

## Chemical Regulations Self Help Group Trade meeting no 2 – 20<sup>th</sup> July 2021 (via Zoom)

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### Attendees

First name	Surname	Company
Alison	Hill	Lomon Billions
Binny	Todd	Whitesea & Baltic
Bridget	Watson	Town End (Leeds) PLC
Cathy	Hollis	Axchem
Clive	Foster	Dominion Colour/ Gemini Dispersions
Colin	Pratt	Colin Pratt Consultant
Ihuoma	Arthur-Bennett	Star Brands Ltd
James	Watson	Town End (Leeds) PLC
Jamie	Lindsay	NextGen 360
Janet	Greenwood	TT Environmental
John	Rawson	Sholkem Chemie Associates
Julian	Sarkar	Zanos
Karen	McAvoy	Amox Chemicals
Lee	Walker	Ralken Colours
Lydia	Moi	DIT
Mark	Rowbotham	Portcullis ISC
Mark		
Michaela	Daubney	Stephenson Group
Mick	Goodwin	WSP
Neil	Hollis	BASF
Peter	Godfrey	CEA Research Associates
Richard	Lee	European OGD
Sarah	Handford	Prime Surfactants
Steve	Marks	Airedale Chemicals
Suzanne	Alecrim	Pricecheck.com
Thomas	Bamford	Vickers Laboratories Ltd
Zuzana	Hovorka*	Bartoline

\* and colleagues

### Apologies

Paul	Bell	Brenntag Colours
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### **1. Welcome and group rules reminder**

#### **Julian Sarkar**

Welcome everyone, thank you all for attending. Particular thank you to Lydia and Mark, who are going to enlighten us with clarity, total lack of ambiguity, 100% information about Rules of Origin in particular and other things.

Firstly, a few points for housekeeping.

First I suppose the competition rules apply. Don't do anything, don't say anything that could breach , anti-trust, anti-competition law. Remember we all work, potentially in conflict with each other but mainly not, so that's generally okay, but don't say anything you shouldn't.

In terms of speaking and not speaking if we could all mute yourselves, unless you're speaking.

And if you have a question, if you go to the bar at the bottom where it says reactions, there's a button that you can press, and you can raise your hand, and then I'll be able to take you in turn and take yourself off mute before you speak.

Anyway, I think we'd like to kick off with Mark who's going to take us through, I think in my personal instance, I'd like to have an Idiot's Guide to Rules of Origin.

### **2. Mark Rowbotham introduces himself**

#### **Mark Rowbotham**

Thank you very much indeed Julian, Janet, thank you very much indeed. (I trust the advice on liquid might be suitable for today. She's got something suitable that's all right). No, today is not about alcoholic beverages as much as I do deal with them actually, because I also deal with Excise management as much as I do Customs.

Anyway, today's session, I want to talk about rules of origin.

Now I do have a presentation on it but it will take about two and a half hours to go through. But I'm more interested in the problems you have, I mean I could talk at length about rules of origin, but it's a subject that is fairly deep.

Now I've had issues already concerning companies I know over in West Yorkshire, All sorts of issues that have come about.

A company in Brighouse for example brings in chemicals from China dilutes them, and then sends them to various places.

There's another lady named Suzanne, I've worked with her company called Price Check down in Sheffield and of course you deal with chemicals or dangerous goods, or all kinds of liquids that you probably have issues with and that's been an ongoing affair so everybody has different issues.

But rather than spill forth.

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What I would like to know from you is, what sort of problems do you have with Rules of Origin, because a lot of this has a common theme, but I think each one of you may well have different issues.

So, is there anybody who wants to be brave enough to tell me a little bit about themselves and what sort of problems they're having?

### **3. Product delays of Chinese goods cleared in Hamburg when they arrive in Liverpool**

#### **Julian Sarkar**

I'm happy to kick off this, it's less specifically relating to Rules of Origin, but we are still have an ongoing issue relating to both imports and exports, where products are being delayed at the borders.

For example, I've got some Chinese products, which was Customs cleared in Hamburg, on its way to the UK to Liverpool. And it's been stuck for more than a week, approaching two weeks at Customs. It's a small shipment part of the group consignment. Right.

And this is not uncommon, and going the other way. If we try and send something from, for the sake of argument, Liverpool to the south of France.

It's nigh on impossible unless we do it by selling the goods to our European or Dutch company having the goods Customs cleared in Rotterdam, and then sending them on again to the customer in France and it's not directly Rules of Origin, but.

#### **Mark Rowbotham**

Well, in a way it is.

Let's take your first instance. And this is actually a commonplace activity for many companies. that the material will come into the EU in bulk.

Now it doesn't matter where abouts in the world it comes from, it will be cleared into the European Union, into what we call free circulation.

So that means that import duty and VAT will be paid at the time that the goods enter the EU. For example, Hamburg, Rotterdam. Antwerp. The consignment of material in bulk probably, be they liquids, solids, will have come in, in a fairly large quantity.

Now, it is possible. I'm not saying it's likely, but it's possible that a break bulkout activity will occur in the European Union to separate out specific materials which will then come to the UK.

It could, however, be that the whole consignment is coming to the UK, but it's still been shipped firstly into the European Union.

Now, the origin issue does come into this because if the goods are coming into the European Union from a country where there is a free trade agreement.

Now, Turkey has a Customs Union with the European Union, and that means the goods, come in duty free anyway. Or they could have come from Southeast Asia. They could have come from all sorts of places even the Middle East.

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Now, if they come into Europe first, the status will then apply to the point at which they're cleared into the European Union.

Now though, that means that they've been cleared through free circulation, but they have also lost their original status, because they have come into this free circulation regime, and therefore will from then on be classed as being European Union free circulation.

That means that if they come into the UK, they do not hold their original status, as of the country of original dispatch, the country of origin.

So that means that they will more than likely be subject to UK import duties when they arrive in the UK.

It also means that the documentation will have to show what those goods are, what was the original country of origin, but equally what was the country of dispatch, because it's very possible that if Customs here do not see those two elements, they will not clear those goods straight away because although those may have come from the European Union via a single means of transport be it ship, or be it trailer.

The point of starting of that exercise will be the EU, but you see the goods do not originate in the EU. And that means that HMRC, are not going to accept paperwork, purely on the basis that the goods have come out of the EU for the instance.

Julian, you have a question?

### **4. Are the Customs systems working properly?**

#### **Julian Sarkar**

Yeah, I was going to say that, so we are actually familiar with the process and exactly as you described, and you described it very well.

Where these are goods which have come into Hamburg, in this instance, Nice, I mentioned, there have been containers that were offloaded, cleared in Germany, etc, etc.

And it's a procedure that we've done, probably. I don't know, three or four times per month since the beginning of the year.

So, we have through painful process, got familiar with your documentation requirements.

However, there are still hold ups, in spite of the fact that our documentation is exactly as required.

And it's quite frustrating, obviously, to say that this is happening, in spite of the fact that we are doing it correctly.

And it does seem like, almost as if there are levels of ability of the Customs people to check documentation.

#### **Mark Rowbotham**

I can tell you this HMRC, are not now, particularly good at clearances of that nature.

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The reason I say, I was on a conference call yesterday with HMRC to do with the Plymouth Freeport development, because I'm very much involved in the Freeport activity now for the UK.

And the people we were talking to admitted they have no experience of Customs at all, it was suggested that they come from an Inland Revenue background.

And it is becoming clear that HMRC's expertise when it comes to clearance of goods is woefully lacking, they rely on the computer, they rely on CHIEF, CHIEF already is supersaturated. (CHIEF is Customs Handling of Import and Export Freight, see <https://www.gov.uk/government/collections/chief-user-guides-and-technical-specifications> ).

It can't go any further, and they're having to go to the new CDS system, which is by no means fully set up, and they're having massive problems in transferring from CHIEF over to CDS.

But the problem is you see because we don't even have officers now dealing with import clearances in the way they did when I was in the department. And that goes back to 30 years,.

Now, the problems, now don't worry I think many of us may be of that magical age but never mind we'll not talk about it. Maturity does a lot it's like a good cheese or a good wine, the more it matures, the better it becomes I think sums are indeed.

So Julian, the point is this, those of us who come from the era when things were managed properly know what it is to have to go through the paperwork.

The problem is when you have an electronic system that relies purely on the information that the freight agents have put into it and doesn't accept it tells me that there is a huge problem in terms of management of the import process, and it may well be that previous shipments have gone through without a problem.

But if the computer doesn't like the information that goes into it, it's not going to accept it.

However, there is a duty of care on the part of HMRC to inform the clearing agents what the problem is, and that they must be able to rectify.

Now then the question is, have the clearing agents come to you and said, "*Listen, we have a problem, Houston, we need some more information off you*", because that is what is supposed to happen.

If it doesn't, there will be a major problem because the more time that that consignment sits with Customs it incurs demurrage charges, which means that you are going to end up paying for all the time that that material is sitting under Customs control somewhere, we assume, in the port of Liverpool.

### **5. Chinese goods stuck in transit are zero duty**

#### **Julian Sarkar**

And, well it's actually coming, I'm not sure where it's coming through as come through.

And right the irony of this is that these are, this particular instance, I mentioned that relates to goods which have zero duty, both in the EU and UK.

#### **Mark Rowbotham**

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Right now, the other point is that the trader's identification will of course be on the details in other words the EORI number or the VAT number.

Now, if there has ever been any previous case of anomalies or need to hold things up the computer will register that and will therefore, hold the guns depending upon more information usually what we call a route one documentary check.

Now, that will mean that the computer requires an officer to look at the paperwork itself, and then determine whether there is sufficient information to clear the goods on face value.

Now, again, that would be notifying to the clearing agents so that they would then have to supply documentation for an officer to actually have a look at the goods, but then as I've said, the officer may not be that au fait with Customs practice, and may not necessarily have a huge amount of experience which would suggest that they won't know what they're looking for.

Now, this in itself is a problem because if the officer doesn't know what to look for how on earth can they clear goods based on the information that they actually receive or certainly look at or scrutinize as part of their overall approach, and it is in any case carried out on a random basis so that even if previous shipments have gone through, okay, there is a risk that a particular shipment may be selected purely on the basis around an examination.

However, even under those circumstances the clearing agent must be informed, and in turn relay that information to the shipper.

### **6. When will proper Customs procedures be in place?**

**Julian Sarkar**

Yeah. So essentially, it's a bit like the blind leading the blind.

And is there a timetable, I've got two questions, actually, is there a timetable when HMRC stroke our "wonderful" leaders in, Whitehall, Westminster, Burkina Faso, I'm not sure where and when they expect to have systems in place that are fit for purpose and people who are trained in the necessary procedures so that things can move more smoothly.

Because at the end of the day, goods are being delayed, left right and centre, as has been more and more highlighted in the news recently.

The other question is (Boris) Johnson, did I hear he said there will be no delays on goods coming from Europe, everything will just get waved through?

**Mark Rowbotham**

It won't happen that is the answer to the first question.

### **7. Trader Self Assessment is the way forward**

I think this is for all of you, the emphasis that HMRC has actually now raised is on trader self-assessment.



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What they're actually wanting to happen is that the trader takes on board the principles of clearance so that in fact they either use what we call simplified procedures, which is in fact still in operation as far as the original transition is concerned, or what they do is they undertake to apply for the simplified procedure facility which would mean that they would be able to a degree to clear goods themselves using the appropriate software, which would automatically go through the custom's computer.

Now this is the aim of HMRC. I've known this for some time being ex department and therefore having insider information.

What HMRC have recognized is they are incapable of carrying out those clearances, the way that a certain Mr Boris would assume would assert, because in reality it isn't going to happen.

They know that our Customs' computer is not equipped to deal with a vast number of entries going through it.

And even if it were, Customs have now imposed such restrictions and such requirements that what we call preclearance is necessary, in other words if goods are coming from the continent, in theory they should actually be pre cleared through our computer before they reach the UK shores.

Now again the Europeans have not been too keen on doing that because they weren't happy with the fact that we left the European Union in the first place.

And I think all of us may cheerfully admit that not enough information was given out at the time, even the referendum happened.

And even if we had voted to leave, all of us, there would still be the problem in the sense that nobody was equipped to handle the Customs clearances coming across the channel.

And I think what has emerged, is to say the least, a mishmash of what amounts to fragmented systems, but quite simply, there is no organized system to clear goods at all.

### **8. EIDR**

And that's why HMRC brought in the idea of this transitional simplified procedure system in the first place using what we call EIDR, Entry In Declarers records.

Now for chemical companies this almost becomes a necessity, because of the sheer volume of chemicals coming through.

I mean when I was in the department we were dealing with all sorts of material, not just chemicals but funnily enough alcoholic bills as well in changes, beer, particularly, and we had to have it pre cleared because we had to know what the excise duty payable on it was, but we had to get the traders to put the money on deposit and then we would check on alcoholic content and dealing refund them, whatever the balance was.

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Now, with chemicals, you cannot simply look at a trailer and say oh I know what this is, whether it's in tankers, drums, or whatever else you need to have, without me teaching grandmother to suck eggs which is something I do not want to do, given my peers are sitting here.

The issue of documents such as dangerous goods notes, any other certificates of hazardous material, particularly materials in IBC containers for example, the pre clearances that are required as a match, of course, multimodal Dangerous Goods notes also particular certificates of conformity, quality and anything else.

The problem is, Customs officers do not grow on trees, and it takes seven years to train a Customs officer, I found myself, which then says, Julian, that Boris's assertions so there won't be any delays, was simply flannel.

In reality, there is no control over what is happening, because we have a computer system, that is simply swamped and can no longer do the job which it's supposed to and this is why HMRC have been quietly attempting to push the responsibility and the burden of proof, onto the trader themselves.

So that traders can become equipped to do their own declarations, or certainly do simplifying declarations, backed up by what we call period entries which is a system we use when I was in the department in the 80s.

### **9. Cost of software for importers**

#### **Julian Sarkar**

The software system you mentioned where importers are being asked to use the software themselves to facilitate the importation of goods. I understand from our warehouse, one of our import agents that this is actually extremely expensive,

#### **Mark Rowbotham**

It is, you can guarantee, and I know several of the providers, you can guarantee that the cost of an average system will exceed £10,000 just to implement it. Plus, a monthly subscription fee of anything between about £500 to £1000 per month. Considering all the declarations that would be entered onto the system.

Now, I'm part of an organization called The Bonded Warehouse Keepers Association and we are looking to develop some software that will be more practical and certainly be more user friendly, and of course more cost effective, but the problem at the moment is the software that is available was actually designed for large companies, if you look at systems such as Langdon's, Descartes, Sequoia, none of them were designed for SMEs, they were all designed for the big players the likes of Grafton the likes of Littlewoods, the likes of any of the big chemical companies of course as well.

Now, under those circumstances' software would not really be an issue because of the sheer number of declarations they do per day or per week, never mind per month.

But if you translate that into SMEs, it simply is not cost effective, it is a huge cost, and yet the government is still going down this route, because they want to hive off that responsibility that would have been with HMRC, through to the trader themselves.

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### **Julian Sarkar**

Yeah, no it's, it's disgraceful. I remember back in 2017 or 2018 I was in Holland and we were talking about Brexit and they said that they had customs officers all trained in place, easy for Brexit and they said also that there's a shortfall something like 40,000 in the UK

### **Mark Rowbotham**

Yes, there was I heard that same thing too, in fact I was talking to them as you were probably.

### **Julian Sarkar**

Yeah. I don't know what we can do about it, I mean we could not afford to use that system

## **10. How the Dutch system works**

### **Mark Rowbotham**

I know that you see the Dutch system was actually much more user friendly.

To give you an idea, like Julian I have a knowledge of a lot of EU systems and in fact I know Dutch customs very well, in fact they have a very good computer system, but it said that they have told everybody else, it takes three years to train a customs officer in Holland.

It will take the same length of time to do it here, but the difference is that the Dutch have a brand new computer system that actually works.

And it is there to accommodate the whole of the ports of Rotterdam, Hook of Holland, Dordrecht where a lot of material comes in by waterway.

Indeed, in Holland, you notice a lot of hazardous materials are carried by barge, they don't hit the road at all or even the rail. As you know yourself, Julian, it all goes on to inland waterway traffic because it can be guarded and protected and maintained with utmost safety, far better than with anything else even rail transport.

Now the Dutch system was designed for this, they knew what the principles were in fact they've said that the British government should have been using their system rather than its own because they already knew the shortcomings of our own system, as you said, it is a disgrace.

## **11. The need for new software for importers**

But I think one thing it is telling us that there is a need now to look at bespoke software, which actually will cover SMEs and indeed a lot of other companies. Now who will develop it.

Well, I have some ideas. Anyway, I'm working with the BWA and we do have an IT specialist on board. But that is only one part of the answer.

What I am recommending is that if we can find IT people who understand something about Customs clearance or certainly how to get into the Custom's computer, and we'll be able to develop bespoke software so that traders such as ourselves, can actually do entry clearance through the custom's computer using a specific software which, number one doesn't cost the earth. Number two, does the job, completely without needing to use other external providers that link straight in with a Customs computer, then I think we will have answers because as you said the

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way it is, things are being held up, and this is not the first time, and I'll tell you now, it will certainly will not be the last.

This is going to continue for quite some time.

### **12. Part Customs clearing contents of full containers**

#### **Julian Sarkar**

I have one more thing actually but another example we have just to tell everyone is that we have instances where brought in full containers from India and China, with mixed goods in and we part cleared that contents of the goods and part held some of the contents and the bond, and then sent the goods and the bond to our storage facility in the port of Rotterdam.

And this again is to overcome some of the problems that are found. However, there is a cost involved of course and the imports agents are not finding that straightforward to do this, although as a concept, it is straightforward.

#### **Mark Rowbotham**

It is now, what it means.

Just before we go onto the business about exporting into France, because it's given me some ideas while we've been talking, you can bring goods in here and as you said, clear some of them into free circulation, using the principle of even if there's no duty postponed VAT accounting which then takes away your VAT liability as a physical nature.

Now, with the clearance into a Customs warehouse, it's not so much under Bond, it's in a Customs warehouse, then ship it under a T1 document, which is the Community Transit document.

It then goes into Rotterdam and is then cleared into Dutch circulation or into a Dutch customs warehouse.

Now that can be done rather more smoothly because it uses these internal software procedures now, every Customs warehouse has to have this simplified system called CFSP, Customs Free Simplified Procedures, and that does demand the use of software to do it.

But the software can be used in such a way to notify your customer in Holland that goods are coming out of the UK Customs warehouse.

They travel under the T1 community transit document into Holland and can then be cleared into a Dutch warehouse, without any problem.

### **13. Query on T1 document**

#### **Julian Sarkar**

Right, I was actually told something slightly different.

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We were told that we could send the goods from Liverpool and effectively do an export declaration, with the goods still on the Bond.

And separately, the goods will be taken into the Netherlands, by our Dutch import agents and imported into the Netherlands and either held on the Bond or Customs cleared, but we were also told that a T1 wasn't required.

### **Mark Rowbotham**

Well, this is either/or but agents prefer to do it in terms of Customs clearance because you see if the goods are given an export declaration in somewhere like Liverpool, they've still got to get out to the UK, and because the fact they've already been export cleared, they're under customs control.

Now the T1 document is more of a formality. it's actually what we call a transit accompanying document, but it means that the goods are then under Customs control out of the UK, across the North Sea, into the Netherlands, and that T1 is discharged when they arrive at the Dutch customs warehouse, which then says they're under customs control at that point they can be held on the Dutch Customs control until they're going to be cleared accordingly.

### **Julian Sarkar**

Okay. Yeah, because the agents refused, well said they couldn't issue a T1 for us in this instance.

### **Mark Rowbotham**

Possibly so, because if they don't have what we call a movement guarantee which covers the movement to the goods under customs control, then obviously they can't issue a T1. If, however they were equipped with the movement guarantee, then yes, they could I think it depends on the carrier. And it very much depends on the agents.

### **Julian Sarkar**

Thank you for that clarification it's so complicated,

## **14. Portcullis ISC's audit services**

### **Mark Rowbotham**

Julian, this is what I'm here for and I have, I can say to Janet and to Lydia, they both know me, I'm here to answer any questions from any of you, either on a one off basis or if you want me to come and do an audit, which again, you both know about, I do customs audits for companies in Yorkshire in Lancashire right across the north, basically.

And what I do is I do an initial half day with the company looking at its procedures and its documentation.

I then go and spend a day doing a combination of the follow up reports, and also risk analysis, now the chemical industry risk analyses are vital for this.

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What that does is it recommends a whole series of actions, mitigating ones especially, to reduce the risk factor from let's say medium down to low risk, and I also work with you to be able to put into place the necessary procedures because one thing I'll say here and now this does bear out from the whole session, Customs require you to have documented import and export procedures in place.

Suzanne already knows about this, I came and saw you with my dear friend Mr. Patrick, a while ago if I remember rightly, and we went through this with you, and I know you've been working with Mark and the others to get this done. So Pricecheck, dare I say, can I say to all of you Pricecheck has been a pioneer in lots of this, I went in with Nick Patrick from Sheffield chamber and we spent quite a little while dealing with the company, to the point that they are now as I see it totally compliant with customs procedures which I'm glad to say.

Pricecheck did very well. They have a huge number of consumer goods, they put these procedures into place, and it works extremely well. And I'm quite sure that Suzanne would attest to that.

Because if you would like me to look at doing audits for you, and looking at what you're doing, and helping you to move forward then I most gladly will do.

This is why I'm a consultant in these areas, as well as training by the way, if we do want any specific courses doing.

### **15. Exporting to Southern France from the Netherlands**

Now, can I come back to the second question that Julian talked about, and this was exporting to Southern France.

The French don't particularly like the British at the best of times and will therefore throw up any obstacles they can to clearing goods straight away especially through a port such as Marseille, or Fos-sur-Mer, which I happen to know very well I've spent a lot of time in Provence in previous times and I love it to bits down there.

Now your suggestion Julian, in fact it's quite a salient one.

If you clear goods, let's say into the Netherlands, and then send them to France.

Number one, you can either use a clearing agent in the Netherlands using the the importers details, or you could actually apply for a Dutch VAT number and clear the goods yourself through the clearing agents.

#### **Julian Sarkar**

We actually have a Dutch BV.

#### **Mark Rowbotham**

Even better. So we use that to clear the goods.

Now then, the joy of it is you clear the goods into the Netherlands and pay the import VAT and reclaim it there, but you then move the goods under what we call that onwards supply relief, which means it is a cross border intra EU transaction.

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And that is zero rated VAT for entering France.

### **Julian Sarkar**

Yeah, well one addition to that is when we import goods into the Netherlands, because we are VAT registered and have a BV there, the import agent can use our VAT registration number so that we don't actually have to pay VAT it's all deferred VAT in the Netherlands. Regardless, and you only have to invoice for VAT to be sold in the Netherlands.

### **Mark Rowbotham**

That's it.

And that means that therefore you can avoid a lot of the VAT liability there as well, which then says anything moving within the EU from the Netherlands elsewhere, will automatically be VAT zero rated based on the movement between the Netherlands and where it's going.

The one main thing you have to have is that your recipient in the country of destination stamps and signs the CMR consignment note and sends it back as a proof of receipt, because that's what EU revenue requires in order to prove VAT zero rating.

So, this is one thing for a lot of you it may not simply be a question of exporting to the specific country of destination.

It is often better to ship via a third country in the EU e.g., Netherlands or Belgium, clear the goods there, and then ship them within the European Union, on the basis of VAT onward supply relief.

Now, for the purposes of Lydia and Janet, I can send you information on this because I do have notes on my system to do with this. So, I will do that later today.

Now, what it means is, there is always a system that makes life easy, it is effective, but you'll get out of jail free card. I mean, Julian I'm glad to see has experienced some of this and I think therefore, great minds thinking alike we both sing off the same song sheet in that respect, we know what we're talking about we've had experience.

But for many of you this is an area which has not necessarily been that common or certainly that straightforward. Presuming Julian that your experiences again relate to the industry as a whole, but don't necessarily answer all the questions.

### **Julian Sarkar**

Well, I've not really been directly involved with the paperwork I get involved with what's going on and I'm actually now semi-retired

### **Mark Rowbotham**

Don't even speak about semi retirement I don't think that exists these days we we have far too much to do helping everybody else!

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### **Julian Sarkar**

I have an interest in making sure that we're trying to help with what's going on here and because I work for a small organization in different parts of the world with different rules, I suppose the idea of one experiencing a fair number of different aspects of international trade, and still waiting for John Rawson to put his hand up on Rules of Origin, by the way.

### **Mark Rowbotham**

No problem. Well in any case once I'm finished talking about a few more bits we will then have the floor fair and open anyway.

Now, another area wants a look at and this is a company in Brighthouse bringing in chemicals from China.

### **16. Suggestion for simplified software system**

"It occurs to me in my involvement of REACH ready people to develop a simplified software system", Karen, I totally agree with you.

REACH is one of these areas that a lot of you may have problems with because we're no longer in the European system.

However, because of the grandfathering system as it is, we were formerly members and this is why we are seeking to make proper agreements between ourselves and Europe, with regard to the transport of Dangerous Goods, because let's not forget Northern Ireland is still part of the European single market.

### **17. Northern Ireland**

And there are issues concerning shipments of chemicals or hazardous goods across to Northern Ireland, and they do demand rigorous checks on everything crossing the border, right down to the use of the Trader Support System to do initial declarations here, and then that your Northern Ireland recipient has got to complete supplementary declarations there as well, including the REACH certification, and therefore, is it acceptable to the European standards.

### **18. What happens if you process imported material? Brighthouse company example**

Now then, let's take another scenario, let's suppose you import a lot of material from overseas, it could be China, it could be India. It could be the USA, you bring it in, and then you process it in some way into another product.

Now then that product may have exactly the same formatting code as your material coming in and that you may owe them no more than simply diluting it by way of water while using other inert substances in order to make it into a suitable industrial or commercial product or retail product for that matter.

The problem is this, if you are selling within the UK there's no problem but if you're selling to let's say Northern Ireland or the Republic (of Ireland) or European general, would that product be deemed to originate here for the purposes of duty free trading in the European Union.



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And the problem that said company in Brighthouse had was that he didn't even though they were transforming it to a point into another form of substance which was going to be used in retail or commercial means.

### **19. Comment on REACH Ready and software**

**Julian Sarkar** I wouldn't recommend REACH ready; they were acquired by CSV who are awkward to deal with.

#### **Mark Rowbotham**

That is true, and it does create problems so other solutions I think we're going to need to find.

### **20. Returning to situation where processing has occurred in GB**

Going back to what I was saying, the problem is this, if you simply sell in this country, not a problem.

But if you're selling to the European Union, the risk is that it will not be duty free, because the product doesn't actually originate here.

Let's suppose that for the purposes of the exercise, we have a product coming in from China which is dutiable into the UK.

Well, for those of you who have had a look at the global tariff, you may be already aware that UK import duty rates are lower than those of the European Union, we have deliberately done that to stimulate trade with ourselves, but it means that if you bring goods into free circulation here and simply do a minor process on them and then dispatch into Europe, it is more than likely that your customer will have to pay import duty there as well.

That means double the duty liability.

### **21. A Customs Warehouse facility can avoid double Import Duty**

And I've been discussing with various companies, and Pricecheck was one of them, the idea of putting into place a Customs warehouse, such as you've already mentioned Julian, because under those circumstances, you would be able to carry minor processing activities within the Customs warehouse, but it would mean that the goods would not be subject to Import Duty here because they would be under Customs control.

You could then process them, release into free circulation here, possibly at a lower tariff rate in any case depending upon the process you carry out, but you can also then export them out of the UK, into the European Union, with no duty liability here whatsoever.

And then the only liability to be incurred would be in Europe.

And as you rightly said Julian if let's say the importer there has a deferment account, they can use that to defer duty and VAT.

And by that time, they will have already sold the goods into various parts of Europe.

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And again, if they're moving onwards from let's say the Netherlands to another country in the EU, also there will be no VAT to pay because once again it will be carried out under that onwards supply relief.

So, it means that we have a technically, well it's complex to a point but very usable management system, which could remove a lot of the liability on duty and VAT. If we can possibly avoid it.

Now then, comments from anybody.

### **Julian Sarkar**

Everyone's strangely silent today. John, we're using the hands up system wherever possible. So, okay, go to the bottom, you can stick your hand up.

### **22. What is VAT onward supply relief?**

#### **John Rawson**

No, basically, you mentioned the magic word VAT, I have no idea what VAT onward supply relief means, but it could be invaluable in the future,

#### **Mark Rowbotham**

I'll explain it very briefly.

Onward supply relief means that let's say you're sending goods to a European country.

If that country is not on the coast, let's say it's Germany, or it could be Austria. You have the choice of either just getting the goods there and clearing them straight in the country, which means that VAT is liable on the import, or you bring the goods into a convenience port such as Rotterdam and clear the goods there into EU free circulation.

Now that clearance is for duty purposes, but not VAT because VAT refers to the journey right up to the destination of your ultimate customer.

Now, if that customer were in Holland, VAT would be payable.

But if that customer is let's say in Germany or Austria, those goods once cleared, are going to be going across Europe, cross border, they're going to be leaving the Netherlands, and they're going to be crossing into Germany and into Austria.

Now because this is an internal European movement, and it is cross border, that means that VAT is zero rated on that movement, because it's crossing those borders.

That means that when the customer actually receives the goods they account for the VAT, they don't pay it, because it has been zero rated from the point of import into the EU.

That's what onwards supply relief is all about.

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**John Rawson**

We did this pre-Brexit and it worked very well through Holland and Belgium.

**Mark Rowbotham**

Yeah, well it does now, the same principle works.

**John Rawson**

Even though we're out to the European (Union)?

**Mark Rowbotham**

It doesn't matter, you get the goods cleared into Holland on a conventional Customs clearance, and from then on you use VAT onward supply and relief throughout the whole of the EU.

**John Rawson**

Okay, we've had experience with that with some of Julian's connections, actually in the past. That's fine.

Please carry on, I've got some comments on the earlier discussion, but I'll wait till you finish

**Julian Sarkar**

No, fire away John.

**Mark Rowbotham**

No go on because of it because I basically want to cover each point as it comes up this is not a blanket one size fits all, I mean I could do a course on rules of origin for you all if you want, but I don't think that today is the vehicle for that anyway do continue.

### **23. Bonded Warehouses in Holland for dangerous Class A chemicals**

**John Rawson**

Customs (*Rules?*) of origin, as everybody knows, it's so complicated that I agree with everything you say, and we have a similar experience to you with adding value to Chinese material meant supplying solutions to the pharma industry all over Europe.

My question is, I'm very negative and skeptical about everything you said but we've got round it by it costing us more. If we sell into Europe, we sell directly to Europe post Brexit, if we want to sell into Europe from the UK, we try and avoid that because of the complexities.

But the big problem we've got, even in Holland, is to find Bonded Warehouses for dangerous Class A chemicals.

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### **Mark Rowbotham**

Yes, they are very very few and far between and they're very specialist because not every Dutch 3PL will handle hazardous goods.

### **John Rawson**

I know that. Yeah, sure. And if there's a list of who does that we can communicate with, it will be useful to our group.

### **Mark Rowbotham**

Right, that will be available through Dutch Chambers of Commerce in fact if you go to the Anglo Dutch Chamber of Commerce, they will certainly supply you with that information. I did have a contact through the BWA.

Yes, in fact, if you went on the website, you'll find them anyway, have a word with them, they will certainly be able to supply you with that information.

### **John Rawson**

That's helpful. Thank you.

Basically I'm very negative, everything you said between the diatribe between you and Julian, totally agree and understand basically we've got round this by simplifying our business and paying the extra costs.

If we want to import into UK, we'll never import in via Hamburg or Rotterdam officially, although shippers are dropping containers all over, rather than coming into UK at the moment.

So, it's horses for courses. Direct to Ireland, direct to Germany, Holland, and the Mediterranean area, on direct to UK, extra costs because of the Suez crisis. Yeah and, etc., etc.

But we're paying the extra cost and it's up to us to make a profit back by negotiation with our friendly customers, if it's possible, everything's much more difficult because of the sound bites that Boris is making, I'm thinking of changing my vote.

As my old Prof at Uni said, if you're not a socialist at 21 you've got no heart. If you've got no brains, you're (*not*) a conservative at 31.

## **24. Why self assessment is the way forward**

### **Mark Rowbotham**

No, but there is a point because we are relying on British Government to tell us what we're supposed to be doing they have, as with the pandemic and I have to say this and I'm not politically correct.

They have dismally failed pretty well everything they have done.

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The trade policy we have is next to useless because it's all hot air.

Oh yes, it's great having free trade agreements but come on folks, where is the procedure?

Where is the day to day activity that we're supposed to be using because HMRC simply isn't doing it.

Part of the reason is they can't, they haven't got the resources.

And that's why we've almost been left to our own devices, and this is why I advocate self-assessment and self-governance, because it's the only way you can be sure of what you're doing, that's why, as a former Customs officer and now consultant, I am here to help you get these procedures into place to make sure you don't have the problems with Customs clearance, and with all this problem of shifting goods from A to B because, dare I say it, I'm not sure anybody else will help you, because I don't think they have the answers.

### **25. A good clearing and shipping agent helps**

#### **John Rawson**

Not quite there, but the one saving grace of this system is that if you get a good clearing agent and shipping agent and you stick with them through thick and thin.

Yeah, and their contacts in India and China and it's all coordinated through people you trust, then they're helping your business, even though we've got the complications that you speak about.

#### **Mark Rowbotham**

Indeed, I'll say this, there are some freight forwarders I know, just to drop a few names people like LV Shipping who I work with a lot, they've got offices all the way down the East Coast, and they are extremely good at this, they have their own warehouses, they have their own facilities, they're actually based over in Vlaardingen in the Netherlands. <https://www.lvshipping.com/> .

They're worldwide, but I deal with them a lot, I mean they bring a huge amount in places like Teesport and Felixstowe. And they have got it to a fine art, I wouldn't like to say that everybody's in that position, but some of them are, especially if they are what we call AEO approved.

And I think this is something again, just to say, you may want to look at this and I will help you. I've already taken several companies through the AEO process.

### **26. Passing on the extra costs of doing business at the moment**

#### **Julian Sarkar**

Yeah, I just want to touch on something that John mentioned, and that is the fact that he is able to pass on the additional costs of using a non-optimized system of doing business, because, in my opinion at least there are two main factors of this at the moment.

Firstly, there is a general shortage of a lot of goods.

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If you have the goods on the ground, you're very often able to sell them. True price is, at the moment, not necessarily the primary important factor.

And secondly, as John mentioned, the availability of shipping containers, of shipping lines, is exacerbating the problem and I just wonder to what degree this is hiding the problem that we need to tackle and resolve in the short term so that you don't have those ongoing problems in the long term, which means that you're going to effectively face problems and potentially lose business, because you will no longer be competitive.

### **27. Shipping costs from the Far East**

#### **Mark Rowbotham**

Well, there's one thing that's affecting everybody Julian and I think John and quite a few more, I think, Suzanne, you'll all recognize this.

The Ever-Given catastrophe in the Suez Canal already congested everything to the point that cargos weren't getting through.

The price went through the roof. Coupled with the pandemic, and I'm not going to make any excuses for this or for ports not working because of the pandemic and NHS app tells you you've got to be self-isolated, despite the fact where you were was at 12 o'clock and the contaminated victim was there, three in the afternoon, that's another story.

Like I said I'm not politically correct on this, and I have my own views about the Conservative administration as well.

But the point is, we have reached a point now logistically, where it is becoming prohibitive to ship a 40-foot container from the Far East into Europe, or the UK.

The last figures I saw from Lloyds loading list, said that the figure was around about \$15,000.

Now that is a huge amount of money for a 40-foot box to get it out to China, whether it's Shanghai, Ningbo, wherever.

Yes, software I think this is going to be another issue we'll have to look at separately folks, but we do need to look at it for Customs clearance purposes so put that on the agenda, if you will, Janet take note, Lydia take note please, Julian if you will as well because I think we're going to have to look at this very seriously.

But if you look at the logistics costs on the 40-foot box.

How many companies have the petty cash to say, oh, that's no problem we'll just pay the \$15,000 out, get the goods in and then pass the cost on to the customer.

I'm sorry folks, customers do not like to be hit with those sorts of bills.

The problem is that it's an inelastic market, you've got to do it because there's no other way you can get these chemicals in.

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One time, and I think you will all agree with me, we could produce things like that is ICI Teesside even places like Johnson Nafi, they've got a place Teesside, I know them well they were originally ICI synthetics, and they had a place close to where I live up in now, not near Clitheroe, Chatburn just up the Ribble valley from us.

Now, at one time we could produce these chemicals here.

You can't do that now. We're buying in bulk at much cheaper prices from China, Taiwan, India, Southeast Asia, wherever in the world we are, but we've become reliant on it far too much. And all of a sudden the cost have gone through the roof.

And then to add insult to injury, duty is charged on the international journey and VAT is charged on the whole lot.

HMRC have come to recognize that if you're suddenly bringing in a huge consignment of chemicals and you reclaim the import VAT, in one go, it's going to distort your revenue figures in terms of what your liability is to HMRC, and they hate that because it's a glitch in your reclaim system.

Yes, I know we have postponed VAT accounting in fact, is there anybody here who doesn't know what postpone VAT accounting is? No hands raised. Zuzana what do you want to know?

### **28. What is postponed VAT accounting?**

**Zuzana Hovorka** I have no idea, what is it?

**Mark Rowbotham**

Right. I'll tell you what it is, all of you, postponed VAT accounting is basically where, rather than paying Import VAT. at the time you import your consignment, you instruct your freight agent to put the letters PVA on the import entry.

What this does is that it diverts the import VAT to an online VAT statement, which means you don't actually pay the import VAT it goes through this online VAT statement, and then you take each it off that statement at the end of the month, and put it onto your VAT return, so you actually account for it.

It's the reverse charge system we used to use for Intrastat.

So you actually account for the VAT, and you don't physically pay it.

Now on that basis, it means that your cash flow suddenly becomes remarkably healthy because you're accounting for all your import VAT, through your VAT return on that next VAT return.

And, as long as you use the online VAT statement to do it, you put it all through the MTD, Making Tax Digital system, and it means you simply account for it, you don't even have it on a deferment account, it is no longer a requirement.

And by the way, for those of you who use duty deferment accounts, you no longer need a bank guarantee for it, because the VAT has been removed. And again, on top with this, I can easily help you all. This is part of what I do.

**Julian Sarkar**

We were applying for an account for one company in September. sorry, Karen, you had a question I believe?

**29. Question on processing options**

**Karen McAvoy**

Well the question was around, you were talking about that if you were sending into Northern Ireland, and to Ireland, almost and if you were doing a dilution or something fairly straightforward.

Making straightforward coating perhaps mixed chemicals with origin.

Is that making it in almost a Bonded warehouse scenario, is that correct is that what you were saying?

So, you're saying, either is it possible to make your production facilities where you are, that or do you have to move your production first.

**Mark Rowbotham**

No, you can actually use one of two principles.

One is Customs warehousing, which is more for pure storage and then the other is Inwards Processing Relief, IPR.

And you again bring the goods into duty and VAT suspension, process them, and then either release them into free circulation or re-export them.

Either way, they're under Customs control.

And if it's simply a throughput exercise that you bring your materials in, process them, and send them out again, that is simply Inward Processing Relief.

If you were storing goods in bulk, then you might want to use Customs warehousing, dependent upon the length of time that you are holding those goods because with Inward Processing you have a limit of more or less between three and six months depending upon what HMRC allow you.

CW means you can hold goods almost on the never-never, for as long as you want, now there's not many companies I know when I've done work in the past through Mid York's chamber for companies such as Arch chemicals over near Castleford.

It's a well-known company in fact I did a lot of work for them on their customs procedures, some years ago, but again because the fact that they were bringing in large quantities of raw materials and processing it for making it into creosote fence coverings and the list goes on.

Similarly with Sherwin Williams down at Chapelton, because of the good old Ronseal does what it says on the tin.



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These are ideal candidates for this sort of operation because you bring in your basic chemical and then you convert it.

Well either CW as long as it's very light processing, or inward processing, because the processes you carry out are the ideal solution because they avoid a lot of this issue of customs duties and VAT, based on the fact that what you're producing may well be considerably different from the product you bring in, in other words, it's been very very significantly transformed, or that you're holding it in bulk because you will only release it when the customer actually makes a draw off from your stock.

And the other thing by the way is if you import consignment stock in other words, you don't own it at the time you import it, which is again a common occurrence.

The only solution in fact is Customs Warehousing because if you were trying to reclaim the Import VAT on something you don't own, you can't actually do it. HMRC don't allow it.

So, either way, we have to look at a Customs facility, which enables you to bring in goods and either hold them under Customs controls and uses CW, or process them under Customs control as the case of IP, because that at least gets rid of a lot of the liability, and the other thing is the goods don't actually enter UK free circulation, and if they were subject to preference, you could use that preferential status to send the goods elsewhere, e.g. Europe, as in the case we now have Norway, Liechtenstein, Iceland, which is part of the after.

Now, these are all circumstances that are designed to help you reduce your costs because origin is not guaranteed.

One thing that comes out of this, if you have a light processing facility it does not mean there is a substantial transformation from your original imported material commodity code to the commodity code of what you are producing, and then sending out.

And I've had enough experience of the chemical industry and the hydrocarbons industry, which I deal with a lot, to see that there is not always a significant transformation from let's say an oils-based product into, let's say, a paint, a lubricant, a grease or anything like that because they are still seen as relating to the original material that constitutes them, particularly under Chapter 27 of the commodity codes.

I have been dealing with a company in the Czech Republic, that makes lubricants and greases, and supplies them to companies for example in Liverpool, in Yorkshire, in Derbyshire, where they were then sold on things like white spirits, turpentine and the like.

And the thing is, they are still based on a hydrocarbon-based material.

Well with chemicals it's not a lot different. Chemicals under your chapters of chapter 30 or whatever it is, may well change to a certain degree but not necessarily significantly, that they can be classed as UK originating.

And this is where you have to look very much at your processes, where the materials are coming from, and consequently where they go, because you have to be absolutely certain that they satisfy the customer requirements, not just in terms of product quality.

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But in terms of origin, commodity code, classification, description, because this is part of the supply chain. And this is where a lot of your problems will arise.

**Julian Sarkar**

So, you're confirming that it's complicated.

**Mark Rowbotham**

It is, it's easy me spending an hour with you guys now but I have a sneaking suspicion that this is going to start unearthing hornet's nests. And it's going to get you to start looking at your overall procedures. Now that's partly why I'm here.

**Karen McAvoy**

So what, what are the conditions are there, so if you decide to go down this route with the inward processing say half your business is UK and half your business is Ireland, a high proportion of it is Northern Ireland and Southern Ireland.

I'm thinking of a specific company that are doing a bit of consultancy for, is that would they have to almost divide the production area I mean how do you keep

**Mark Rowbotham**

No, it's not dividing the production area, it's done through your accounting system it's done through your process records.

So, in other words you can bring in material under IPR, some of it is going to be released into free circulation and that would simply mean pay the duty or under a system we call tariff inversion.

It could well be that the product you're manufacturing has no duty at all, which is absolutely brilliant, you're not going to have any duty liability, declare that into free circulation, and for the rest, ship it on an export declaration showing it to have come out of IPR, it is a procedure assume it is not a division of your actual processing.

**Karen McAvoy**

Yeah, so rather than it being like Bonded warehouse, it's more like where the sugar type regime was.

**Mark Rowbotham**

That's it exactly that yes, the food industry does exactly the same, there are huge commonalities between any of these businesses, because effectively homogeneous products, sugar, being a classic example, oils being another, all sorts of things you look at the business that you're dealing with it be it's based largely on homogeneous material.

As long as you can account for it. Goods in.

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I mean there's a company I've been dealing with through the VWA down in Oxfordshire called Rowes Honey. Well, we all know Rowes, we pick it off the shelves in the supermarket, and it's nice honey isn't it, to see their production it's an absolute remarkable affair.

They're blending honey from anywhere in the world, China, Mexico, Chile, New Zealand, they bring in a huge quantity of manuka honey, and they're blending these, they bring them in in drums and they blended them under high temperatures and then they produce the blended honey.

They bottle it, they jar it, and then it goes out, we got them into place, a full IPR system.

And I can tell you now it's working remarkably well. And if you do want a testimonial, I can easily give you the details to show how we help them, but this is how it can be done.

It's not a division of your processes, it's your accounting functions, and your written procedural functions, which show how the jobs to be done.

### **30. Country of Origin**

#### **30.1. Country of Origin formulae**

**Julian Sarkar**

So, John, you had a question. You need to unmute yourself.

**John Rawson**

Years ago, there used to be a very complicated formula to determine Country of Origin.

**Mark Rowbotham**

Well, now there still is.

**John Rawson**

I think the group would benefit by seeing that how complicated that formula is.

**Mark Rowbotham**

Well, it's not so much seeing it's on paper, I mean I can send out the notes and you'll see it that way.

In fact, I'll do that anyway so there's another new year's resolution gone mad, or mid Year's resolution in this case.

There is a formula John and you're quite right.

What happens is that we have two methods, and I don't want to go into them in vast detail this is perhaps for another session.

It's called build up and build down.

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### Build up

Build-up says how much of your value of your material originates in this country. So that includes local processing, locally procured material, overheads and effectively profit margin. And it's what's known as the transaction value method.

And very briefly, and I want you to write this down if you will, the transaction method is TV, and no this is not television nor is it Tuvalu, whatever it is transaction value.

In other words the Ex Works, or the FOB price, it's the selling price, so it's TV minus, what we call VNM and VNM stands for the value of non-originating material. In other words, anything we have imported from outside the EU. So that has its own value. So, it's TV minus VNM, all divided by TV. In other words, our FOB sales price.

That is going to give us a fraction.

Now the rule is that for anything to originate it must have at least, at least, 60% of that value, originating here in the UK.

$$\text{Fraction} = \frac{(TV - VNM)}{TV}$$

Where

TV = Transaction Value (Ex works or FOB price, no VAT included)

VNM = Value of Non-originating Material

### Build down

By converse, this is the build-down method, it means that you are allowed up to, and no more than, 40% of the value of that product, non-originating.

So that means that for that formula to arise, VNM. In the case of the formula, "whey aye our canny little formula", as our northeastern fraternity might put it from Newcastle area. I should remember that my mum came from South Shields, seafaring family, anyway.

VNM must be no more than 40% of your total transaction value. And I think John that's the formula repeat you're referring to, isn't it?

Build-down information from Mark's Rules of Origin Factsheet:

The other Formula is the net cost method, where the Net Cost equals the cost of producing the goods, but without the inclusion of profit. This is usually set for most Free Trade Agreements at 50% of the total transaction value of the goods, and is expressed as follows:

$$\frac{NC - VNM}{NC} \times 100\%$$

Where:

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NC = Net Cost (i.e. Total Cost of Materials + Labour/Processing Costs + Overheads)

VNM = Value of Non-Originating Materials

Based on the Net Cost method, the Customs/Revenue Authority generally allows the profit margin to be adjusted to achieve origin status.

(extract ends)

### **John Rawson**

It is things, it brings back memories, That's for sure. I'll just add one caveat.

#### **30.2. Solvents complicate the Country of Origin Formula**

The big problem in that whole process is that if people are using solvents, solutions. Now, this can come from anywhere in the world, then it can be even more complicated.

### **Mark Rowbotham**

It can, I am a model builder. Just to give you an example, let me show you something.

I've just been building, Canadian Pacific DC8. Now then, you've got your kit haven't you, your plastic kit. And then all the colors that go on it that are enamel paints.

Now then, anybody who knows anything, let me put that back, anybody who knows anything about paints, whether they're acrylic, or whether they are enamel knows that you have to have thinners to clean your brushes and probably your fingers after you've been messing around with it.

Now then thinners are solvents, white spirit, turpentine, anything like this.

Well the old story about the truck that caught fire on the A74M that I happened to just see it come down from Glasgow.

In fact, I got involved in the case it was a cosmetics company up in Glasgow sending goods to Milan, and they put the stuff on the truck, only they didn't give the driver any DG notes because they didn't tell him the truck was all full of acetone.

And they had a brake fire, and it spread into the unit and blew the lot up, he was lucky to get away with his life, so we're told, anyway.

Well, that's the point, and cosmetics is as an example because we have aerosols as well. Now then solvents are flammable.

But solvents are used for a variety of purposes they could be simply white spirit they could be paint thinners. They could be any form of solvents that are used to dilute and to dissipate, oils, paints, whatever.

Now then, they themselves are a combination of various chemicals, all of which are hazardous, now then if you're diluting a product using solvents you've then got to determine where did the original material come from and where did the solvents come from, et cetera, in order for you to produce that item.

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Because if they came from halfway around the world, we're going to have a clear case, they don't originate, no matter what the process is.

There is no chance under the sun, that that product is going to originate in the UK, but you're still selling it to European and Irish customers. Now then folks, what's going to happen in terms of overall liability on these products when we know we can't satisfy that 60/40 rule?

### **John Rawson**

Can I just be cynical with a quick response? I agree with everything you say but, in my experience, and I won't name any company, of course, I had a conversation last week and I asked that question, this solution in flammable solvent that you're wanting to supply, where is the country of origin?

Because the solid was Chinese but of course it's UK now, because the 70% solvent in it, and I immediately said, I didn't tell him, but I couldn't but do business with him. because he was ignoring or didn't understand the rules.

### **Mark Rowbotham**

Well, this is a point because if it's 70% worth and that comes from China, there is no way it's going to originate here.

### **John Rawson**

But will your people pick this up, being cynical like our ex-chairman.

### **Mark Rowbotham**

They will, because Customs require companies applying for any form of origin based preferential authorization, especially if it's Approved Exporter, they have to send them the breakdown of all the materials on all their products to prove that the product would originate here, and if you've got 70% comes China that is not gonna happen folks and not in the month of Sunday's.

### **John Rawson**

30% In this case, but it was the other 70% I was worried about and I'm still waiting for him to give me a breakdown now.

### **30.3. Is the formula sometimes 50/50 not 40/60?**

### **Mark Rowbotham**

Mick has just said, "*Isn't it now a 50/50 rule, not 40/60*".

It depends on the product; you've got to look at annex 2 and all the commodity codes to determine what the actual rule is.

50/50 rule is actually more to do with the net cost method, and they have allowed it for European products, you're quite right on that Mick, because if you're let's say under the bilateral accumulation rule, bringing in material from the EU, you can then use that as far as the 50/50 rule is concerned.

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But do not think it applies to literally every product, because it doesn't, it depends on the commodity code, and that's why the duty of care is on the company themselves, and this is principally for trade with Europe, depending upon where the material comes from.

Now, it would also have to mean the 50% that originates in the UK includes standard costing, products, labour costs, machinery product, or production costs in general, overheads and profit margin.

Now the one rule that HMRC says you can allow up to 10% profit margin in order to make the goods originate.

So, in this case, if let's say your local content on net cost came to 40%, you could add 10% profit margin to make it up to 50, but you are not necessarily given that automatic right.

So, then it says, even with a 50/50 rule, if the, if the majority of your materials come in from overseas, you are going to have problems depending upon your production costs in making that product originate in the UK.

### **30.4. Is this just a mess waiting to happen?**

**Julian Sarkar**

Given the level of competence of our wonderful Customs authorities, inspired by our dear leaders. Isn't this a bugger's muddle waiting to happen?

**Mark Rowbotham**

It is, because again it was never really properly arranged, it was never properly thought out and calculated.

They almost stuck a pin in the list that says, well you can use European materials if you want in terms of what we call bilateral cumulation in other words, you can bring in European materials, manufacture the product and then send it back to Europe and it will be originating.

But, normally speaking, a Free Trade Agreement takes up to nine years to negotiate, we'll be lucky if we have nine months.

And this is why none of them, even David Frost, for all I've got a lot of respect for the guy, his hands were tied because he was dealing with a situation that was a poisoned chalice.

He didn't have either the time or the resources to carry out the negotiations properly especially in front of bullies such as Michel Barnier and a few more.

### **31. How many people in HMRC are self-isolating?**

Yes, Karen, how many people are self-isolating?

Well if you're if you've all got NHS apps, you must certainly will do.

I personally do not have one, and I don't intend to. And I'm keeping out of mischief, the answer is quite a few of them, yes, they are, and that's created problems because they can't even talk among themselves.

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### **Julian Sarkar**

Yeah, there are two apps remember. The Track and Trace is the one that, as Mark says I would avoid like the plague. The NHS app is actually potentially something useful, if you want a COVID passport for travel.

### **Mark Rowbotham**

Oh yes that is true, that is quite useful though I haven't got one anyway. But the point being that yes there is a lot of self-isolation, caused by this ping thing whatever it is.

Now, HMRC are not even in a position to talk amongst themselves, and I found that out yesterday because one of the guys that's more or less across the room for me, he's based in Manchester, and he's working alongside other people on the Freeports team, half of whom are dotted halfway around the country. Well, no wonder we can't get answers.

But the point is HMRC themselves are not in a position of togetherness, that's why they're saying it's self-assessment, it's up to the trader to have their own systems in place to calculate the origin, and make sure that they are compliant with all the origin rules, and this is a question I must ask all of you.

### **32. How compliant are your processes?**

How many of you really are compliant, how many of you have gone through these processes, and actually have a documented set of procedures, concerning your origin breakdowns.

And for every product you manufacture, can you be sure that it does originate, or you know where its materials are coming from, and that you have a breakdown based on the build up and build down methods, to ascertain whether the product really does originate here, because it may well be that it may not.

### **33. Who is policing the Customs processes?**

#### **Julian Sarkar**

I would like to know who will do the policing, and how will the policing be done, given there's a complete lack of resources to do much about it

#### **Mark Rowbotham**

It's done by the computer at Customs. That's why they insist that you send details to them to put in the computer because that in itself will ascertain whether the products are originating or not.



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### **Julian Sarkar**

But if you haven't the facility to have the software because you can't afford it and you're using your own records, and you could wait for a Customs inspection, and I've roughly had a Customs inspection once since 20 years in the office, and how likely, I mean I'm being a devil's advocate there, how likely is it that you, someone's going to come and knock on your door?

### **Mark Rowbotham**

Well, they don't need, to they do it all from a distance, and then they want to see your records based on what you have in house they're actually monitoring you from a distance, it's Big Brother.

### **Julian Sarkar**

Yeah, but I'm not saying we do, we don't actually do any transformations, but somebody who's unscrupulous could easily stretch the contents of what they're doing.

### **Mark Rowbotham**

They could.

But what will happen is that Customs on the continent are going to start looking at the product and saying, we don't like that, we're going come back to you and then they'll come back to HMRC and say we don't believe what the traders telling us, then HMRC are gonna do an audit based on a selective examination, and they will go through the company's records based on what they have in front of them.

It's Big Brother.

### **34. Lack of HMRC Origin experts**

And the problem is we don't even have the origin experts in the team that we used to.

I was trained from Customs by a wonderful guy called Alan Baines who was in charge of the Origin section at Leeds.

Now, Alan was an expert. He'd been in the department for years and he was coming up to retirement and he knew that I was a consultant, I was ex-department, and we're together at a particular event he said Mark I want to sit you down after this over a cup of tea or coffee, which we did this was actually funny enough in the New Millerdam Hotel. And it was an event arranged by Mid York's Chamber funnily enough.

And Alan sat with me for about two hours from four o'clock till six going through the whole thing, and I thank him years beyond, for what he did for me, because he showed me how it worked.

And he said, I know you need it because you're gonna have to advise companies he said there's nobody else I can deal with because he said none of the people we have, have got anywhere near the same expertise, but he said you know.

He said I'm going to make sure you know, so that you can offer that same advice.

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That's a conscientious guy, and I will always thank Alan Baines for that, because it shows you that origin is one of the most critical issues of all, but it means that every company has got to have proper scrupulous records about its products, breakdowns of materials, bills of materials if you like, processing costs, etc.

To be able to show that the products that it manufactures and distributes do originate here or if they don't, it has to notify the customer that they do not and cannot originate in the UK.

### **35. DIT questions**

#### **Julian Sarkar**

If I could just interrupt. I'm conscious that the meeting was scheduled in for 90 minutes and then we're close to that. And I don't know what everybody's availability is and particularly yours Mark,

#### **Mark Rowbotham**

I'm fine I'm flexible if you want to go until midday or beyond, I'm perfectly happy to do that.

#### **Julian Sarkar**

And also, Lydia is not being held to account yet, so I think we should also be targeting Lydia with any questions you may have with the DIT, because you are supposed to be helping us with international trade, I believe.

#### **Lydia Moi**

Certainly, yeah, yeah, happy to answer anything DIT related though leaving the customs stuff to Mark thought I'm afraid. But yeah, no, sure anything, you know, related to DIT support, working with an ITA, funding, whatever it might be.

#### **35.1. Complex paperwork to access DIT funding**

#### **Julian Sarkar**

Does anyone have anything for that I mean, in terms of funding, I know in my experiences when they offer you funding, it's like you can fill in 500 pages of documentation to get two grand and stuff like that, but maybe I'm just a cynic.

#### **Mark Rowbotham**

Julian we think alike on this.

#### **Lydia Moi**

I've heard that about the SME Support Fund, and that it was quite a complex process, in fact, that ended, didn't it Mark, in June, there was no news of an extension which I think we were hoping there would be.

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### **Mark Rowbotham**

Well, they're probably going to have to because nobody will tell me that companies are suddenly resolved everything anyway. I'm of the view, they're gonna have to revise it. Probably end of the silly season by September and start all over again.

### **Julian Sarkar**

And there was one source of funding, which is only available to specific Customs Agent type importers, import agents, I should say, and we weren't eligible for that anyway as don't directly import.

But I remember one, sorry have a dig here Lydia, but I did actually go through the procedure when somebody came from, I forget which part of the department it was, came to the office spent two or three hours with them.

They wanted to know everything including your shoe size and inside leg measurement, whatever.

And then I said look forget it, it's not worth it. It's just a complete waste of time to go through these hoops for the amount of money available, and I know other things like research grants are far more cost effective in terms of what you can achieve.

But certainly, I've never come across anything in terms of import, export funding that has actually been of any benefit to them. And that's in 30 odd years.

### **John Rawson**

There are marketing grants available through the DTI that was, for business visits but COVID put a stop to that at the moment.

## **35.2. DIT's Internationalisation fund**

### **Lydia Moi**

It is business visits.

I mean obviously you know that's on hold at the minute, exhibitions that sort of thing, and a lot of businesses are using that grant at the minute, on other international related projects that aren't travel obviously, so you know research, consultancy, website development obviously for you know international optimization that sort of thing.

There's a lot of website development projects going through at the moment and that's the grant I think that you're referring to, John, it's the internationalization fund and that's matched funding, 50/50 match funding of up to £9000 per company.

And if anyone's interested in looking into those types of activities, you know, get in touch with your ITA or through me.

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**Julian Sarkar**

But is it a ream of form filling that's required, or is it actually straightforward, simple procedure?

**Lydia Moi**

This one is actually quite straightforward.

I don't know if anyone here has applied previously to the export the IDFX exporting for growth grant which is what we had up until beginning of last year, that was a lot of form filling, but this one.

Yeah, it's an online application so you go through an action plan with a trade advisor, and you're then given the link to apply for the grant yourself and it's quite a simple straightforward online application on gov.uk and turnaround times are very quick, once you've decided what activities you want to focus on.

So, yeah, I would recommend it, you can only apply once to the fund.

So, whether that means consolidating multiple projects or if you've got one you know one one larger project that you want to submit, then you can do that and obviously expenditure needs to be pre-approved before going ahead with any of the activities.

### **35.3. Possibility of Mark running training courses for the group**

**Mark Rowbotham**

One thing I will say, by the way, that these are subjects that are obviously exciting interest.

I do training courses, Lydia already knows that, so do the rest of the team at DIT.

Now I am willing, if you're interested, to put on bite sized chunks of courses such as an origin. Normally a two part exercise, partly to do with the supply chain, and then to do the actual rules of origin.

I also do half day courses on importing and exporting procedures, compliances, risk analysis, all these sorts of areas, even one on VAT and triangulation although I tend to refer to it is strangulation by the time we finished.

But all these are a benefit to I think a lot of you I've already done with them quite a few courses for companies in Yorkshire.

But if you're interested, I'm hoping sort of dare I stick my head above the parapet, Lydia and also Janet to look the idea, if possible, to coordinate this so we can actually go through a lot of these areas, so that the training and by the way it is BCC standards, British Chambers of Commerce, so in fact they know these courses I actually created half of them to take you through a lot of these processes, so you'll have rather than more of a formal approach to a lot of the customs procedures if you're interested.

I think the conduit, Janet, Julian, Lydia. And then we can arrange them I think probably for after silly season.

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### **Julian Sarkar**

Put that through on the notes Janet.

### **Janet Greenwood**

Yeah, I think so. And I think there's been such a lot today to kind of take in for all of us really that we'll have a better feeling once the notes have gone out, you know, once people can see the video people who can't be here, you know who are interested, and then we can look at getting something together. We have a couple of options.

Obviously we have the (hopefully) Live Meeting coming up in September, there may be the possibility to do a half day in the afternoon after that, that sort of thing just flexible see what the demand is, see whether it would be a Zoom thing or a live thing or, you know, just play it by ear, really. Yeah, that sounds great. Thank you.

### **Mark Rowbotham**

The way it works is, although I have a presentation, I always invite questions and answers, because people have their own particular take on things their own anecdotes as even, I do having worked with this sector for years.

Everybody has a slightly different slant, but the idea is that commonality, what are the main areas you need to know, what are the main issues, you'll come up against, how do you keep out of trouble, how do you deal with day-to-day activities.

And it's obvious it's not just HMRC, I mean that's part of it, but a lot of it is logistics, a lot of it is costing, as you said yourself John this whole issue of passing costs on it doesn't simply happen, it's got to be managed, and the way I look at it is self-help, if you can set up your own systems and again I'm prepared to help for auditing so if any of you are interested, talk to Lydia, Janet, and I'll quite happily come and see you.

I mean takes me an hour to get from home in Chorley across to most parts of Yorkshire now it means I can sit with you.

Even if let's say Lydia wants to sit in or Janet or Julian, then we can go through your individual things, training is one thing that I think is going to be a good idea, but as I said audits, and then remedial activities, can you get into place a system that you know will work, and will make sure you don't have these problems, so that moving on, you are already equipped to deal with all these areas.

### **Julian Sarkar**

Yeah, that's good. Thanks Mark. And does anyone have any questions directly for Lydia. By the way, does anyone have any other further questions or comments.

**35.4. Why don't we have direct access to local embassies any more?**

**John Rawson**

I have one question for Lydia or it's an observation over the years, going back to Michael Heseltine and the DTI when you could directly get in touch with the marketing departments of every embassy around the globe.

And we had a particular marketing campaign for a disinfectant, which was a waste product that we wanted to help people in the third world country by supplying solutions and we went direct to Timbuktu, and we reverted back to the Bradford Chamber of Commerce.

That was Gordon Brown, stopping people talking to all the local embassies, and if I have a plea to Lydia is examine what went on before because it was easy for people to without delays get local marketing information, that's all gone by the board, and I don't suppose it's ever going to change again.

But there are people in these embassies that want to help businesses export, but we've been stymied because the situation is not allowed by the head of government. Sorry, that's a hobby horse of mine but it's so frustrating.

**Julian Sarkar**

Do we have somebody in charge in government? (laughter)

**Mark Rowbotham**

Well, funnily enough, can I just come in on this, I work with Sheffield chambers, Lydia knows and as Janet does the head of international trade there Nick Patrick has very regular contacts with the Chamber representatives in these countries for examples, a guy called Greg he works with who's one of the main people in the Anglo Chilean Chamber of Commerce.

They regularly have visits over from Southeast Asia I think was it Nick Tash and various others who were the main contacts in the Anglo Malaysian, Anglo Singapore chambers, and I know that will be done so that you can direct through whether through Nick or through the other two particular chambers.

And they will talk to the people out in the overseas places, and quite often if they come over they do encourage events where people can get together let's say on the Asian, for example, so we'll have the representatives of Malaysia, Singapore, Indonesia, Thailand, et cetera, Vietnam as well, all sitting in the room or on these Zoom events, and you can talk to them directly, and I know they do give out extremely good information

**John Rawson**

They got the accolades, been doing it for years. My problem is with developments for the third world, we're au fait with traveling around all the centers of every continent doing business.

It's the third world, Central America, and Africa, that we really need direct contact with to help locals and find professional local people we can work together with, that's the difficulty.

**35.5. The route to access local embassy support**

**Lydia Moi**

I was, I was just going to say I mean, you know, I don't know about John's particular experience in the past but from my experience the route is still to reach out through the local advisor who will then reach out to the overseas network, the overseas network, the IT network is connected with local chambers of commerce as well in market, and other organizations, possibly the f's, they have connections as well with the FCDO's, if it's a matter that needs the involvement of, what was the Department for International Development, and then it might be that they can bring those contacts in as well so I would still say that's one of the best routes to accessing those contacts overseas.

**35.6. Comments on DIT services**

**John Rawson**

Lydia, the first question that comes back when we've asked the question is, are you prepared to undergo a yearlong survey and pay the cost when all you want is an answer to a simple question to move to the second stage.

With great respect you don't have the time in business to let this drag on for so long. When you've got chemicals mounting up, but you want to formulate and do some good in the world with them.

**Mark Rowbotham**

One thing I will say John, and I'm sticking my head above the parapet as I usually do.

There is a facility we can help you with Lydia, Janet myself, to look at things like commodity codes to see what your customer will be paying. If you are going to export to these countries because a lot of it has to do with what are the costs, and anything I think all of us collectively can do to look at things like local tariffs, taxes, anything that your customer would have to pay.

I think that's something that again we can help you with in terms of overall management of the costs and logistics functions.

**Janet Greenwood**

Can I just jump in here and say that I know nothing at all about trade!

Everybody regular knows this. So I'm just, I'm just here to take the meeting notes and connect people.

**Mark Rowbotham**

No problem but there's a man who can or whatever so.

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### **Julian Sarkar**

I think unless anyone's got any more questions, I think, as Janet intimated, probably got a bit of head fog or brain freeze coming on now, and possibly a good time to wrap up I don't know if anyone else has anything they want to bring up at this point and I would like to say a big thank you to Mark and to Lydia. For your information, your input, your offers of assistance your help.

### **Janet Greenwood**

Peter Godfrey is just coming in at the last minute.

### **Julian Sarkar**

Oh yeah, sorry I didn't see that, sorry, sorry Peter.

### **Peter Godfrey**

No problem, just going to come into, alongside what John said.

About three years ago we were looking at expanding our services into the ASEAN area, and we were invited to attend a function in London where we talked to make contact with the local representatives.

We asked them for some basic questions, and they said well it's going to cost you £10,000 so we just said all we want is some basic information. Yeah, fine, and partly because now what we gathered was trying to be self-financing.

And I've also, the old UKTI support, and we've used that before in the past, but now everything's got a price on it and there's less people that can do it and you try and find someone to talk about specifically in chemicals industry is struggling to find someone else basic understanding.

### **Julian Sarkar**

Very relevant. I thought we paid taxes for benefits and to get something returned, obviously not

## **35.7. Reminder – contact your International Trade Advisor**

### **Lydia Moi**

Just as a final point I mean I would just say, I can't speak for what's going on before or what individual companies have experienced but, you know, but go to your ITA, leverage the contacts that they have, in the Yorkshire Humber region there's myself and another ITA, we lead in the chemical sector, and we specifically have contacts in overseas markets for chemical specialists, and it might be that you go through a different route, you might not get to the right person.

You utilize us and our contacts and individual networks, and I can't guarantee anything but we will try to get answers and as much information as we can. And before you are referred on to that paid service. So yeah, utilize us in that way.



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### **36. Meeting closes**

**Julian Sarkar**

Thank you, Janet, do you have anything to add.

**Janet Greenwood**

No, I'm fine. I think we've got everything organized. Thanks guys.

**Julian Sarkar**

I think it's probably time to finish now and as I say thank you very much, Mark, thank you very much, Lydia. And I certainly found it interesting, it confirmed a number of points that are known.

### **37. Date of next meeting**

The next meeting will be held on 14<sup>th</sup> September 2021, hopefully in person as well as online. If we can hold it in person, it will be at Halifax Bradley Hall Golf Club, our usual venue.

Meeting notes produced by Janet Greenwood, TT Environmental Ltd and Megan Chapman, The Savvy VA.

24th June 2021

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