

Taxes & Duties

Requirements for importing Primary Aluminium in the European Union



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Disclaimer:

This factsheet is provided for information purposes only. While we do our best to provide you with the most correct information, Raffemet Commodities BV can not be held liable for any loss arising from any use of this information.

Purpose

This document is prepared for our customers, who import Primary Aluminium in European Union (EU) via The Netherlands. We aim to provide an informative, high level overview of the basics of importing Primary Aluminium into the EU for our customers.

The aim of this document is to:

- Provide a basic overview of the documentary and customs requirements when importing Primary Aluminium into the EU via The Netherlands.
- Show the most common Primary Aluminium flows and highlight the specific customs and documentary requirements in each scenario.
- Review the impact of EU REACH legislation when importing aluminium into the European Union.

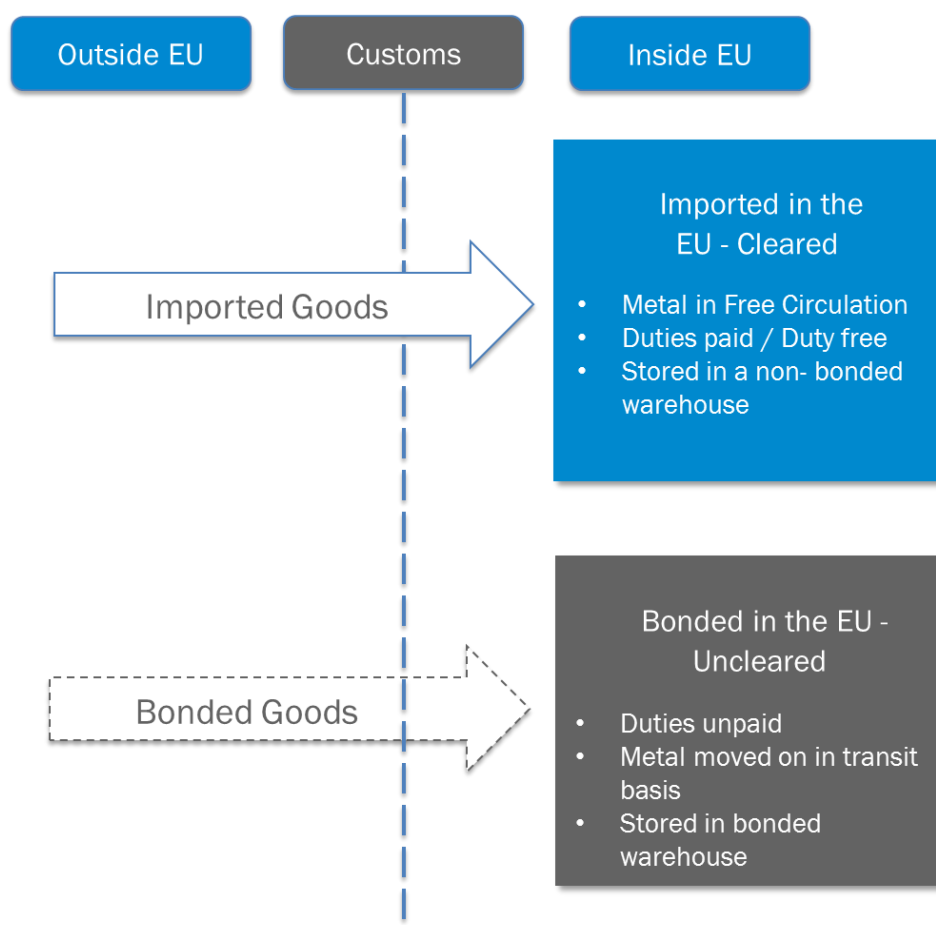
Please note that this document has been written basis our own experience of managing logistical flows within the EU from the Netherlands and Belgium. This document addresses the situation in The Netherlands specifically. There are specialized customs expert organizations who can advise on specific cases and/or questions.

1. Importing in the European Union

When bringing Primary Aluminium into the European Union (EU), the Primary Aluminium can be sold, stored and/or transported on either a customs cleared or uncleared basis (bonded goods). For this factsheet we use the term importing, for bringing Primary Aluminium in free circulation in the EU, meaning the metal is cleared for customs and duties have been paid. When the goods are not customs cleared, as they most likely will leave the EU again (either as the original product or as a manufactured product), we call this bonded goods.

Most cleared goods transactions in the EU have 0% Value Added Tax (VAT) under the Intra-Community supply Directive. For supplies within The Netherlands to Dutch buyers normal, VAT will be applied. As uncleared goods are technically not within the EU, no VAT regulations will apply to uncleared goods.

In this document we will discuss four typical scenario's; goods being delivered to final destination on a cleared and uncleared basis, and goods released EXW / FCA on a cleared and uncleared basis. For each scenario we will describe the specific details and documentary requirements.



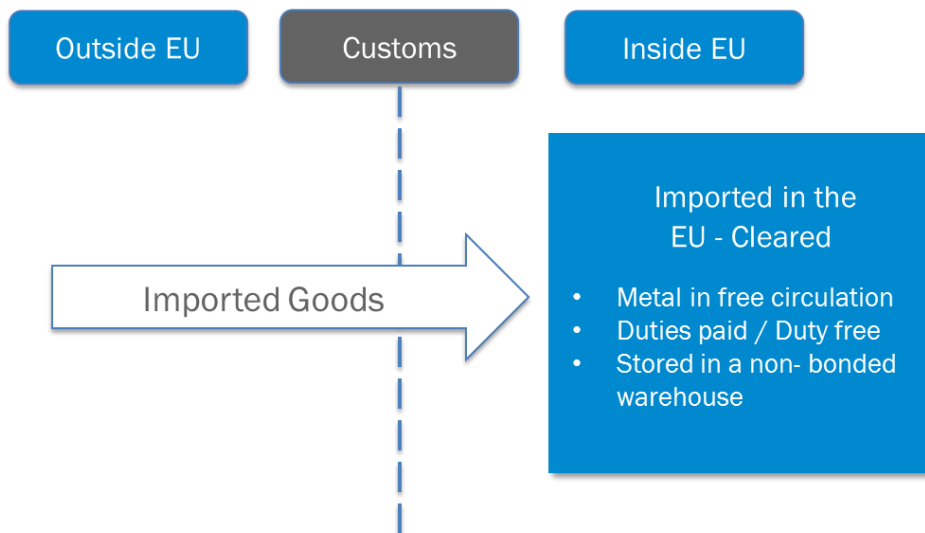
Note: Under certain conditions, cleared material can also be stored in a bonded warehouse, as long as it is administratively segregated from other material. The other way around, bonded material cannot be stored in a non-bonded facility.

2. Delivered Transactions

A. Customs Cleared

Please see below the typical characteristics and requirements for Primary Aluminium which is sold on a customs cleared basis and delivered to the customers nominated facilities. For metal stored in The Netherlands, the goods can only be cleared by a company registered and established in The Netherlands with a Dutch VAT number, or via a Limited Fiscal Representative.

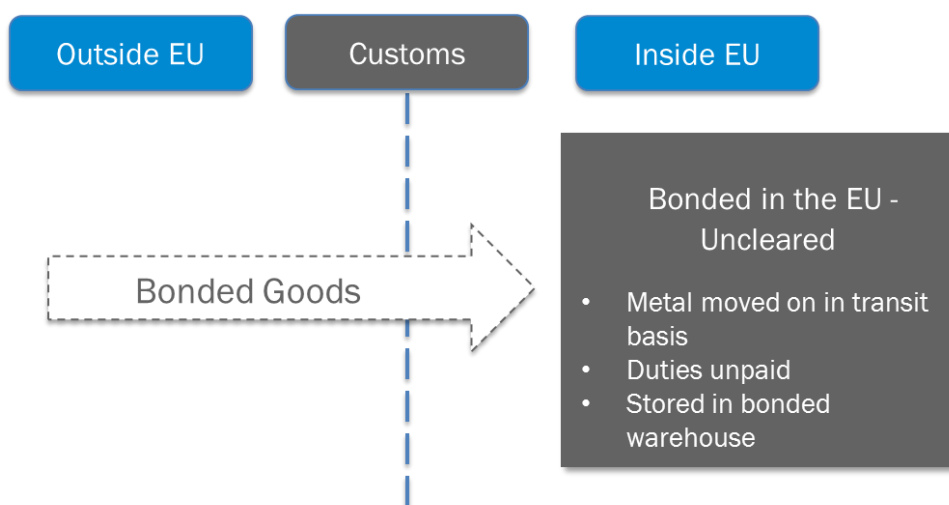
The metal sold can either be Duty Paid or Duty Free. Duty Free material means that the payable duties are in fact 0%, as there is a preferential status. Typically the metal will need to be accompanied by an EUR1 or GSP certificate, depending on the country of destination. Although no duties are payable the material still needs to be cleared for customs.



Characteristics	<ul style="list-style-type: none"> • Raffemet Commodities delivers the metal free for circulation to the customers facilities • We ensure correct and accurate documentation • Adhering to all local duties and tax requirements
Duties & Taxes	<ul style="list-style-type: none"> • Metal cleared, duties owed to local customs have been paid. • Duty level due to customs is dependent on material. • Deliveries within the EU are exempt from tax under art. 138.1 of the EU VAT directive
Documentation	<p>Sales invoice to include:</p> <ul style="list-style-type: none"> • Customer VAT number • 0% VAT • Optional: Intra-Community supply, art. 138.1 VAT directive 2006/112
REACH	<ul style="list-style-type: none"> • When the metal is purchased on a customs cleared basis, it is the supplier who has the obligation to ensure the metal is REACH registered. • The risk can be covered by stipulating this in the supply agreement.

B. Customs Uncleared

Please see below the typical characteristics and requirements for Primary Aluminium which is sold on a customs uncleared basis (Duty Unpaid) and delivered to the customers nominated facilities. As technically this material is not imported into the EU, the metal is not free for circulation and will be transported on an In-Transit basis to the customer. The goods will be recorded in the European customs system called NCTS (New Computerized Transit System). The metal will have to be accompanied by a Transit Declaration, which is basically a print out of the NCTS system during transport to the final destination.

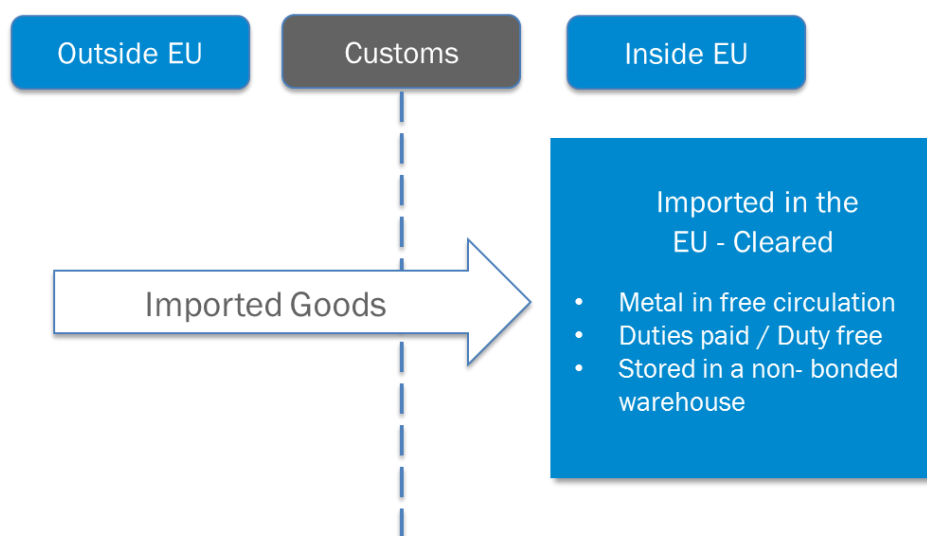


Characteristics	<ul style="list-style-type: none"> • Raffemet Commodities delivers Duty Unpaid material to the customers facilities (T1 or In-transit material) • We ensure correct and accurate documentation • Adhering to all duty and tax requirements
Duties & Taxes	<ul style="list-style-type: none"> • As the metal has not entered the EU from a customs perspective, the metal remains uncleared, therefore there is a deferment of payment of duties which are owed to local customs authorities. • No VAT, duty unpaid deliveries within the EU exempt from taxes • If goods are transported within the European Union or countries member of the EFTA (European Free Trade Association), this will be basis NCTS (in transit document)
Documentation	<p>Sales invoice to include:</p> <ul style="list-style-type: none"> • Customer VAT number • 0% VAT • EORI number will be stated on In-Transit documentation • In Transit transport documentation • In Transit document needs to be cleared by receiver in country of destination
REACH	<ul style="list-style-type: none"> • The European REACH legislation only comes into play when metal is free for circulation. Therefore as long as the metal has not been cleared there is no REACH obligation.

3. EXW/FCA Transactions

A. Customs Cleared

Please see below the typical characteristics and requirements for Primary Aluminium sold on a customs cleared basis (either Duty Free or Duty Paid) and the metal being released on an Ex Warehouse or Free Carrier basis. On this basis the metal is free for circulation within the European Union. The customer can pick up the goods at the warehouse location and arrange transport to final destination.

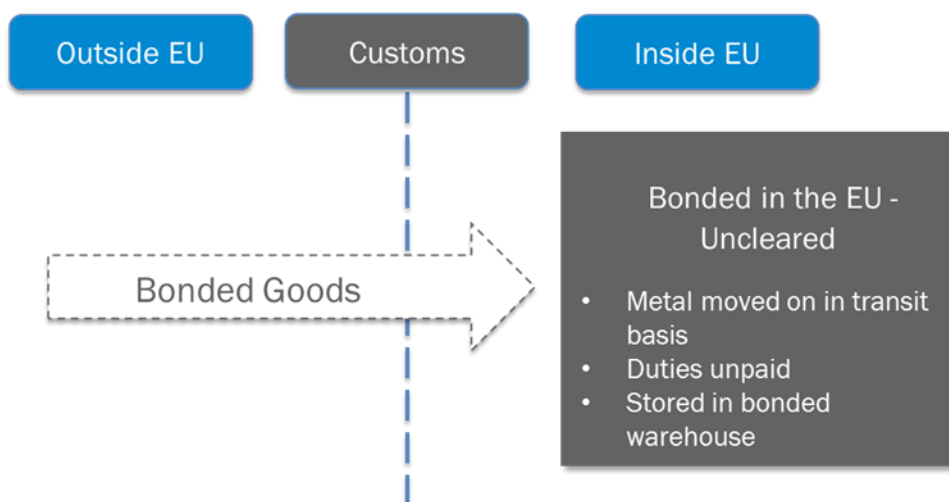


Characteristics	<ul style="list-style-type: none"> • The customer has purchased from Raffemet Commodities EXW or FCA, the metal is customs cleared and therefore free for circulation. • The customer can transport the metal on their own account to final destination.
Duties & Taxes	<ul style="list-style-type: none"> • Metal is cleared, duties owed to local customs authorities have been paid. • VAT 0% only when the customer has a fiscal representation agreement, If no fiscal representation VAT is owed to local authorities.
Documentation	<p>Sales invoice to include:</p> <ul style="list-style-type: none"> • Customer VAT number, 0% VAT (for non-Dutch counterparties). • Specific wording on Sales invoice can be required.
REACH	<ul style="list-style-type: none"> • When the metal is purchased on a customs cleared basis, it is the Seller who has the obligation to ensure that the metal is REACH registered. • The risk can be covered by stipulating this in the supply agreement.

B. Customs Uncleared

Please see below the typical characteristics and requirements for metal sold on a customs uncleared basis (Duty Unpaid) and the metal is released Ex Warehouse or Free Carrier. The customer can decide whether to clear the material himself, or transport the material on an In Transit basis to final destination. If the customer wishes to clear the material in The Netherlands, but has no local presence, the material will need to be cleared through a local fiscal representative. There can be cashflow advantages for the customer to clear the material in The Netherlands, as the payment of VAT can be deferred under certain conditions.

The customer can also decide to move the material on an In Transit basis, and clear the material at final destination. If this is the case, it is important that the In transit documentation is cleared in a timely manner to avoid fines.



Characteristics

- The customer has purchased from Raffemet Commodities EXW or FCA, and wishes to clear the material himself, or transport the material on an In-Transit basis.
- Clearing the metal in The Netherlands may give a cash flow advantage compared to paying VAT in country of destination if the Buyer has a fiscal representative.
- If the Buyer is not established in The Netherlands and has no Dutch VAT number, he will require a fiscal representative to clear the metal in The Netherlands.

Duties & Taxes

- Duties are payable to local authorities when metal is being cleared.
- Metal is free for circulation after declaration to customs is done
- VAT not payable if use of fiscal representative.
- If the metal will only be cleared in country of destination, it will be moved on in transit basis, VAT and duties will be payable at destination.

Documentation

- On Sales invoice customer VAT number, 0% VAT
- EORI number from buyer to warehouse for clearing or in transit purpose
- Enter into fiscal representation agreement in case no local VAT number
- Proof of delivery to final destination to seller when required

REACH

- In the event the Buyer will be clearing the metal himself, he either needs to be REACH registered himself or have an agreement with the producer, OR (Only Representative) or importer to use their registration number for the particular parcel

Note: Raffemet Commodities are not able to offer fiscal representation services. We can however assist in contacting specialized counterparties.

4. Explanation of Terms

Please find below a brief explanation of the terms used in the Taxes & Duties factsheet.

Article 138.1	Council Directive 2006/112/EC on the common system of value added tax (European Union). Art. 138.1 needs to be mentioned on the sales invoice for VAT to be exempted on Intra Community supplies (0%).
Bonded warehouse	Secured storage location supervised by customs authorities, where goods are stored without payment of duties.
Customs Clearing	Clearing the goods for free circulation in the European Union. Duties and Taxes are payable. Cleared: goods are good for free circulation in the EU. Duties are paid and taxed paid or exempted. Uncleared: goods are not cleared for free circulation. Duties and Taxes have not been paid. Material needs to be moved under special transport documentation (NCTS / T1).
Duties	When clearing goods for free circulation in the European Union, import duties need to be paid in the country of clearance. Level of duties depends on: Customs value of the goods, sort of goods, country of origin. Duties are the same in every EU country, unlike taxes. For the latest duties applicable, please refer to the local authorities.
EORI	Economic Operators Registration and Identification number. Uniform and unique identification number for customs in all EU member states. This number is required when dealing with customs within the European Union. You can apply for the EORI number via the customs authorities.
Limited Fiscal Representation	Limited Fiscal Representation (LFR) in The Netherlands and Belgium offers the possibility to import goods into the EU without paying VAT. This results in an advantage of the cash flow position for the importer. The goods are immediately free for circulation as soon as the declaration is done. The fiscal representative will declare the goods to Dutch customs on behalf of the importer. Duties will be payable in the country of importing. VAT will be dealt with by the fiscal representative through their administration and then the VAT will be passed on to the importer via ICT (Intra Community Delivery). The importer will acquire the goods, confirming the transaction. VAT will be payable in the country of importing (i.e. The Netherlands) and not in the country where the importer is based or final destination of the goods. Fiscal Representation services are typically offered by the warehouses where the material is stored, or by independent third parties offering this service.
Incoterms	Rules which describe the tasks, costs and risks involved in the delivery of goods from sellers to buyers. For clear explanation of terms please refer to the Incoterms 2010 issued by the International Chamber of Commerce.
Import Duties	See Duties

NCTS / T1	New Computerized Transit System. For the registration of the movement of goods within the EU without being cleared; i.e. without having paid duties and taxes. A transport declaration needs to be made for the goods. The goods remain under the supervision and control of customs until the goods are reported to customs at final destination, ready to be cleared. The goods are registered with a unique MRN (Movement Reference Number). Although the Buyer will be obliged to clear the transit document at final destination, ultimately the Seller remains responsible for the Buyer to do so in a timely and accurate manner.
Non-bonded Warehouse	Storage location to store goods which are free for circulation
REACH	REACH is a regulation of the European Union, adopted to improve the protection of human health and the environment from the risks that can be posed by chemicals, while enhancing the competitiveness of the EU chemicals industry. REACH stands for Registration, Evaluation, Authorisation and Restriction of Chemicals. Entered into force on 01/06/2007 (regulation (EC) No 1907/2006). Please refer to our REACH section on our website for further information.
Sales Invoice	Invoice issued by seller to buyer stating the description and value of the goods payable to seller. Used to record accounts receivable or payable.
Taxes (VAT)	Value Added Tax, neutral, i.e. has no impact on cost price of goods between companies. Taxes can be different in various EU countries unlike duties.
EFTA	European Free Trade Association. Current member states are: Iceland, Liechtenstein, Norway and Switzerland.

5. Conclusion

When bringing Primary Aluminium into the European Union, dependent on your specific situation, you can import the material at different points in time / location, by either clearing the goods before or after transportation to final destination. The decision is dependent on how your supply chain solutions fit your company strategy:

- Cashflow advantages and logistical optimization can be realized through the use of fiscal representation.
- Deferred payment of duties by transporting the material on an In –Transit basis.
- Depending on your company’s strategy with regard to REACH, you can decide whether or not to be the importer of the material.

What can Raffemet Commodities BV do for you?

- As a partner, work with you in finding the most optimal solution for your logistical requirements.
- Advising role when fiscal representation is required for your company.

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