacturing is a service provided to a **non-EU established customs**. On this basis the economic conditions are deemed to be met. Please find a deeper analysis under this [link](#). Should the validation of these standpoints lead to any potential delay in the process of obtaining the Inward Processing license, ITR will exclude the ethanol from the application to avoid any delays, as a consequence, two sets of calculations are made available:
  - A calculation **including ethanol**, with the result that the license period taken into account is **3 years** instead of the default 5 years because of the ethanol being included;
  - A calculation **excluding ethanol**, with the result that the license period taken into account is the default **5 years**.

## Method of calculation

1. The data received from the customer lists various Goods, where multiple Goods are included that have the same Commodity code. And Goods are listed under an 8 digit Commodity code (CN) and under a 10 digit Commodity code (Taric);
2. To prepare for making the calculations, the list of data is made consistent by listing each Good by a CN code;
3. On the basis of step 2 a Pivot table is created whereby quantities are accumulated on the basis of the CN code;
4. On the basis of step 3 all CN codes are allocated a Tariff Heading to accommodate the accumulation of quantities on that basis;
5. All quantities are accumulated on the basis of the Tariff Heading and set off against:
  - The **throughput quantity based on the contract**, which is a **minimum of 12 throughputs of the total capacity of the terminal** (i.e. 1.3 mln m<sup>3</sup>). The **total estimated quantities provided by the customer** per Good **compared**

**to the throughput is a factor 1,5** (roughly). Considering the contractual throughput a factor 1,5 is applied to the quantities as provided by the customer on a Goods level to include a sufficient margin;

- An estimated price per Metric Tons based on market values available through public sources (e.g. Imarc group and Chemanalyst) to calculate an estimated value per Tariff Heading per year;
  - The highest percentage of customs duties applicable for Goods on the basis of its CN code within the Tariff Heading. For example, out of all CN codes under Tariff Heading 2710 the highest import duty percentage is 4.7% whereby this percentage is applied for the value calculated under Tariff Heading 2710;
  - The highest amount of Excise duties applicable for Goods on the basis of its CN code within the Tariff Heading. For Tariff Heading 2710 the highest Excise duties apply to the Light oils with HS code 271012. Considering taxation on Volume, where the calculations thus far are based on mass, a 'density correction' is applied on the basis of a density of 0,8 for the Tariff Headings where the excise duties are mostly calculated on the basis of volume;
  - VAT 21%. The reference amount is to be calculated in relation to the import duties, including customs duties, excise duties and VAT.
6. The sum of Customs duties, Excise duties and VAT results in the reference amounts per Tariff Heading;
  7. Considering the likelihood of Goods being declared for a customs procedure multiple times, a factor 2 is applied;
  8. All Tariffs applied are the taxes applicable at the moment of making the calculation.

To establish the final Reference amounts, the following is considered / taken into account:

1. For Customs warehouse the reference amount is recalculated under the Column Reference amount (Non-Union customs status %), based on the % of non-Union versus Union customs status as indicated by the customer (Tab, 1 - Input Trafi (qty conv)). The period of discharge applied for Customs warehouse is 13 weeks.
2. For Inward processing (3 year duration license) the reference amount is multiplied by 3 to cover the period of the license. In the column Reference amount (Non-Union customs status %) the % of non-Union versus Union customs status is applied, as indicated by the customer (Tab, 1 - Input Trafi (qty conv)). The period of discharge applied for Inward processing is 4 weeks.
3. For Inward processing (5 year duration excluding ethanol) the reference amount (excluding ethanol) is multiplied by 5 to cover the period of the license. In the column Reference amount (Non-Union customs status %) the % of non-Union versus Union customs status is applied, as indicated by the customer (Tab, 1 - Input Trafi (qty conv)). The period of discharge applied for Inward Processing is 4 weeks.
4. For Release for free circulation EIDR the Reference amount is based on market experience of 1% of the Customs warehouse quantity being customs cleared, considering a period of 6 weeks in which any debts are assumed to be settled. In the column Reference amount (Non-Union customs status %) the % of non-Union versus Union customs status is applied, as indicated by the customer (Tab, 1 - Input Trafi (qty conv)). The period of discharge

applied for Release for free circulation EIDR is 6 weeks.

5. For Release for free circulation Normal Procedure the Reference amount is based on market experience of 1% of the Customs warehouse quantity being customs cleared, considering a period of 6 weeks in which any debts are assumed to be settled. In the column Reference amount (Non-Union customs status %), the % of non-Union versus Union customs status is applied, as indicated by the customer (Tab, 1 - Input Trafi (qty conv)). The period of discharge applied for Release for free circulation Normal Procedure is 6 weeks.
6. For the Comprehensive guarantee, the amount to be guaranteed should be recalculated basis the period of discharge as done with the EIDR. For Inward processing typically the period of discharge in the license is set to a maximum of 6 months. This is not the realistic period of discharge, which is usually a matter of days. Realistically one week could be considered, meaning that the reference amount coming from the Inward processing license covering the period of the license, is recalculated to a period of a week. That would mean for the calculations based on 5 years, divide by  $(5 \times 52 =) 260$  and for the 3 years  $(3 \times 52 =) 156$ . This is the amount to be considered when looking at things as solvency - **NOTE added as clarification after discussion with Customs.**
7. For Transit the Reference amount is based on market experience of 2% of the Customs warehouse being loaded under Transit, considering a period of 6 weeks in which the transit movements will have ended. In the column Reference amount (Non-Union customs status %), the % of non-Union versus Union customs status is applied, as indicated by the customer (Tab, 1 - Input Trafi (qty conv)). The period of discharge applied for Transit is 6 weeks.
8. For the Excise warehouse the Reference amount is calculated in the tab Excise warehouse Lic appl. Since the reference amount, after the maximum reduction of 95% still exceeds the cap of EUR 9mIn, the guaranteed amount is based on the cap.
9. In the column Guarantee amount after reduction the amounts are calculated applying the maximum reduction possible based on the AEO-C license, resulting in the actual amounts that are expected to have to be set as guarantee.