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CUSTOMS AND TAXATION

Authorized Economic Operator*

The Netherlands is an important Gateway to Europe. International trade flows enter Europe through this country by all modes of transport. Customs plays a vital part in limiting logistic delay and administrative burdens for trade and industry. Companies that have the AEO-status will benefit from trade facilitation measures, such as fewer physical customs inspections at EU borders, priority treatment when selected for inspection, simplified administrative compliance procedures, all resulting in lower costs, higher efficiency and shorter time-to-market.

The growth of global trade and increasing security threats to the international movement of goods have forced customs administrations to focus more and more on securing international trade flows. As a result, the World Customs Organisation (WCO), drafted the WCO Framework of Standards to Secure and Facilitate global trade (SAFE). In the framework, several standards are included that can assist Customs administrations in meeting these new challenges. Developing an Authorized Economic Operator program is a core part of SAFE. This initiative aims at securing the supply chain from manufacturer to importer, and impacts all economic operators in the supply chain.

What is AEO?

As global trade and the international flows of goods continue to grow, it becomes more challenging for customs authorities to control all shipments coming into their territories. The principle of the AEO, which is very similar to that of the C-TPAT in the USA, therefore focuses on the evaluation of the guarantees and procedures in place that ensure the safety and security throughout the entire supply chain, instead of focusing on checking individual shipments.

Every company, or economic operator, that is involved in transport of goods to and from the EU, i.e. manufacturers, importers, exporters, brokers, carriers,

ports, airports, terminal operators, warehouses, distributors, can apply for the AEO-status. A company will be certified as Authorized Economic Operator when it can prove that it complies with certain conditions related to security and administration in the supply chain. The AEO certificate is valid in all EU Member States, so a company will only have to apply for it once. However, AEO certificates are issued at subsidiary level. Multinational registrations are not possible yet. Multinationals or large businesses should therefore submit several applications at subsidiary or country level

What are the advantages of having the AEO status?

Although obtaining the AEO status is not compulsory, it is advisable for companies involved in EU trade to apply for the certification. Companies that have the AEO-status will benefit from trade facilitation measures, such as fewer physical customs inspections at EU borders, priority treatment when selected for inspection, simplified administrative compliance procedures, all resulting in lower costs, higher efficiency and shorter time-to-market.

Besides, companies might also need to apply for an AEO status in order to remain competitive and to comply with the demands of their (potential) customers. There is an EU wide AEO database

containing the names of all companies that have the AEO status, and potential trade partners may only want to do business with certified companies, as it acknowledges their trustworthiness and reliability.

Three kinds of AEO certificates

There are three kinds of AEO certificates:

1. AEOC – Customs simplifications
2. AEOF – Customs simplifications/Security and safety
3. AEOS – Security and safety

Facilitation measures offered depend on:

- The kind of certificate
- The role of the company with the supply chain

How to apply for the AEO status

To apply for the AEO status a company will have to send an application to the customs authorities of the EU member-states where it is based. To be granted the AEO-status, the company should comply with certain criteria related to administrative control measurements and security in the supply chain. It should e.g. have a satisfactory system for managing commercial and transport records, which allows for appropriate customs control, and it should have proven financial solvency, and appropriate security and safety standards.

The application is largely based on self-assessment and consists of three parts; the AEO application form, a summary of the self-assessment, and a declaration that the applicant is aware of the relevant legislation, and will maintain its compliance. Within 5 days after the application the authorities will inform the other member states of the application, and within 120 days it will decide whether the AEO status will be granted.

Worldwide coordinated AEO-programs; more secure supply chains and facilitator for global trade

Most members of WCO have acceded to the SAFE framework and it can be expected that in the next few years, the majority of customs administrations will introduce AEO-programs. Although all these programs find their roots in the SAFE framework of standards, the approaches differ. The importance of coordinated, similar, programs lies in the fact that the ultimate goal is to get all national programs mutually recognized, meaning that AEO accreditations have the same value everywhere. As a result secure supply chains can be established, from origin to destination. This would greatly facilitate global trade.

C-TPAT

On 4 May 2012, the European Union (EU) and the United States (U.S.), through a decision of the EU-U.S. Joint Customs Cooperation Committee (JCCC), agreed on mutual recognition of the Customs-Trade Partnership Against Terrorism (C-TPAT) program in the United States (U.S.) and the Authorized Economic Operator (AEO) program of the European Union (EU). According to the JCCC decision, the EU and the U.S. will take favorably into account in their risk assessment, for the purpose of the conduct of inspections or controls, the respective membership status of certified trusted traders. The favorable treatment provided by mutual recognition will result in lower costs, simplified procedures and greater predictability for transatlantic business activities.

For more information also check:

Dutch Customs Authorities – Authorized Economic Operators

http://www.belastingdienst.nl/wps/wcm/connect/bldcontentent/belastingdienst/customs/reference_books_and_other_information/authorised_economic_operator_aeo/aeo_introduction/

EC Customs and Taxation Union – Authorized Economic Operators

http://ec.europa.eu/taxation_customs/customs/policy_issues/customs_security/aeo/index_en.htm

EC Customs and Taxation Union - Authorized Economic Operators (AEO) Database

http://ec.europa.eu/taxation_customs/dds2/eos/aeo_home.jsp?Lang=en

* Except for phytosanitary and veterinary goods, as they are subject to EU Community legislation.