Chemical Processing Plant Capital Projects, Case Study 'B'

Company A implements a new Chemical Processing Plant, which includes ten different parts or sub-assemblies from all over the world. It contracts with the project management company (PMCO) to manage the acquisition and import of the plant on behalf of the company, build the plant, and continue supporting it in the future.

PMCO engages a Freight Forwarding company to import the plant on its behalf. The Freight Forwarder asks PMCO for instructions, including the tariff classification and value of each item of plant importer. PMCO asks the plant suppliers for tariff codes for each part of the plant to declare to customs at the time of import.

The Solution:

Using customs options and elections such as **Split Consignment Relief** or **Inward Processing Tariff Inversion** would enable you to treat the imports of the plant as the finished plant itself, giving rise to a total saving of **£614,000**.

In this case, if the IT costs were £60m rather than £3m, it would be better to declare the individual parts of the plant separately

Landed Value	Landed Value	Duty Rate	Duty Cost
Aluminium Tubing	**£5m**	**6%**	£300,000
Transmission Equipment	**£10m**	**4%**	£400,000
Valves	**£8m**	**2%**	£160,000
IT Equipment	**£60m**	**0%**	£0
Gas Turbine	**£12m**	**3%**	£400,000
	£95m		**£1,260,000**

The duty costs using the election to use the tariff rate of the finished machine in this instance would be £95m at 1.5%, so £1,425,000.

The total saving from choosing to classify the items individually would be £165,000.