

Foreword

This notice cancels and replaces Notice 703 (April 2005). Details of any changes to the previous version can be found in paragraph 1.2 of this notice.

Parts of this notice have the force of law under section 30(6) of the VAT Act 1994 and regulation 129 of the VAT Regulations 1995. These parts are indicated by being placed in a box as in the example shown below.

The following rule has the force of law
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The evidence you obtain as proof of export, whether official or commercial or supporting must clearly identify: the supplier, the consignor (where different from the supplier) the customer, the goods, an accurate value, the export destination, and mode of transport and route of the export movement.

Further help and advice

If you need general advice or more copies of Revenue & Customs notices, please ring the **National Advice Service** on **0845 010 9000**. You can call between **8.00 am and 8.00 pm, Monday to Friday**.

If you have **hearing difficulties**, please ring the **Textphone** service on **0845 000 0200**.

If you would like to speak to someone in **Welsh**, please ring **0845 010 0300**, between **8.00 am and 6.00 pm, Monday to Friday**.

All calls are charged at the local rate within the UK. Charges may differ for mobile phones.

Other notices on this or related subjects

Customs Notices: [6](#), [275](#), [276](#), [553](#)

VAT Notices: [700](#), [700/2](#), [700/57](#), [701/22](#), [702](#), [703/1](#), [703/2](#), [703/3](#), [704](#), [704/1](#), [705](#), [705A](#), [725](#), [741](#) and [744D](#)

Other Notices: [48](#)

1. Introduction

1.1 What is this notice about?

This notice explains the conditions for zero-rating VAT on an export of goods, that is, when the goods leave the European Community (EC). It also provides guidance on what you should do when you export goods in specific circumstances. Goods delivered from the United Kingdom (UK) to a destination elsewhere in the EC are not exports for VAT purposes. Such transactions are called removals. You can find out more about removals in Notice 725 The Single Market.

For information on zero-rating of services performed on goods for export see Notice 741 Place of supply of services, and Notice 744D International services: zero-rating.

1.2 What's changed?

The following changes to the April 2005 version have been made:

Paragraph	Alteration
2.3	Amended to clarify definition of exporter for VAT zero-rating purposes
2.4	Amended to clarify definition of an overseas person
2.5 to 2.6	Amended to include additional advice for exporters and their agents
2.10	Amended to clarify definition of direct export
2.11	Amended to clarify definition of indirect export
2.16	New paragraph covering goods accidentally lost destroyed or stolen before export
3.3 to 3.6	Amended to clarify conditions for zero-rating direct and indirect exports
3.8	New paragraph on right of appeal
4.13	New paragraph on conditions for zero-rating exports of motor vehicles
4.14	New paragraph on tools used in the UK to manufacture goods for export
5.2 to 5.8	Amended to clarify evidence produced by the New Export System

5.10 to 5.12	New paragraphs covering the New Computerised Transit System
5.13	New paragraph covering evidence of export for goods going by road through the EC to Switzerland, Liechtenstein, Norway, San Marino, Andorra and Romania
6.3	Amended to clarify the position regarding photocopy evidence
7.3	Amended to clarify Merchandise in Baggage procedures
7.5	Amended to clarify evidence available for exports by letter post or airmail
9.2	New paragraph covering direct and indirect retail exports shipped as freight or household effects
11.2 to 11.3	Amended to clarify accounting adjustment if evidence of export not received or goods not exported
12.2 to 12.3	Amended to provide certificate of export from the EC not the UK
13	Deleted because the references to notices giving details of goods/procedures that have special requirements are now located elsewhere in this notice

You can access details of any changes to this notice since August 2006 either on our internet website www.hmrc.gov.uk or by telephoning our National Advice Service on 0845 010 9000.

This notice and others mentioned are available both on paper and our website.

1.3 Who should read this notice?

You should read this notice if you are a VAT registered person and you intend to export goods or if you are involved in the exportation of goods from the UK to a destination outside the EC as a customs clearing agent, freight forwarder, haulier, warehousekeeper, shipping company or airline.

1.4 What EC law is covered by this notice?

Article 15 of the EC Sixth VAT Directive (77/388/EEC) provides the legal basis for exempting goods dispatched or transported out of the EC. Amongst other things it states that Member States shall lay down conditions "for the purpose of ensuring the correct and straightforward application of such exemptions and preventing any evasion, avoidance or abuse". The UK uses the term "zero-rating" rather than "exemption" used in EC law to avoid confusion with the use of exemption elsewhere in UK law.

1.5 Why do we refer to the EC and not the European Union (EU) throughout the notice?

The EU is a collective term. It does not, strictly speaking, have a legal personality. Where we speak of Community law it is correct to speak of the EC. We have, therefore, retained the term EC throughout the notice.

1.6 What is the UK law relating to exports?

The UK VAT law relating to the zero-rating of exports of goods for VAT purposes can be found in:

- Section 30(6) of the VAT Act 1994 for direct exports
- Section 30(8) of the VAT Act 1994 and Regulation 129 of the VAT Regulations (Statutory Instrument 1995/2518) for indirect exports
- Section 30(10) of the VAT Act 1994 for circumstances where the conditions for zero-rating are not met.

Additional legislation and Extra Statutory Concessions (ESCs) exist to allow relief from taxation in specific circumstances.

1.7 What is the legal status of this notice?

Under UK VAT law, HM Revenue & Customs may specify conditions to prevent evasion, avoidance or abuse. This notice lays down the conditions, which must be met in full, for goods exported outside the EC to be zero-rated. Plain English has been used wherever possible but as these conditions have legal status, some legal wording has been necessary.

Text shown in boxes has the force of law.

2. The Basics

2.1 What is meant by VAT zero-rating?

A zero-rated VAT supply is one which is subject to VAT but where the VAT is at 0 per cent.

2.2 Why does zero-rating apply to exports?

VAT is a tax levied on goods and services consumed in the EC. When goods are exported they are "consumed" outside the EC and to impose VAT on such goods would be contrary to the purpose of the tax. Therefore, the supply of exported goods is zero-rated provided certain conditions are met.

2.3 Who is the "exporter" for VAT zero-rating purposes?

The exporter is the person who, for VAT purposes either:

- supplies or owns goods and exports or arranges for them to be exported to a destination outside the EC, or
- supplies goods to an overseas person, who arranges for the goods to be exported to a destination outside the EC.

2.4 What is meant by “an overseas person”?

This means a person or company who is not resident or registered for VAT in the UK, has no business establishment in the UK from which taxable supplies are made, or is an overseas authority.

2.5 Can I appoint someone to handle my export transactions?

Yes. You can appoint a freight forwarder, shipping company, airline or other person to handle export transactions and produce the necessary customs export declarations on your behalf. In these circumstances, you must provide your representative with:

- A full description of the goods, including value, quantity and weight. Copies of the export invoice, packing list and technical details of the goods will help your representative to fully and accurately complete the export declaration and transport documents.

We also recommend that you provide your representative with:

- Your UK TURN (Trader's Unique Reference Number – that is your VAT registration number plus 3 digits – see Notice 553 TURN, Pseudo TURN, dummy TURN and Private Importations for details).

- A commercial reference number that your agent should incorporate into the Declaration Unique Consignment Reference (DUCR). DUCRs are key to an export consignment, and are used by many organisations in the exporting process for example, exporters, agents, freight forwarders, airlines, shipping lines and Customs. This will help to provide an audit trail showing the goods you have sold have been physically exported – see section 6 Proof of export.

Once the export declaration has been made, we strongly advise that you ask your agent to supply the actual DUCR used, and the export entry reference number, as this information will ensure that the export transaction can be easily traced to your records for VAT zero-rating – see paragraphs 3.3 and 3.4 - conditions for zero-rating.

If your agent fails to fulfil any obligations it is you the exporter who becomes liable to account for any VAT which may become chargeable as a result of this failure.

2.6 What are an agent's obligations?

The freight forwarder, shipping company, airline or other person appointed by you, the exporter, or your overseas customer must:

- take reasonable steps to ensure that the goods are as described by the exporter
- ensure that the necessary pre- or post-shipment customs formalities are completed
- ensure that the goods are exported within the time limits specified by the exporter
- keep records of each export transaction
- obtain or provide valid evidence of export (see sections 6 and 7) and send it to the exporter once the goods have been exported.

We also recommend that agents:

- Ask the exporter for their UK TURN for use in Box 2 of the export declaration (for commercial exports it is not acceptable to enter "PR" in box 2).
- Wherever possible use the exporter's TURN and commercial reference as part of the DUCR, and routinely advise the exporter of the DUCR and the CHIEF export entry reference (see section 5 for information about CHIEF). This will help the exporter to provide an audit trail showing that the goods sold have been physically exported.

2.7 Which countries are part of the UK for VAT purposes?

The UK consists of England, Scotland, Wales, Northern Ireland and the waters within twelve nautical miles of their coastlines. Although the Isle of Man has its own VAT authority, sales to the Isle of Man are treated as any other sale within the UK.

The Channel Islands are part of the Customs territory of the EC, but are **outside** the EC, including the UK, for fiscal (VAT) purposes. Supplies of goods sent to the Channel Islands are regarded as exports for VAT purposes and may be zero-rated if the conditions set out in paragraph 3.3 or 3.4 are met. See paragraph 7.2 for information about evidence of export of goods to the Channel Islands.

2.8 Which countries and territories are part of the EC Fiscal (VAT) area?

- Austria
- Belgium
- Cyprus*
- Czech Republic
- Denmark, except the Faroe Islands and Greenland
- Estonia
- Finland
- France, including Monaco
- Germany, except Busingen and the Isle of Heligoland
- Greece
- Hungary
- The Republic of Ireland
- Italy, except the communes of Livigno and Campione d'Italia and the Italian waters of Lake Lugano
- Latvia
- Lithuania
- Luxembourg

- Malta
- The Netherlands
- Poland
- Portugal, including the Azores and Madeira
- Slovakia
- Spain, including the Balearic Islands but excluding Ceuta and Melilla
- Slovenia
- Sweden
- United Kingdom and the Isle of Man.

*The European Commission has advised that the application of the 6th VAT Directive (Directive 77/388/EEC of 17 May 1977) shall be suspended in those areas of Cyprus in which the Government of the Republic of Cyprus does not exercise effective control. Goods to these destinations continue to be eligible for zero-rating as exports.

2.9 Countries and territories outside the EC fiscal (VAT) area

- The Aland Islands
- Andorra
- The Canary Islands
- The Channel Islands
- The overseas departments of France (Guadeloupe, Martinique, Réunion, St. Pierre and Miquelon, and French Guiana)
- Gibraltar
- Mount Athos
- San Marino
- The Vatican City
- All other countries which do not appear in paragraph 2.8.

2.10 What is meant by direct exports?

For VAT purposes a direct export occurs when you the supplier send goods to a destination outside the EC, and you are responsible either for arranging the transport yourself or appointing a freight agent. The goods may be exported by any of the following means:

- in your baggage
- in your own transport
- by rail, post or courier service, or
- by a shipping line, airline or freight forwarder employed by you and not by your customer.

2.11 What is meant by indirect exports?

An indirect export occurs when your overseas customer (as defined in paragraph 2.4) or their agent collects or arranges for the collection of the goods from you the supplier within the UK and then takes them outside the EC. This includes goods collected ex-works (see paragraph 6.6 for further information).

2.12 What happens if I supply goods to a non-EC branch of a UK VAT registered company?

(a) Where you supply goods directly to a customer outside the EC, and that customer is a branch of a UK VAT registered company, you may zero-rate the supply as a direct export provided:

- you or your representative arranges for the goods to be sent directly to a non-EC country
- the overseas delivery address for the goods is shown on the invoice even if the invoice is made out or sent to the associated UK company, or a UK Shared Service Centre for administrative reasons, and
- the conditions, time limits and evidential requirements for direct exports are met – see paragraph 3.3.

(b) But where your customer or their representative arranges for the goods to be exported outside the EC, this is an indirect export. As the non-EC branch is a taxable person in the UK, it is not an “overseas person” for VAT zero-rating purposes – see paragraph 2.4. This means that the conditions in paragraph 3.4 are not met and the supply cannot be zero-rated. VAT is due at the appropriate UK rate.

2.13 What is the time of supply of exported goods?

The time of supply determines when a supply of goods or services is treated as taking place. This is called the tax point. In most cases the time of supply will be the earlier of either the date you:

- send the goods to your customer or your customer takes them away, or
- receive full payment for the goods.

For the treatment of deposits and progress payments see paragraph 11.5.

2.14 How do I treat exports where there is no taxable supply?

You need not account for VAT if you:

- supply and export goods which you are to install outside the EC for your customer (the supply takes place in the country where the goods are installed)
- export goods outside the EC temporarily for exhibition or processing, or
- export goods outside the EC on sale or return, where the goods remain your property until they are sold.

However, you must still hold valid proof of export (see sections 6 and 7) to demonstrate to us how you disposed of the goods. You must also declare to us any goods returned to the UK.

2.15 How do I treat transfer of my own goods?

When transferring goods from your UK business to your branch outside the EC you need proof of export as evidence that you have transferred your goods.

Transfer of goods from your UK business to a branch outside the EC is not a supply but you must declare to us any goods returned to the UK, and retain the details. You can deduct any related input tax subject to the normal rules but do not include the value of any transferred goods as an output in Box 6 of your VAT return.

2.16 Goods accidentally lost, destroyed or stolen before export

You must account for VAT on goods destined for export outside the EC which have been accidentally lost, destroyed or stolen in the UK as follows:

- before you supplied them - no VAT is due
- you supplied them for direct export - no VAT is due provided that evidence of loss, destruction or theft is held, for example an insurance claim, police investigation etc
- you supplied them for indirect export - VAT is due at the appropriate rate if the goods have been delivered to or collected by the overseas person, or their agent, in the UK.

3. Conditions and time limits for zero-rating

3.1 General

You must meet certain conditions before you can zero-rate supplies of goods for export. These conditions cover the:

- evidence (either official or commercial) you must hold to prove entitlement to zero-rating
- time limits in which the goods must be physically exported from the EC
- time limits in which you must obtain evidence of export to support zero-rating.

Only exports that comply with these conditions are eligible for zero-rating.

3.2 Why are conditions necessary?

The conditions set out in regulations and this notice are necessary to ensure only genuine exports are zero-rated whilst keeping VAT export procedures as simple as possible.

3.3 Conditions for zero-rating direct exports

The text in this box has the force of law
A supply of goods sent to a destination outside the EC is liable to the zero rate as a direct export where you:

- ensure that the goods are exported from the EC within the specified time limits (see paragraph 3.5)
- obtain official or commercial evidence of export as appropriate (see paragraphs 6.2 and 6.3) within the specified time limits
- keep supplementary evidence of the export transaction (see paragraph 6.4), **and**
- comply with the law and the conditions of this notice.

You must not zero-rate a direct export where you:

- deliver or post the goods to a customer's address in the EC (including the UK), or
- allow the goods to be collected by or on behalf of your customer even if it is claimed they are for subsequent export. See paragraphs 3.6 and 7.4 for details of deliveries made to another UK trader for groupage, consolidation, processing or incorporation prior to export.

3.4 Conditions for zero-rating indirect exports

The text in this box has the force of law

A supply of goods to an overseas customer (see paragraph 2.4) sent to a destination outside the EC is liable to the zero rate as an indirect export where:

your overseas customer:

- exports the goods from the EC within the specified time limits (see paragraph 3.5), **and**
- obtains and gives you valid official or commercial evidence of export as appropriate (see paragraphs 6.2 and 6.3) within the specified time limits, and you:

- keep supplementary evidence of export transactions (see paragraph 6.4), **and**
- comply with the law and the conditions of this notice, **and** the goods are not used between the time of leaving your premises and export, except where specifically authorised elsewhere in this notice or any other VAT notice.

You must not zero-rate an indirect export where the goods are:

- supplied to a private individual who is resident in the UK, or
- supplied to a business registered for VAT in the UK (including an overseas business that has a place of business in the UK from which taxable supplies are made), or
- delivered to, or collected by, a UK customer at a UK address.

If your export transactions do not fit specifically into any of these categories or those listed in sections 3 and 4 contact our National Advice Service for advice prior to export, obtaining a written decision, if necessary.

3.5 What are the time limits for exporting the goods and obtaining evidence?

You must export the goods from the EC and obtain valid evidence of export within the time limits shown in the table below. In all cases the time limits are triggered by the time of supply (see paragraph 2.13).

The text in this box has the force of law		
Type of export	Time limit for exporting goods	Time limit for obtaining evidence
Direct (under the control of the supplier) and indirect (ex-works) exports (see paragraphs 3.3 and 3.4)	3 months	3 months
Supplies of goods involved in groupage or consolidation prior to export (see paragraph 7.4)	3 months	3 months
Exports through auctioneers (see paragraph 7.9)	3 months	3 months
Goods delivered to the Foreign & Commonwealth Office (FCO) for export through diplomatic channels (see paragraph 7.11)	3 months	3 months
Goods ordered by a responsible person of an installation situated outside UK territorial waters (see paragraph 4.8)	3 months	3 months
Goods ordered by the Ministry of Defence (MOD) and other Government Departments provided they are directly exported (see paragraphs 4.9 and 4.11)	3 months	3 months
Goods to be delivered to overseas authorities provided they are ordered through their embassies, High Commissions or UK purchasing agents (see paragraph 4.12)	3 months	3 months

The text in this box has the force of law		
Type of export	Time limit for exporting goods	Time limit for obtaining evidence
Supplies of goods involved in processing or incorporation prior to export (see paragraph 3.6).	6 months	6 months
Thoroughbred racehorses (subject to conditions to be found in Notice 700/57 Administrative Agreements entered into with trade bodies). This notice also sets the conditions for extending the time limits to 12 months.	6 months	6 months

If you have not exported the goods within the time limits, or do not hold the necessary evidence to show that the goods have been physically exported, you must not zero-rate the supply and must account for VAT at the appropriate UK rate (see paragraphs 11.2 and 11.3).

3.6 Conditions for zero-rating goods for export after processing or incorporation

The text in this box has the force of law
<p>When you make a supply of goods to an overseas person for export, but deliver them to a third person in the UK who is also making a taxable supply of goods or services to that overseas person, you can zero-rate the supply provided:</p> <ul style="list-style-type: none"> the goods are only being delivered and not supplied to the third person in the UK no use is made of the goods other than for processing or incorporation into other goods for export the goods are exported from the EC and you obtain evidence of export within the specified time limits <p>and your records show:</p> <ul style="list-style-type: none"> the name and address of the overseas person the invoice number and date the description, quantity and value of the goods the name and address of the third person in the UK to whom the goods were delivered the date by which the goods must be exported and proof of export obtained, and the date of actual exportation.

Your records must be able to show that the goods you supplied have been processed or incorporated into the goods exported.

Where such supplies are made, an extension to the normal time limits for exporting the goods and obtaining satisfactory evidence of export is allowed – see paragraph 3.5.

In cases where the third person is not in the UK but in another EC Member State the same conditions will generally apply to allow you to zero-rate your supply.

However, you should establish the full facts behind the particular supply in question before assuming that zero-rating is appropriate. If you intend to make such a supply and are unsure as to whether it may be zero-rated, you should contact our National Advice Service.

3.7 What if I can't meet all the conditions?

If you do not meet all the above conditions the supply cannot be zero-rated as an export and you must account for VAT at the appropriate UK rate (see paragraph 11.2).

It is therefore essential that you establish at the time of sale what type of export documentation will be sent to you to support the zero-rating of your supply.

3.8 Right of appeal

If you disagree with a decision we have given, you can ask for it to be reconsidered. You should certainly do this if:

- you can provide further information, or
- there are facts that you think may not have been fully taken into account.

You may also appeal to an independent VAT and Duties Tribunal. You can find out more about appeals procedures in Notice 700 The VAT Guide.

4. Conditions for zero-rating in specific circumstances

4.1 Multiple transactions leading to a single movement of goods

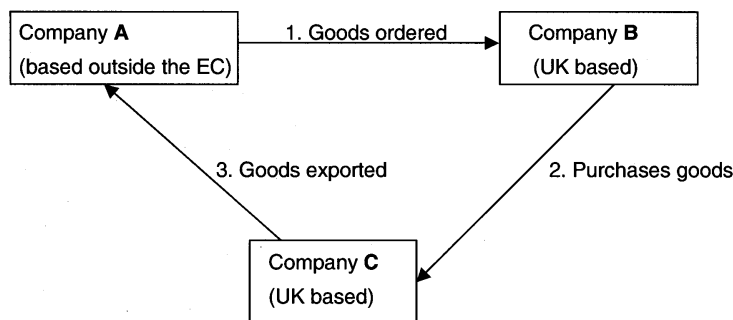
Where a single movement of goods is supported by two or more underlying transactions only the final transaction may be zero-rated.

This might happen where more than two businesses are involved. For example, in the scenario shown below three companies are involved in a chain of transactions.

- Company **A** (based outside the EC) orders goods from Company **B** (UK based)
- Company **B** purchases the goods from Company **C** (also UK based) but does not take delivery of the goods
- Company **C**, at the request of Company **B**, sends the goods direct to Company **A**

In this scenario there are 2 separate transactions which should be treated as follows:

- Supply of goods from Company **C** to Company **B** is a supply in the UK and must be invoiced at the appropriate rate of UK VAT
- Supply of goods from Company **B** to Company **A** is zero-rated as an export subject to the relevant conditions being met.



4.2 How are exports by members of a VAT Group treated?

Formation of a VAT Group is an arrangement that allows two or more corporate bodies to account for VAT as a single taxable person. A VAT group is treated in the same way as a single company registered for VAT on its own. The registration is made in the name of the representative member, who is responsible for completing and rendering the single return on behalf of the group. For further information on VAT groups please refer to VAT Notice 700/2 Group and divisional registration.

Where an exporter is part of a VAT group registration, purchases between VAT group members are not normally chargeable with VAT. Once a supply is made to an entity outside of the VAT Group the normal rules of export apply.

4.3 Exports from UK free zones

Free zones have no special status for VAT export purposes. You may zero-rate supplies of goods from a free zone for export outside the EC, provided the conditions explained in this notice are met. Supplies made to customers based within a UK free zone should be treated as normal domestic supplies.

4.4 Exports of containers

Supplies of new or second-hand freight containers for export are treated as supplies of goods and can be zero-rated provided that the conditions for export are met. The containers may be used to carry other goods for export during the export movement. The definition of the term "container" and the conditions to be met before you can zero-rate the supply of a container may be found in Notice 703/1 Supply of Freight containers for export or removal from the United Kingdom.

4.5 Exports of computer software

Exports of standard ("normalised") computer software packages are regarded as supplies of goods, which may be zero-rated on export from the EC, subject to the conditions in this notice.

Supplies of:

- specific items of software tailored to the individual requirements of a company and
- software transmitted by telephone or other data network

are generally regarded as supplies of services and are therefore outside the scope of this notice. You can find further information in Notice 741 Place of supply of services.

4.6 Exports of hydrocarbon oils

Hydrocarbon oils are subject to UK excise duty and are normally held in warehouses approved by HM Revenue & Customs until the time of delivery. Sales within these warehouses prior to delivery are disregarded for VAT purposes. See paragraph 7.10 for evidence of export from the EC.

4.7 Exports to oil rigs, etc. and other continental shelf installations

This paragraph applies to the export of goods to structures such as oil rigs, drilling units, accommodation platforms and similar oil or gas exploration / exploitation structures. It also applies to mobile floating structures such as drill ships, tankers, jack-up rigs, semi submersible rigs and Floating Production Storage and Offloading (FPSO) vessels which are often stationed at fixed locations.

Exports to installations outside EC territorial waters

(a) Goods supplied and exported by you to an installation not owned by you

You can zero-rate the supply as a direct export provided that the goods are exported and you obtain valid proof of export within three months of the time of supply.

(b) Goods sent to an installation owned by you

There is no supply as this is a transfer of your own goods (see paragraphs 2.14 and 2.15). However, you must still hold valid proof of export to demonstrate how you disposed of the goods.

(c) Goods sent to replenish your own stocks on an installation not owned by you.

The supply position is the same as at (b) above.

4.8 Goods supplied for sale on installations which are situated outside UK territorial waters

UK territorial waters consists of the waters within twelve nautical miles of the coastlines of England, Scotland, Wales and Northern Ireland.

The text in this box has the force of law
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You can zero-rate these supplies provided:
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- | |
|---|
| <ul style="list-style-type: none">• you obtain a written order for the goods from a responsible person on the installation to which the goods are to be sent• the goods are supplied either direct to the installation or through an agent for consolidation followed by direct delivery to the installation, and• you obtain a receipt for the goods, signed by a responsible person on the installation, within three months of the time of supply. |
|---|

4.9 Supplies to the Ministry of Defence (MOD) and overseas military establishments

The MOD is registered for VAT in the UK and all supplies to them, or to any military establishment in the UK on their behalf, should include VAT at the appropriate rate.

Direct exports to overseas military and similar installations may be zero-rated provided you comply with the conditions set out in this notice. See paragraphs 4.10 and 10.7 for further information.

4.10 Supplies to Regimental shops

Special conditions exist to allow the zero-rating of supplies of goods where the Regiment (or equivalent military unit) is about to be posted to a location outside the EC.

The text in this box has the force of law
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You can zero-rate the supply of goods (except new and second-hand motor vehicles)

to Regimental shops provided:

- each written order received from the President of the Regimental Institute (PRI) states that the Regiment is about to take up an overseas posting and that the goods ordered will be exported from the EC
- the goods are delivered to the PRI ready packed for shipment no more than 48 hours before the Regiment is due to depart for the overseas posting
- the goods are exported outside the EC, **and**
- you retain a certificate of receipt signed by the PRI which clearly identifies the goods, gives full shipment details and states the date on which they were exported from the EC.

The PRI will keep a full record of such transactions for reference purposes for a period of not less than six years.

4.11 Supplies to Government Departments other than the Foreign and Commonwealth office (FCO)

You can zero-rate the supply of goods to Government Departments only if you arrange for their direct export to a destination outside the EC and comply with the conditions set out in this notice. For supplies to the FCO see paragraph 7.11.

You must not zero-rate goods for export delivered to Government Departments in the UK even if the goods are ordered for, or by, overseas establishments.

4.12 Supplies to overseas authorities

If you do not meet **all** of the conditions below the supply cannot be zero-rated as an export and you must account for VAT on the supply at the appropriate UK rate.

The text in this box has the force of law

You may zero-rate supplies of goods to overseas authorities which are ordered through their embassies, High Commissions or purchasing agents in the UK, provided:

- you keep a separate record of each transaction (see section 11), including evidence that the supply has been made to an overseas authority, for example the order for the goods, sales invoice made out to the overseas authority, evidence of payment from the overseas authority etc
- the goods are exported and proof of export obtained within three months, as detailed on the form at section 12, and
- the goods are not used between the time of leaving your premises and export, either for their normal purpose or for display, exhibition or copying.

4.13 Export of motor vehicles

You can zero-rate the supply of any motor vehicle, new or second hand:

- as a direct export under the conditions specified in paragraph 3.3, provided that the vehicle is not used or delivered in the EC before it is exported
- as an indirect export under the conditions specified in paragraph 3.4 provided that the vehicle is not subsequently used except for the trip to the place of departure from the EC, or
- if the vehicle is sold to a private individual under the terms of the Personal Export Scheme – see paragraph 9.1.

4.14 Tools used in the UK to manufacture goods for export

Notice 701/22 Tools for manufacture of goods for export explains the conditions for zero-rating supplies of jigs, patterns, templates, dies, moulds, punches and similar tools used in the UK to manufacture goods for export.

5. Customs declarations via the New Export System (NES) and the New Computerised Transit System (NCTS)

This section covers the evidence generated by NES and NCTS.

5.1 What is NES?

NES is a system used by freight agents, importers and exporters, to declare import or export entries electronically. If you export goods including those goods that are leaving the EC via other EC Member States, you should refer to the procedures and customs requirements described in detail in Notice 275 Export procedures, and Notice 276 The new export system.

5.2 How does NES work?

The NES operates via a computer system known as "Customs Handling of Import Export Freight" or CHIEF. When an export declaration is entered to CHIEF it must go through a number of stages before the export procedure is finalised. The stages are:

- Pre-lodgement of data
- Acceptance of data

- Arrival message
- Departure message

At each stage the Status of Entry code and the ICS (Indicate Clearance Status) code will change, and a message showing the current status is generated by NES to the person who submitted the electronic declaration.

5.3 What will NES produce as evidence of export?

Official evidence of export cannot be obtained until the export declaration has been fully discharged. This happens when a departure message is input to CHIEF by either the port inventory system, a nominated loader, or, in some cases, by Customs. Official evidence will be either:

- a copy of the final goods departed message (see 5.4), or
- a screen print from CHIEF showing the appropriate status codes (see 5.5).

5.4 Goods Departed Message (GDM)

At UK air and seaports a computerised system is used to follow the goods through the port area. Where these systems are linked to NES, an electronic message known as a Goods Departed Message (GDM) will be generated and should be received by the person submitting the export declaration. The GDM is official evidence of export **only** when goods leave the EC from the UK. See paragraph 5.6 below for goods leaving the EC from somewhere other than the UK.

If you, as an exporter or supplier, do not input export declarations yourself, you will not receive the appropriate messages to confirm the goods have been exported from the EC. You should ask your agent or the person who declares the goods on your behalf to supply you with a copy of the final goods departed message appropriate for your exports.

Similarly, if your overseas customer or their agent inputs the export declaration, you should ask for a paper copy of the final goods departed message appropriate to the goods you supplied. If official evidence of export cannot be obtained, you will need to rely on commercial transport evidence as described in paragraphs 6.3 and 6.6.

5.5 Screen print from CHIEF

If you or your agent make your electronic export declarations via CHIEF or the WEB declaration option, an alternative to the Goods Departed Message can be obtained by printing a copy of the screen “DEV D option 2” in CHIEF. This screen print will provide official proof of export **only** when it shows:

- a Status of Entry code 8, **and**

- ICS Code 60.

These codes mean that the goods have actually departed from the EC.

5.6 Exports leaving the EC from somewhere other than the UK

Every export from the UK requires an NES entry irrespective of where the goods leave the EC. However, where the goods are leaving the EC, transiting another EC Member State, they must be accompanied by a travelling copy 3 of the Single Administrative Document (SAD). This will be:

- stamped at the point of departure from the EC
- returned to the person presenting it, (who should ensure that it has been stamped), and
- returned to the exporter who will require it as proof of export.

The stamped copy 3 is your official evidence of export.

5.7 Assumed Departure Message

When goods have arrived at the port but for some reason a departure message is not input, CHIEF will issue an Assumed Departure Message within a specified timescale. This message is not accepted as evidence for VAT zero-rating. Alternative commercial transport evidence as described in paragraph 6.3 must be produced.

5.8 What happens where goods leave from a port or airport where no computerised system is in place?

Where no computerised system is in place at the port or airport, you or your agent or forwarder can arrange with Customs to manually enter a departure message when the goods are exported. In this scenario you or your agent should ask the Customs Officer for a printed copy of the DEVD option 2 screen showing the ICS code 60 (see 5.5) to use as official proof of export. This, together with the supporting supplementary evidence will be accepted as evidence for zero-rating.

5.9 What happens if the goods are not exported?

If for any reason the goods are not exported and an export declaration has been made, the Customs Officer at the declared port of export must be formally advised and the export declaration cancelled. Where goods are supplied in the UK instead, VAT must be accounted for at the appropriate UK rate.

5.10 What is the New Computerised Transit System (NCTS)?

NCTS is a European wide system, based upon electronic declaration and processing, designed to provide better management and control of goods under Community/Common Transit (CT) procedures. In some circumstances you may be required to enter the goods to the CT procedure if the goods you export transit the UK or one or more other Member States before leaving the EC. Further details about NCTS and CT requirements can be found on our website at www.hmrc.gov.uk > businesses and corporations > imports and exports > New Computerised Transit System (NCTS) and in the Transit Manual at http://www.europa.eu.int/comm/taxation_customs/customs/procedural_aspects/transit/common_community/index_en.htm

5.11 How does NCTS work?

The system automatically produces a Transit Accompanying Document (TAD) containing a unique Movement Reference Number (MRN) and bar code. The TAD moves with the goods (rather than a paper copy 3 SAD as described in paragraph 5.6). If the goods are presented intact, together with the TAD, at the office of destination, a message is sent to the office where the NCTS declaration was made. The CT procedure is then discharged electronically. There is no requirement to return a paper document to the exporter.

5.12 What will NCTS produce as evidence of export?

Where goods have been entered to NCTS, official evidence of export will be confirmation that the CT procedure has been discharged. The exporter or agent can obtain this confirmation from NCTS by entering the unique Movement Reference Number.

(When NCTS is used the Goods Departed Message (GDM) generated by NES is not accepted as evidence for VAT zero-rating. This is because in these circumstances the GDM only confirms that the goods have left the UK, not that the goods have left the EC.)

5.13 Goods travelling by road through the EC to Switzerland, Liechtenstein, Norway, San Marino, Andorra and Romania

Community status goods travelling to the above destinations may be entered to the Community/Common Transit (CT) procedure either in the UK or at another point in the EC. (Non-community goods must be entered to the CT procedure in the UK.) Full details of the CT requirements can be found in the Transit Manual (see paragraph 5.10). Official evidence for VAT zero-rating will be **either**:

- confirmation that the CT procedure has been discharged (see paragraph 5.12), **or**
- the stamped copy 3 SAD (see paragraph 5.6) if the goods have not been entered to CT procedure in the UK, **or**
- the stamped copy 3 SAD, together with confirmation of discharge of the CT procedure if goods have been entered to CT procedure in another Member State after leaving the UK.

5.14 What additional documents are required before export of restricted goods?

The export of certain goods is prohibited or restricted. Where the export is one of restricted goods you will need to obtain a licence in addition to the official and commercial transport documentary evidence.

- Under NES the licence must be referenced on the declaration and produced when requested by Customs.
- With a non-NES declaration the licence must accompany the customs declaration.

Further advice on restricted goods may be obtained from:

- Export Control Organisation Helpline
Department of Trade & Industry
4 Abbey Orchard Street
London
SW1P 2HT
email address: eco.help@dti.gsi.gov.uk
- Department of Environment
Tollgate House
Houlton Street
Bristol
BS2 9DJ.
- Department for Culture Media and Sport
Trafalgar Place
2-4 Cockspur Street
London
SW1Y 5BQ.

6. Proof of export

6.1 What does this section cover?

This section explains the evidence that is required for a supply of goods exported outside the EC to be zero-rated for VAT.

For VAT zero-rating purposes you must produce either official evidence as described in paragraph 6.2 or commercial evidence as described in paragraph 6.3. Equal weight is put on official and commercial transport evidence but both must be supported by supplementary evidence to show that a transaction has taken place, and that the transaction relates to the goods physically exported. If the evidence of export provided is found to be unsatisfactory, VAT zero-rating will not be allowed and the supplier of the goods will be liable to account for the VAT due (see paragraph 11.2).

6.2 Official evidence

This is produced by Customs, for example Goods Departed Messages (GDM) generated by NES. Alternatively it may be in the form of a Single Administrative Document (SAD) endorsed by Customs at the point of exit from the EC, or confirmation of the electronic discharge of an NCTS movement. See section 5 for more detail on how official evidence of export is produced.

6.3 Commercial transport evidence

This describes the physical movement of the goods, for example:

- Authenticated sea-waybills
- Authenticated air-waybills
- PIM/PIEX International consignment notes
- Master air-waybills or bills of lading
- Certificates of shipment containing the full details of the consignment and how it left the EC, or
- International Consignment Note/Lettre de Voiture International (CMR) fully completed by the consignor, the haulier and the receiving consignee, or Freight Transport Association (FTA) own account transport documents fully completed and signed by the receiving customer.

Further details on the purpose of these documents can be found in Notice 275 Export procedures and Notice 276 The new export system.

Photocopy certificates of shipment are not normally acceptable as evidence of export, nor are photocopy bills of lading, sea-waybills or air-waybills (unless authenticated by the shipping or air line).

6.4 What supplementary evidence is available?

You are likely to hold, within your accounting system some or all of the following:

- customer's order
- sales contract
- inter-company correspondence
- copy of export sales invoice
- advice note
- consignment note
- packing list
- insurance and freight charges documentation
- evidence of payment, and/or
- evidence of the receipt of the goods abroad.

You must hold sufficient evidence to prove that a transaction has taken place, though it will probably not be necessary for you to hold all of the items listed.

6.5 What must be shown on export evidence?

The text in this box has the force of law

The evidence you obtain as proof of export, whether official or commercial, or supporting must clearly identify:

- the supplier
- the consignor (where different from the supplier)
- the customer
- the goods
- an accurate value
- the export destination, **and**
- the mode of transport and route of the export movement.

Vague descriptions of goods, quantities or values are not acceptable. For instance, "various electrical goods" must not be used when the correct description is "2000 mobile phones (Make ABC and Model Number XYZ2000)". An accurate value, for example, £50,000 must be shown and not excluded or replaced by a lower or higher amount.

If the evidence is found to be unsatisfactory you as the supplier will become liable for the VAT due.

6.6 What evidence will I need to obtain to substantiate VAT zero-rating when I do not arrange shipment of the goods?

Typically this occurs when goods are supplied ex-works. If your overseas customer arranges for the goods to be collected from your premises and exported to a place outside the EC Member States it can be difficult for you, as the supplier, to obtain adequate proof of export as the carrier is contracted to your overseas customer. For this type of transaction the standard of evidence required to substantiate VAT zero-rating is high.

Before zero-rating the supply and releasing the goods to your customer, you must confirm what evidence of export is to be provided.

If the evidence of export:

- does not show that the goods have left the EC within the appropriate time limits, or
- is found, upon examination, to be unsatisfactory,

you, the supplier, **will** become liable for payment of the VAT.

For these reasons you should consider whether to:

- include the requirement for the buyer to provide export evidence as part of the sales contract between you and your customer, and/or
- secure against the possibility that your buyer will fail to provide the proper export evidence by, for example, taking a deposit from your customer equal to the amount of VAT you will be liable to pay if the evidence is not sent to you.

The deposit can be refunded when you obtain evidence that proves the goods were exported.

Evidence must show the goods you supplied have left the EC. Copies of transport documents alone will not be sufficient. Information held must identify the date and route of the movement and the mode of transport involved. It should include the following:

- a written order from your customer which shows their name and address, and the address where the goods are to be delivered
- copy sales invoice showing the invoice number, customer's name and a description of the goods

- delivery address for the goods
- date of departure of goods from your premises and from the EC
- name and address of the haulier collecting the goods;
registration number of the vehicle collecting the goods and the
name and signature of the driver
- where the goods are to be taken out of the EC by an alternative
haulier or vehicle, the name and address of that haulier, the
registration number of the vehicle and a signature for the goods
- route, for example, Channel Tunnel, port of exit
- copy of travel tickets, and
- name of ferry or shipping company and date of sailing or airway
number and airport.

The information held should also include (if applicable):

- the trailer number
- full container number, and
- the name and address for consolidation, groupage or processing.

At the time when the goods leave the EC the above information could be obtained from your customer, the haulier, the freight forwarder or the documents listed in paragraph 6.4.

See paragraph 7.3 for goods that your customer intends to export in his baggage or his private motor vehicle.

6.7 How long must I retain export documentation?

To substantiate zero-rating a transaction you **must** ensure that the proof of export is:

- kept for six years, and
- made readily available to any visiting VAT Officer to substantiate the zero-rating of your exports.

6.8 What happens if I do not hold the correct export evidence?

If you do not hold the correct export evidence, within the appropriate time limits, then the goods supplied become subject to VAT at the appropriate UK rate. See paragraph 11.2 for details of procedures to follow in these circumstances.

6.9 If I am an overseas customer arranging my own export what do I need to do to ensure that I get the benefit of zero-rating?

Once you have collected the goods or arranged for the goods to be taken to the port or airport, for export, you should provide the supplier of the goods with all of the documentary evidence you hold to prove that the goods have been physically exported. You should ensure that the supplier is in possession of this evidence to enable them to meet the time limits for export.

6.10 What if I have lost or mislaid export evidence?

If you have lost or mislaid the official or commercial evidence of export supplied by the ship owner or carrier, duplicate evidence of export may be obtained. The replacement evidence of export must be clearly marked "DUPLICATE EVIDENCE OF EXPORT" and be authenticated and dated by an official of the issuing company.

7. Proof of export for zero-rating in specific circumstances

This section covers the specific evidence of export that you must obtain according to the method of export used. In all cases the official or commercial transport evidence you obtain must be supported by the supplementary information set out in paragraph 6.4 to show that the transaction has taken place.

7.1 Air and sea freight

If you are using commercial transport documents as proof of export for goods exported outside the EC by:

- Air - you must obtain and keep an authenticated master or house air-waybill endorsed with the flight prefix and number, and the date and place of departure.

- Sea – you must keep one of the copies of the shipped bill of lading or sea-waybill (certifying actual shipment) or, where a shipping company does not issue these, a certificate of shipment given by a responsible official of that company.

7.2 Road freight

The International Consignment Note (CMR) provides evidence of the identity of the contracting parties when goods are transferred by road. It is in three parts and is completed and signed by the sender of the goods, the carrier and the person receiving the goods. Where the overseas customer arranges for the goods to be collected ex-works the CMR alone is not conclusive evidence that the goods in question have left the EC but, where the CMR is used as part of the evidence, it is important that the information is complete and all the details legible.

7.3 Merchandise in Baggage (MIB)

Commercial or business goods exported in accompanied baggage are known as MIB. Commercial evidence of export is normally only available where goods are shipped as manifested freight, as individual consignments or as part of groupage consignments. Currently MIB is outside the scope of the New Export System and you will need to complete a non-electronic paper SAD (Form C88) and follow the procedures below.

Provided the goods and correctly completed SAD copies 2 and 3 are presented to the MIB officer, official certification of copy 3 of the SAD can be obtained for the following:

- Merchandise in Baggage
- Re-export of temporarily imported goods
- Transfers of own goods (see paragraph 2.15)
- Purchases by overseas persons
- Exports where commercial documents are not available (for example where an ATA carnet has been lost).

In all these cases the certified copy 3 of the SAD (Form C88) is your evidence of export.

(a) Where you export the goods

If you export goods in baggage or in a private motor vehicle, you must:

- Include "MIB" in box 44 of the export SAD (C88).

- Arrive well before your scheduled departure time and present copy 2 and copy 3 (marked "for VAT purposes only") of the SAD, with the goods, to the MIB officer at the UK place of export from the EC for the reverse of copy 3 to be certified that goods have been shipped.

Copy 3 will be handed back to you as evidence of export for retention in your records.

(b) Where your customer exports the goods

Where your overseas customer collects the goods from your premises and arranges transportation in baggage or in a private motor vehicle you must:

- Give your customer a completed SAD with your name and VAT number shown in box 2. (This will ensure that your overseas customer does not include your supplies on a single SAD covering goods purchased from a number of UK suppliers. If they did this, they would be unable to provide you with an original officially certified copy 3 for your records).

Your overseas customer must:

- Arrive well before their scheduled departure time and present copy 2 and copy 3 (marked "for VAT purposes only") of the SAD (Form C88) with the goods, to the MIB officer at the UK place of export from the EC. The MIB officer will certify the reverse of copy 3 to show that goods have been shipped and hand it back to your overseas customer.
- Send you copy 3 as evidence of export for retention in your records.

(c) Leaving the EC via another Member State

If you or your customer depart the EC via another Member State copy 3 of the SAD (Form C88) will be certified by Customs at the place you leave the EC.

Full details of the MIB procedures are given in Notice 6 Merchandise in Baggage.

7.4 Groupage or consolidation transactions

If you use a freight forwarder, consignments (often coming from several consignors) may be aggregated into one load, known as groupage or consolidation cargo. The freight forwarder must keep copies of the original bill of lading, sea-waybill or air-waybill, and all consignments in the load must be shown on the container or vehicle manifest. You will be issued with a certificate of shipment by the freight forwarder, often supported by an authenticated photocopy of the original bill of lading, a sea-waybill or a house air-waybill. Where such consignments are being exported, the forwarder is usually shown as the consignor in the shipping documents.

(a) Certificate of shipment

Certificates of shipment are usually produced by packers and consolidators involved in road, rail and sea groupage consignments when they themselves receive only a single authenticated transport document from the carrier. The certificate of shipment is an important document, which should be sent to you as soon as the goods have been exported from the EC.

The certificate of shipment must be an original and authenticated by an official of the issuing company unless it is computer produced, on a once-only basis, as a by-product of the issuing company's accounting system.

A properly completed certificate of shipment will help you to meet the evidential requirements described in paragraph 6.1.

(b) What information must be shown?

Although the certificate of shipment can be in any format, it must be an original and will usually contain the following information:

- the name and address of the issuing company
- a unique reference number or issuer's file reference
- the name of the exporter (and VAT number, if known)
- the place, port or airport of loading
- the place, port or airport of shipment
- the name of the export vessel or the aircraft, flight prefix and number
- the date of sailing or flight
- the customer's name
- the destination of the goods
- a full description of the goods exported (including quantity, weight and value)
- the number of packages
- the exporter's invoice number and date if known
- the bill of lading or air-waybill number (if applicable), and
- the identifying number of the vehicle, container or railway wagon.

7.5 Postal exports

Goods exported by post may be zero-rated if they are direct exports and you hold the necessary evidence of posting to an address outside the EC.

(a) Evidence of posting for letter post or airmail (packages up to 2kg)

A fully completed certificate of posting form, presented with the goods for export, and stamped by the Post Office will be your evidence of export. Acceptable forms are:

- Form C&E 132 for single or multiple packages taken to the Post Office. Blank forms may be obtained from our National Advice Service or from our Internet site.
- Form P326 available from the Post Office and used for single packages taken to the Post Office.

Also acceptable is:

- A Certificate of Posting for International Mail, or a Royal Mail Collection Manifest, available from a Royal Mail sales advisor, for use by customers using their Business Collections Service, where the Royal Mail collection driver signs the certificate.

You can find further information on Royal Mail international services on their website at www.royalmail.com.

(b) Evidence of posting for parcels

Parcelforce Worldwide operates a range of international parcel services. If you use any of these services for a non-EC destination, you will use a bar-coded service label and customs declaration. The customs declaration may either be a paper “despatch pack”, or an online version. The information required for both formats is the same. Whichever version you use, you should be aware of the following points:

- A fully completed customs declaration is required for every parcel (even if you are sending a multiple item consignment) as every parcel may be inspected by Customs on an individual basis.
- A full and clear description of all the items within the parcel is required including quantity, weight, and value of the goods.
- If you arrange for the parcel to be collected from your premises, the collection driver will provide a despatch pack for you to complete (if you have not already completed the declaration) and will then sign the receipt copy. If you have completed and printed your declaration online, the collection driver will sign your online receipt or manifest.

- If the parcel is taken to a Post Office the completed receipt copy from the despatch pack will be handed back to you, together with a printed proof of shipment from the Post Office SmartPost system. This will show the overseas delivery address, date of despatch and unique consignment number (which will match the unique consignment number on your despatch pack customer receipt.) You should keep **both** the proof of shipment and the customer receipt.

In addition to the individual parcel declarations described above, account customers of Parcelforce Worldwide who export on a regular basis also have two additional potential sources of information listing multiple export parcels:

- Worldwide Despatch Manager (WDM) – online users can print a manifest, which lists all despatched parcels.
- Statement of account.

All of the individual parcel declarations, plus either the manifest or the statement of account listing each export will provide proof of export for VAT purposes.

You can find further information on Parcelforce Worldwide International Services, on their website at www.parcelforce.com.

7.6 Exports by courier and fast parcel services

Courier and fast parcel operators specialise in the shipment of small consignments to overseas destinations within guaranteed times.

(a) Operators who do not issue separate certificates of shipment

Most courier and fast parcel operators do not issue separate certificates of shipment.

The invoice for moving small consignments for export from the EC, which routinely bears details of the unique air-waybill numbers for each shipment, represents normal commercial evidence of export. In addition, many express companies are able to offer a track and trace service via their websites where the movement of consignments can be traced through to the final destination. This information can be printed and can also be used to confirm that the goods have left the EC.

(b) Operators who use the system based upon a Despatch Pack

A few companies still use a documentary system based upon a Despatch Pack containing accounting data, a Customs export declaration and receipt copies of a house airway bill or consignment note. These packs are issued to customers to complete for each export shipment.

Goods being exported outside the EC must be fully and clearly described with the value shown on the export declaration. A Despatch Pack must be completed for each overseas address and consignee. The driver collecting the parcels will endorse the receipt copy and return it to the consignor. This, plus the statement of account issued by the express operator, listing each export shipment, will provide commercial proof of export.

(c) Use of more than one courier/fast parcel company

Due to the complexities of the movement of consignments within the courier/fast parcel environment, there is often more than one company involved in the handling and ultimate export of the goods. You as the UK supplier may not be certain as to which courier/fast parcel company has made the export declaration to Customs. Consequently it may be difficult to obtain official proof of export, leaving you to rely on the commercial evidence of export as described above. If the operator makes a bulk declaration when exporting the goods via another Member State, it may not be possible to print a travelling Copy 3 for the individual consignments of the SAD referred to in paragraph 5.6.

In these circumstances, you must use commercial evidence of export, typically fully completed transport documents.

However, where you, as the supplier, are certain that the export declaration has been made by a specific courier/fast parcel company you may rely on either commercial or official evidence as detailed in paragraphs 6.2 and 6.3.

(d) Overseas customer arranging the export by courier

If your overseas customer arranges for the goods to be exported by courier you should find out what proof of export they will be providing to enable you to zero-rate the supply. More information on what you should do is contained in paragraph 6.6.

7.7 Exports by rail

Rail contractors offer services by rail for parcels and full loads.

(a) Parcels

If you intend to export parcels by rail, you should establish what evidence of export will be provided to you by the rail contractor. This will normally be a consignment note such as a 5-part PIM/PIEX - International Consignment Note, copy 4 is the exporter's copy and receipt for the goods.

These receipted forms plus the railway statement of account listing each export provide your evidence of export for VAT purposes.

(b) Bulk cargo services

Rail contractors offer services for the movement of full loads in wagons, containers and swap bodies. Containers and swap bodies are handled by intermediaries who use their own consignment documentation. Full loads in wagons use the 5-part "Convention International des Marchandises par Chemin de Fer" (CIM) consignment note. This contains the "Uniform Rules concerning the contract for International Carriage of goods by rail".

In all cases, the exporter's copy of the consignment note endorsed with a railway stamp is your evidence of export.

7.8 Exports through packers

For goods exported under groupage arrangements, you must obtain a certificate of shipment (see paragraph 7.4) signed by the packer showing a full description of the goods packed for export - including quantity, weight, value, destination, etc.

For single consignments you must obtain commercial evidence of shipment by road, rail, sea or air and a certificate of posting or equivalent evidence of export when exported by other means.

7.9 Exports through auctioneers

Auctioneers act in a number of ways. It is important that you check with the auctioneer before you sell your goods whether they are acting in their own name. You can find further information on the role of auctioneers in Notice 700 The VAT Guide and Notice 718 Margin schemes for second hand goods, works of art, antiques and collectors' items.

(a) Auctioneer acting in your name

If you sell goods through an auctioneer who:

- is not acting in their own name, and
- exports the goods,

you may zero-rate your supply provided that you obtain a certificate of export from the auctioneer, in the form set out in paragraph 12.2 or paragraph 12.3 within three months of the date of the auction. The auctioneer must hold valid evidence of export for the goods.

(b) Auctioneer acting in own name

If you sell goods through an auctioneer who is acting in their own name, the goods are treated as being supplied to the auctioneer and must not be zero-rated by you as an export. The auctioneer will be able to zero-rate the onward supply in the normal way.

7.10 Exports from Customs, Excise and/or Fiscal warehouses

A warehousekeeper who holds valid commercial transport evidence that the goods delivered from the warehouse have been exported may provide the registered owner of the goods with a signed and dated document certifying export. It must include the following information:

- name and address of the warehousekeeper
- order number, invoice number and date of transaction
- name and address of the owner of the goods
- details of the stock exported (description, quantity, value, etc)
- name of the export vessel or aircraft flight prefix and number
- port or airport of loading
- date of sailing or departure
- destination of the goods
- bill of lading or air-waybill number (where appropriate)
- identifying number of the container or railway wagon (if used),
and
- signature of the warehousekeeper and date.

7.11 Supplies to the Foreign and Commonwealth Office (FCO)

You can zero-rate the supply of goods ordered by British Embassies, High Commissions and diplomats abroad that are delivered to the FCO for export through diplomatic channels within three months of the time of supply. You as the supplier must keep a separate record of each transaction.

To evidence that the supply was made to an overseas person, you must be able to identify the destination of the goods. You should therefore retain documents which contain this information, for example the order. You must also obtain a certificate of receipt from the FCO within three months of the time of the supply of goods. The certificate may be on a copy of the sales invoice or on an itemised list, which you must keep to support your claim to zero-rating.

You must not zero-rate the supply of any other goods ordered by and delivered to the FCO for stock or general distribution.

7.12 Exports to the Channel Islands

Excise goods or goods subject to Customs controls (for example restricted goods) being exported to the Channel Islands will always require a SAD (Form C88) declaration. This may be made using the New Export System (NES).

In the case of goods not subject to Customs or Excise controls one of the following declaration procedures may be used:

- a bulk NES declaration by the shipping line supported by individual Consignment Note and Customs Declarations (CNCD), or
- individual NES declarations by exporters.

Further details may be found in Notice 275 Export procedures.

At south coast ferry ports a combined CNCD with a supporting itemised schedule of goods exported may be used in place of the SAD and sea waybill for manifested freight.

A CNCD may be on an approved standard commercial document or a partly completed SAD.

Evidence of export for goods sent to the Channel Islands is made up of the following (as appropriate):

- official proof of export produced by NES – see section 5
- goods shipped by air - an authenticated master air-waybill or house air-waybill (see paragraph 7.1)
- goods carried as Merchandise in Baggage - a Customs certified copy 3 of the SAD (Form C88) (see paragraph 7.3)
- goods shipped through a freight forwarder - a certificate of shipment issued by the freight forwarder (see paragraph 7.4) or an authenticated copy of the CNCD
- goods shipped through a fast parcel or courier service - evidence as per paragraph 7.6, or
- goods shipped directly by the south coast ferry companies - an authenticated copy of the CNCD as described above.

7.13 Exports via EC Member States

Where you send goods by road via for example Dover, across the EC before final export, or where you move goods from the UK to an airport in another Member State before final export, this is an export via an EC Member State.

If you export to non-EC countries via other EC Member States, you will require either official proof of export for VAT purposes or commercial transport evidence that the goods have left the EC to substantiate the zero-rating of the supplies.

Official evidence of export will normally be copy 3 of the export SAD (Form C88) or NES equivalent endorsed at the Customs office of exit from the EC – see paragraph 5.6. The office of exit will vary depending on the type of transport used and the nature of the supply. See also paragraph 5.12 for types of official evidence available when goods move under Community/Common Transit (CT) procedures, and paragraph 5.13 for information about goods travelling by road to Switzerland, Liechtenstein, Norway, San Marino, Andorra and Romania.

Where goods subject to excise duty are moving under duty suspension arrangements, the Customs office of exit from the EC will certify the accompanying document (an "attestation" in EC terms) and return it to the consignor as evidence of exportation from the EC. The standard time limit of three months for obtaining the evidence of export applies.

7.14 Channel Tunnel

The evidence of export procedures outlined above for exports via other EC Member States apply equally to goods transported via the Channel Tunnel.

The arrangements outlined in paragraph 7.7 cover goods carried on through-rail freight services through the Tunnel.

There are Merchandise in Baggage facilities at both the Waterloo International Terminal (for foot passengers) and at Ashford Inland Clearance Depot (for car and coach passengers joining the Tunnel at Cheriton).

8. Extra-statutory concessions (ESCs)

Two extra-statutory concessions exist which enable zero-rating of VAT on supplies of goods in specific circumstances. Further details may be found in Notice 48 Extra-Statutory Concessions.

8.1 Duty or tax-free shops (ESC 9.1)

(a) Can I zero-rate the supply of goods made from my "airside" duty or tax-free shop?

ESC 9.1 allows zero-rating of the supply of goods to be carried in the personal luggage of passengers flying directly out of the UK to a non-EC country.

If you operate a duty or tax-free shop at an airport, you can zero-rate the supply of goods for immediate export by travellers departing on flights to destinations outside the EC. Although it is the intending passenger who is exporting the goods, it is the retailer who is treated as the exporter for VAT purposes and therefore needs to evidence that the goods have been exported.

To zero-rate the supply you must provide us with evidence of the sale to an intending passenger for export to a third country.

At the point of sale you should check that:

- the traveller is departing directly to a destination outside the EC, and
- the goods are to be exported.

We must be able to verify the transaction. Acceptable evidence showing that the sale is to an entitled passenger is obtained from the airline boarding card or travel document. This clearly shows the names of passengers, the date of travel and the flight number/destination. Information from the boarding cards or travel documents presented by entitled passengers should be retained by retailers as part of their export evidence.

If you, as a retailer, are unsure about the acceptability of the evidence you propose to use you should contact our National Advice Service. Large businesses controlled by the Large Business Service (LBS) should contact their National Business Manager. Any agreement reached on acceptability of alternative evidence should be confirmed in writing.

(b) If the customer returns goods as defective can I zero-rate the replacement goods?

If, following the sale, the customer returns the goods as defective and you as the retailer are required to replace them, whether you charge VAT on the value of the replacement goods will depend upon their ultimate destination. If the replacement goods are to be exported they may be zero-rated, subject to the normal export rules. If they are delivered to an address within the UK or EC Member State the original zero-rate sale must be cancelled and the supply is subject to VAT at the appropriate rate.

You can find information on when you may zero-rate supplies to customers registered for VAT in another EC Member State in Notice 725 The Single Market.

8.2 Relief for marine fuel (ESC 9.2)

Extra Statutory Concession (ESC) 9.2 allows vessels engaged on commercial voyages within UK territorial waters (or within the limits of a port) to receive certain types of marine fuel VAT free.

You can zero-rate such supplies as ships' stores providing:

- you obtain, from the person to whom the marine fuel is to be supplied, a written declaration that the goods are for use as stores on a non-private voyage

- you obtain written confirmation from the master, owner or duly authorised agent of the vessel declaring that the fuel is solely for use on a named ship
- the fuel is sent direct to the ship or addressed and delivered to the master of a named vessel c/o the shipping line or agent, and
- you hold a receipt confirming delivery of the fuel on board the ship, signed by the master or other responsible officer.

The concession described above extends only to those supplies of fuel, which were zero-rated prior to 1 July 1990. It does not apply to petrol, Ultra Low Sulphur Diesel (ULSD) or lubricating oil.

9. Exports by retailers

9.1 Export schemes for retailers

- There are a number of exports schemes for retailers selling goods for export by private individuals.

(a) Retail Export Scheme (RES)

The Retail Export Scheme allows participating retailers to refund VAT on goods purchased by entitled customers. You should refer to the conditions laid down in Notice 704 VAT Retail exports.

(b) Personal Export Scheme for vehicles (PES)

You can zero-rate the supply of a new or second hand motor vehicle for export by your customer in certain circumstances. You should refer to the conditions in Notice 705 Buyer's guide to personal exports of motor vehicles to destinations outside the EC and Notice 705A VAT Supplies of vehicles under the Personal Export Scheme for removal from the EC.

(c) Sailaway Boat Scheme

The Sailaway Boat Scheme allows boats exported to final destinations outside the EC to be zero-rated for VAT purposes. You can find more details in Notice 703/2 Sailaway boats supplied for export outside the EC.

9.2 Retail exports shipped as freight or household effects

(a) Direct exports

If you, as retailer, arrange for goods to be exported outside the EC you may zero-rate the supply provided all the conditions in paragraph 3.3 are met.

(b) Indirect exports

If your overseas customer arranges for the export of the goods outside the EC you may zero-rate the supply provided all the conditions in paragraph 3.4 are met.

10. Stores for use in ships, aircraft or hovercraft to destinations outside UK

10.1 What is meant by the term "stores"?

Stores are goods for use in a ship, aircraft or hovercraft and include:

- Fuel
- goods for running repairs or maintenance, for example lubricants, spare and replacement parts
- goods for general use on board by the crew
- goods for sale by retail to passengers carried on the voyage or flight who intend to use the stores on board only.

10.2 What supplies are eligible for zero-rating?

You can zero-rate supplies of goods classed as 'stores' under paragraph 10.1 for the fuelling and provisioning of vessels and aircraft providing:

- They are for use on a voyage or flight with a non-private purpose and with an eventual destination outside the UK. See paragraph 8.2 for details of an Extra Statutory Concession (ESC) covering supplies of marine fuel to vessels for voyages in home waters.
- They are shipped from the UK within three months of supply.
- The conditions outlined in paragraph 10.4 are met.

10.3 Supplies to registered shipping companies etc

If you make supplies to VAT registered shipping lines or airline operators they can choose to have:

- All supplies, including goods for shipment as stores on their ships or aircraft, delivered to their premises.
In these circumstances you must charge VAT at the appropriate rate. The shipping or airline company can deduct input tax subject to the normal rules. (The subsequent transfer of the goods from their premises to the ship or aircraft for use as stores is not then a supply for VAT purposes).
- Supplies of stores made direct to foreign-going craft.
You can zero-rate such supplies provided the goods are eligible for stores relief under paragraph 10.2, and the conditions in paragraph 10.4 are met.

When you receive an order for goods to be shipped as stores you must ensure that you receive clear instructions on how to deal with the supply.

10.4 Conditions for zero-rating supplies to foreign-going vessels and aircraft

Unless **all** these conditions are met there is no eligibility for zero-rating and you must account for VAT at the appropriate UK rate.

The text in this box has the force of law
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<p>You can zero-rate eligible supplies of goods to foreign-going vessels and aircraft providing:</p>
--

- | |
|---|
| <ul style="list-style-type: none">• The person to whom the goods are supplied is the end user eg master of the vessel.• The person to whom the goods are to be supplied declares in writing that the goods are for use as stores on a voyage or flight which is to be made for a non-private purpose.• You obtain and hold a written order or confirmation given by the master, commander, owner or duly authorised agent of the ship or aircraft. This must include a declaration that the goods are solely for use as stores on a named ship or aircraft that is entitled to receive duty-free stores for the voyage in question, which is to an eventual destination outside the UK. Aircraft making through international flights are eligible to receive VAT-free stores even if the aircraft makes one or more stops in the UK in the course of such a flight.• You send the goods:<ul style="list-style-type: none">- direct to the ship or aircraft- through freight forwarders for consolidation and delivery direct to the ship or aircraft, or- addressed and delivered to the master of a named vessel c/o the shipping line or agent.• You obtain and hold a receipt confirming delivery of the goods on board the ship or aircraft, signed by the master, commander or other responsible officer of the ship or aircraft. You can accept such a receipt signed by a responsible official of the airline concerned. However airlines using this facility must obtain prior written |
|---|

agreement from Revenue and Customs. They must confirm that the signatory is in a position to provide the receipt based on personal knowledge of flight details and that the airline will maintain documentation enabling Revenue and Customs staff to verify entitlement to relief.

- You have a certificate of export as described in paragraph 7.10 where your supplies are made direct from a warehouse not operated or owned by you to an eligible vessel or aircraft. The advice note issued by the warehousekeeper normally serves this purpose.

Please note the conditions for zero-rating in the following specific circumstances:

- Where there is a supply chain, intermediaries must account for VAT at the appropriate rate.
- If you supply goods to a shore-side storage tank you may not zero-rate the supply **unless** your customer is the exporter of the goods and you hold the necessary evidence.

10.5 Supplies for sale in ships' shops and on board aircraft and for ships' slop chests

The arrangements in paragraphs 10.2, 10.3 and 10.4 apply to goods supplied for sale in ships' shops, etc even though there may be no taxable supply at the time of shipment (for example transfer of own goods, supply on sale or return terms). Where goods have been shipped on a foreign-going ship or aircraft, any later sale of the goods will be a supply outside the UK and there will be no further VAT liability unless they are re-landed in the UK (see paragraph 10.6).

VAT is chargeable on goods sold on board a vessel on a coastwise journey or aircraft on an internal flight.

10.6 Re-landed stores

Where stores are supplied and subsequently re-landed in the UK these are treated as imports and you should follow the procedures in VAT Notice 702 Imports.

10.7 Supplies of mess and canteen stores for HM ships

(a) Conditions for zero-rating

The text in this box has the force of law

You can zero-rate supplies of goods for use as mess and canteen stores on HM ships which are about to leave for a foreign port or a voyage outside UK territorial waters of more than fifteen days duration. The goods must be ordered for the general use on board by members of the ship's company. The Commanding Officer must certify each order:

"HMS.....is deploying from the United Kingdom for service abroad on.....(date) calling at a foreign port or on a voyage outside territorial waters of more than fifteen days' duration and these stores are for use by members of the crew during the deployment".

You must deliver the goods direct to the ship for loading on board, obtain a receipt for them on board and keep it to support your claim for zero-rating.

(b) Sale or return

If you supply duty-free goods on sale or return to messes in HM ships you cannot zero-rate them for VAT purposes when they are sent out to the ship, as there is no taxable supply at that time. The taxable supply occurs only when the goods are adopted, that is when the customer pays for the goods or otherwise indicates his wish to keep them; or at the end of 12 months or any shorter period you have agreed for the goods to be bought or returned (see Notice 700 The VAT Guide). You are responsible for ensuring that the messes inform you promptly of when the adoption of the goods took place. If adoption occurs when the vessel is in UK territorial waters the supply is taxable, if outside there is no supply for VAT purposes. Commanders of HM ships will provide suppliers with this information.

(c) Sales of goods in canteens and shops

Where there is no supply at the time of delivery on board, VAT is chargeable at the appropriate rate on sales of goods in canteens and shops on board HM ships in UK ports or on coastwise voyages. If the ship is outside UK territorial waters any sale of goods is outside the scope of VAT and is taxable only if the goods are re-landed in the UK. Notice 700 The VAT Guide explains how to deal with this in your records and accounts.

11. Records and accounting for VAT

11.1 What records do I need to keep?

Notice 700 The VAT Guide contains details of the records and accounts you should keep. In addition you should retain evidence of export as described in sections 6 and 7. It is important that you follow the accounting instructions explained in this section if you do not hold the evidence of export from the EC by the due date.

If you do not follow these rules, you will be liable to be assessed for VAT due on the supplies and may incur default interest and financial penalties as a result.

11.2 How do I adjust my accounts if I do not receive evidence of export or if goods are not exported?

If you make an export you can zero-rate the supply in your records when the goods are supplied to your customer. But if you do not:

- obtain and hold the required evidence of export, or
- ensure the goods have been exported within the relevant time limit for the supply,

and the supply would normally be standard-rated in the UK, you must account for VAT accordingly.

You must amend your VAT records and account for VAT on the taxable proportion of the invoiced amount or consideration you have received. For a VAT rate of 17.5 per cent the VAT element would be calculated at 7/47.

When you amend your VAT records, you must make an entry equal to the tax on the supplies concerned on the "**VAT PAYABLE**" side of your VAT account. You must include this amount in Box 1 of your VAT return **for the period in which the relevant time limit expires**.

11.3 What if the goods are exported or I obtain evidence of export after I have accounted for VAT?

If the goods are subsequently exported and/or you later obtain evidence of export you can then zero-rate the supply and adjust your VAT account **for the period in which you obtained the evidence**. This is provided that the goods have not been used in the UK prior to export (unless specifically authorised by Revenue and Customs) and in the case of an **indirect export** – see paragraph 2.11 - the goods have been supplied to an overseas person (as defined in paragraph 2.4).

11.4 How do I account for exported goods, which are subsequently returned damaged?

Where export goods damaged after shipment are relanded in the UK they must be declared to HM Revenue and Customs. If you or a member of a salvage association subsequently sell the goods, the seller must account for VAT, at the appropriate UK rate, on the sale price.

11.5 How do I account for VAT on deposits and progress payments?

Deposits and progress payments are part payments towards the total cost of a supply received in advance of its completion and have the same VAT liability as the final supply. If the final supply is to be zero-rated as an export, these payments may also be zero-rated.

However, if the goods are not eventually exported or you fail to obtain valid evidence of export you must account for VAT on the total value of the supply, including any deposit, progress or stage payments, on your next VAT return.

12. Forms

12.1 Example of a certificate of shipment for Embassies, High Commissions etc

Certificate of shipment	
	Date of issue:
	Reference:
Supplier	
VAT number	
Supplier's invoice number and date	
Port of loading	
Port of shipment	
Flight/sailing	
Destination	
AWB No	
HAWB No	
Bill of lading No	
Sea-waybill No	
Number of packages	

Description of export goods	Quantity	Weight	Value

(Authorised Signatory)

12.2 Example of a Certificate of export for goods sold at auction and exported direct by the auctioneer as air or sea freight

I,(full name of signatory) certify that the article(s) detailed below and sold as Lot No(s).....at auction by me on(date of sale) has/have* been exported from the EC on the undermentioned vessel/aircraft*:

Description of article(s)	LOT No	Value £'s

Name of export vessel, or aircraft flight prefix and number

Port or airport of loading.....

Date of sailing or departure.....

Destination.....

Bill of lading or air-waybill number (where appropriate).....

Identifying number of container or railway wagon (if used).....

.....(Signature of auctioneer)

Date.....

*Delete as necessary

12.3 Certificate of export for goods sold at auction and exported direct by the auctioneer by parcel post or courier service

I,(full name of signatory) certify that the article(s) detailed below and sold as Lot No(s).....at auction by me on(date of sale) has/have* been exported from the EC by post/courier service*:

Description of article(s)	LOT No	Value £'s

Place of posting.....

Method of posting (parcel/letter etc).....

Date of posting.....

Destination.....

Certificate(s) of posting numbers held by me.....

.....(Signature of auctioneer)

Date.....

*Delete as necessary

13. Trade Association contact details

You can get further guidance about the commercial aspects of specific exports from freight forwarders, shipping companies or airlines at the appropriate ports or airports. The Trade Associations listed below may also provide advice:

- Automated Customs and International Trade Association (ACITA)
49 Barkham Ride
Wokingham
Berkshire
RG11 4HA
- Association of International Courier and Express Services (AICES)
Unit 1B
Gallymead Road
Colnbrook
Berkshire
SL3 0EN
- British Exporters Association (BEXA)
Broadway House
Tothill Street
London
SW1H 9NQ
- British International Freight Association (BIFA)
Redfern House
Browells Lane
Feltham
Middlesex
W13 7EP
- Customs Practitioners Group
100 New Bridge Street
London EC4V 6JA
- Electronic Data Interchange Association
148 Buckingham Palace Road
London
SW1W 9TR
- Freight Transport Association (FTA)
Hermes House
St John's Road
Tunbridge Wells
Kent TN4 9UZ
- The Institute of Export
Export House
64 Clifton Street
London
EC2A 4HB

- The Simpler Trade Procedures Board (SITPRO)
(SITPRO offer a free helpline to businesses on all matters relating to International Trade
8th Floor
Oxford House
76 Oxford Street
London
W1D 1BS
Email address: info@sitpro.org.uk or
Tel: 00 44 (0)207 467 7280
- Business Information
British Standards Institution
389 Chiswick High Road
London W4 4AL
- United Kingdom Oil Industry Taxation Committee (UKOITC)
Total House
4 Lancer Square
London
W8 4EW

14. Index

This index is a guide to the information set out in this notice. The references are to sections and paragraphs. There is a more general index, covering all aspects of VAT in Notice 700 The VAT Guide.

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Do you have any comments?

We would be pleased to receive any comments or suggestions you may have about this notice. Please write to:

HM Revenue & Customs
VAT Accounting Schemes & Exports Team
4SW Queens Dock
Liverpool
L74 4AA

Please note this address is **not for general enquiries**. You should ring our National Advice Service about those.

If you have a complaint or suggestion

If you have a complaint please try to resolve it on the spot with our officer. If you are unable to do so, or have a suggestion about how we can improve our service, you should contact one of our Regional Complaints Units. You will find the telephone number under 'Revenue & Customs - complaints and suggestions' in your local telephone book. Ask for a copy of our code of practice 'Complaints and putting things right' (Notice 1000). You will find further information on our website at <http://www.hmrc.gov.uk>.

If we are unable to resolve your complaint to your satisfaction you can ask the Adjudicator to look into it. The Adjudicator, whose services are free, is a fair and unbiased referee whose recommendations are independent of Revenue & Customs.

You can contact the Adjudicator at:

The Adjudicator's Office
Haymarket House
28 Haymarket
LONDON
SW1Y 4SP

Phone: (020) 7930 2292

Fax: (020) 7930 2298

Email: adjudicators@gtnet.gov.uk

Internet: <http://www.adjudicatorsoffice.gov.uk/>

Update 1 issued January 2007

On 1 January 2007 Bulgaria and Romania will join the European Union. The total number of Member States will rise to 27.

- Enlargement will affect VAT and Excise registered businesses involved in International trade and the travelling public.
- Businesses will need to be aware of which countries have joined, and should treat goods entered with Customs on or after 1 January 2007 for physical removal to these countries as they treat trade with existing Member States.
- The travelling public should be aware that they will no longer be able to obtain VAT refunds nor purchase goods free of VAT in the UK for physical removal to Bulgaria or Romania on or after 1 January 2007.

This update provides information on the additional countries to be included in paragraph 2.8 and a consequential change to paragraph 5.13.

Section	Amendments
2	The Basics
2.8	Which countries and territories are part of the EC Fiscal (VAT) area? After final bullet point: United Kingdom and the Isle of Man Insert: 'Plus from 1 January 2007 Bulgaria Romania'
5	Customs declarations via the New Export System (NES) and the New Computerised Transit System (NCTS)

5.13	<p>Goods travelling by road through the EC to Switzerland, Liechtenstein, Norway, San Marino, Andorra and Romania</p> <p>After final bullet point:</p> <p>Insert:</p> <p>‘Note - Romania joins the EC on 1 January 2007. This paragraph will therefore cease to apply to goods travelling to Romania from that date.’</p>
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