

FAQ: Authorised Economic Operator (AEO)

What is the legal base?

The concept of AEO was introduced by an amendment to the Community Customs Code in April 2005 - Council Regulation 648/2005, The Security Amendment. The detailed implementing provisions are contained in Commission Regulation 1875/2006 which was published in December 2006.

When does the law come into force?

AEO status will enter into force on 1 January 2008 across the EU.

Why are we introducing it?

The introduction of AEO status is the EU's response to the need to secure international supply chains and the introduction of Customs-Trade Partnership Against Terrorism (C-TPAT) in the USA. It is hoped that mutual recognition of similar systems, across other third countries, will take place in the future. US Customs and the European Commission have agreed in principle to work towards mutual recognition of the C-TPAT and AEO systems and pilots are underway with both USA and China.

Who can apply?

A legal entity, whatever the size of their business, involved in activities covered by customs legislation and form part of the international supply chain can apply for AEO status, including logistics operators, carriers, freight forwarders and customs agents.

What about group applications?

A group may apply for a UK AEO as long as all the legal entities are based in the UK. Any legal entity based in another Member State must apply in that country. Each legal entity must complete the C117 (one page application form) but need only supply one completed C118 (questionnaire). **However, the systems, records and methods of assurance must all be similar. If the business is made up of a mix of operations eg warehousing, manufacture and distribution it may be simpler to complete a questionnaire for each operation.**

What are legal entities?

The following are acceptable status in the UK:

Sole Proprietor, Partnership, Limited Company, and Unlimited Company. A VAT group registration is not a legal entity.

Can I apply if my company is not established in the EU?

No, unless you are an airline or shipping company. However, companies based for example in Switzerland, may apply for AEO in the UK if they have an establishment in the UK that can produce all the necessary evidence and allows access to the necessary reporting systems and that our officers can visit for verification purposes.

Is AEO mandatory for businesses involved in the supply chain?

AEO is not mandatory. The decision on whether you should apply or not is a commercial one that you need to take once you have assessed the benefits for your business against the costs of applying for, and maintaining, the AEO standard.

Can I apply for AEO status on behalf of other parties involved in the supply chain?

No. You are only entitled to apply and receive the benefits of AEO status for your role in the supply chain.

When can I apply?

The UK will accept applications from 1 July 2007 which allows time to start to process applications before 1 January 2008. However the main benefits of AEO status will not be realised until the requirements for pre-arrival and pre-departure are introduced in July 2009 and the changes linked to the Modernised Customs Code are introduced, probably some time in 2010.

How do I apply?

You will need to apply using the C117 & C118 forms which are available from the HMRC website together with the Explanatory Notes (C118 notes). The AEO team are negotiating an online, interactive form via the Government Portal which should be available from mid August.

Where should I send my application?

If you are applying in the UK you can email your application to:

AEOapplications@hmrc.gsi.gov.uk

Alternatively it may be posted to:

HMRC
AEO Central Site
Bowman House
100-102 Talbot Street
Nottingham NG1 5NF

Tel 0845 0010089

Email AEOapplications@hmrc.gsi.gov.uk

What can I apply for?

There are 3 certificates available:

- Security and safety.
- Customs simplifications.
- Both.

HMRC advises businesses interested in applying for AEO to consider applying for the joint certificate. It is likely that the Modernised Customs Code will change the AEO requirements to only requiring the one, joint certificate.

Applicants should be aware that the type of AEO status granted will be indicated by the authorisation number.

When will I get my certificate?

Depending upon the level of response or activity required from other Member States the earliest we will be able to issue a certificate is mid March 2008. If your customs activities involve other member states, the earliest date will be mid May 2008.

What will HMRC expect from the applicant?

Operators intending to apply must be:

- financially solvent
- compliant
- able to demonstrate satisfactory management systems.

And if applying for the security status:

- compliant in respect of security and safety standards.

What will the approval process consist of?

HMRC will examine the application and conduct an audit of the company. We will also liaise with other Member States if the request for AEO includes elements of the company which are operating elsewhere within the EU.

Will I need to send all the supporting evidence to HMRC with my application?

No. The supporting evidence should be retained with your records and be available for inspection by HMRC as part of the authorisation process.

Will existing regulatory or trade accreditation schemes be taken into account by HMRC?

Our aim is to strike the right balance between minimising burdens on business and ensuring the authorisation process is sufficiently rigorous to stand up to scrutiny. To achieve this HMRC is intending to take account of existing regulatory and accreditation schemes where these schemes meet the requirements of the AEO questionnaire.

What are the benefits for my company of a security and safety AEO certificate?

- Recognition will enable businesses to have their consignments fast-tracked through customs controls. If a consignment is selected for examination they will receive priority over non-AEOs.
- When the requirement to make pre-arrival/departure summary declarations is introduced in July 2009 AEOs will be able to omit certain data elements from the declaration.
- Recognised status across the EU.
- Trade consider AEO status an industry 'kite mark' and useful marketing tool.
- Potential, in the future, to have reciprocal arrangements and mutual recognition with countries outside the EU eg USA.

What are the benefits for my company of a customs simplification AEO certificate?

- Access to certain simplifications in customs procedures such as guarantee waivers and centralised clearance may be restricted to AEOs, although these benefits will not take effect until the Modernised Customs Code is agreed and implemented, possibly in 2010 and are still under discussion.
- Recognised status across the EU that should make it easier for businesses to apply to use simplifications across the EU.
- Trade consider AEO status an industry 'kite mark' and useful marketing tool.

What happens if I decide not to apply?

There will be no loss of existing authorisations or simplifications for traders who do not apply. Current clearance times in the UK for businesses that do not have AEO status will not be affected.

What happens if everyone involved in the supply chain is not authorised for the security and safety AEO status?

At the current time it is uncertain what impact this will have, although it is likely that in these circumstances the supply chain may have a higher risk rating and therefore a higher probability of customs intervention than a supply chain where all parties are authorised for the security and safety AEO status. It may also impact on any future mutual recognition of similar arrangements that may be agreed. It is possible that our trading partners may require all the parties involved in the supply chain to have AEO status before mutual recognition of the supply chain is accepted.

What is my responsibility as an AEO?

A business can only be held responsible for their part of the supply chain and for the goods which are under their custody. Contractual arrangements with trading partners should demonstrate arrangements for assuring trading partners are aware of the requirements.

The bigger picture for AEO?

There are two pilots happening which will test the mutual recognition, control standards and controls of AEO. These are with the US and China and are being managed by colleagues in Policy, London. HMRC will provide updates on the progress of these pilots via the JCCC network.

What if I have any further questions?

Further questions concerning AEO can be sent to HMRC via their dedicated AEO email address.

Further information can be found on the [Commission website](#).

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