

# Customs and Global Trade Update

November 2014



## TRUSTED TRADER PROGRAM– WHAT IT IS AND WHY IT'S IMPORTANT FOR YOU?

The Trusted Trader Program (TTP) is currently being developed by the Australian Customs and Border Protection Service and will impact all those involved in the international trade of goods. Under the program “trusted traders” will be offered trade facilitation benefits where there is a secure supply chain.

It's a long overdue and exciting development that could see importers enjoy deferral of customs duty payments, and exporters experience quicker clearance of their goods at foreign ports. Below we detail the latest information on the development of the program, why the program is important to you and the steps you should be taking now to prepare.

### WHAT IS THE TTP?

Many countries have in place systems similar to Australia's proposed TTP (sometimes known as Authorised Economic Operator programs) whereby qualifying importers or exporters are treated more favourably than non-qualifying traders. Qualification is usually based on supply chain security and a high level of compliance with Customs laws. Benefits of qualification are usually:

- » Less interference by Customs
- » Faster clearance of goods
- » A higher level of service from the Customs authority.

The TTP is currently being developed by Australian Customs in consultation with importers, exporters and representative bodies. The TTP represents a shift in the approach of Australian Customs from monitoring and enforcement to self-regulation and trust.

Those who qualify for the TTP will enjoy reduced regulatory and administrative burdens while those outside of the program will be the main focus of Australian Customs' compliance activities.

## WHY INTRODUCE A TTP?

From the perspective of Australian Customs the objectives of the TTP are to:

- » Reduce the entities and transactions that require compliance monitoring – with the constant increase in trade, they simply cannot monitor everyone and everything
- » Shift from a control framework to a partnership network
- » Better utilise “big data” (this refers to Australian Customs accessing and using third party data).

## FEATURES OF THE PROPOSED PROGRAM

The model is currently a work in progress and until approved by Government there is no certainty regarding the specific elements of the program. The model currently being considered may have the following features:

- » It would be open to all participants in international trade such as importers, exporters, customs brokers, freight forwarders and transporters
- » It would be a tiered system (current model considers three tiers) with different assessment criteria and benefits for each tier.

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**1.** The first tier would only require a paper based assessment and would bring minor trade facilitation benefits

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**2.** The second tier would require physical inspection of security measures and could bring benefits such as priority trade services (head of queue status), mutual recognition from other Customs authorities, easier access to benefits under free trade agreements and duty deferral

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**3.** The third tier would be open to those who display best industry practice. It may bring the same benefits as tier two plus additional benefits such as streamlined reporting

- » It will not be a one size fits all program. Security requirements for some industries may be very different to others
- » Security standards will focus on personnel security, information security and physical security
- » Use of “big data” by Australian Customs will be on a voluntary basis – Australian Customs will ask to review data and the TTP participant will be given the option of allowing access.

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## WHEN WILL IT COME INTO PLACE?

The program has many potential models and is currently being developed. The current hope is that a proposal will be put to Government for review in early 2015 with initial implementation later that year.

Once in place, some benefits will be immediate, while others (such as duty deferral) will require legislative change or changes to Australian Customs IT systems before they can be implemented.

## IS THIS RELEVANT TO MY BUSINESS?

For exporters the promise of mutual recognition is appealing. It is common for exports to be subject to lengthy delays at the foreign borders. Many countries allow quicker clearance and less pre or post clearance checks where the exporter is a member of a trusted trader or similar program.

For importers, the benefits will depend on whether you pay significant duty and the extent to which you currently experience delays in clearing goods or otherwise dealing with Australian Customs.

Ultimately, the main benefit for both importers and exporters is that you will not be part of the smaller group of traders who will be the main focus of Australian Customs’ compliance activity. It should not be expected that being outside the TTP will be simply maintaining the status quo.

## WHAT SHOULD I BE DOING NOW?

The requirements and benefits of the new program are still being developed. However, one consistent element of these programs worldwide is that participants must have a strong compliance record. Importers and exporters should now be:

- » Assessing whether their past imports and exports are fully compliant
- » Where there is doubt regarding compliance, considering obtaining rulings from Australian Customs
- » Reviewing internal customs compliance procedures
- » If compliance issues are identified, seeking advice regarding voluntarily disclosure
- » Reviewing systems in place to ensure security concerning each of the goods, personnel and data relating to international transactions.

## LIKE TO KNOW MORE?

This is a moving topic. For the latest information or assistance with preparing for the TTP please contact us.

Disclaimer: The information contained in this update is not advice and should not be relied upon as legal advice. Hunt & Hunt recommends that if you have a matter that is legal, or has legal implications, you consult with your legal adviser.