

3.4. Customs

- 3.4.1 Businesses operating within Freeport customs sites will receive tariff benefits, including duty deferral while the goods remain on site, and duty inversion if the finished goods exiting the Freeport attract a lower tariff than their component parts. Subject to the UK's trade agreements, businesses may also be able to take advantage of customs duty exemption on goods that are imported into a Freeport, processed into finished goods and subsequently re-exported.² They will also be able to suspend import VAT on goods entering the Freeport. In addition, businesses operating in Freeports will be authorised to use simplified import procedures. This model expands on existing customs facilitations and procedures available to business.
- 3.4.2 The operator of the customs site will be responsible for ensuring goods on site follow the correct customs processes. Operators of customs sites will need to obtain authorisation for their customs sites. HMRC will provide detailed guidance on the authorisation requirements in due course. The following sections outline the expected requirements. **Bidders should ensure that the operators of all proposed customs sites are willing and able to undergo appropriate authorisation.**

i. Responsibilities of operators of customs sites

- 3.4.3 Principally, the operator of a Freeport customs site is responsible for the control of movement of goods and the access of people in and out of the customs site. This will include ensuring that goods are only able to leave the Freeport customs site when permitted by HM Government.
- 3.4.4 Operators of Freeport customs sites must adhere to the [OECD Code of Conduct for Clean Free Trade Zones](#) – and the specific anti-illicit trade and security measures therein. They will also need to maintain the current obligations set out in the [UK's Money Laundering, Terrorist Financing and Transfer of Funds \(Information on the Payer\) Regulations 2017](#). UK's Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017.
- 3.4.5 An operator of a Freeport customs site will be jointly and severally liable with a declarant for any import duty liability arising where there is a breach of any requirement of the Freeport operator's authorisation in relation to the keeping of goods in the Freeport customs site. This is consistent across other customs authorisations.

ii. Authorisation requirements

- 3.4.6 As set out in 3.1.9, **bidders will need to set out any sites within the Freeport area they intend to use as a customs site.** This site would need to be authorised before it can operate as a customs site. This authorisation includes meeting requirements set out by HMRC and Border Force and may involve other departments or agencies including Defra. Authorisation of the Freeport customs site will be based on the existing [Authorised Economic Operator security and safety \(AEO\(S\)\) standards](#), including:
- a. Measures to prevent unauthorised access to the Freeport customs site – this involves having robust perimeter security measures such as fences, controlled access gates and lighting to secure goods within the customs site
 - b. Having appropriate measures in place to ensure that businesses operating within the Freeport customs site are complying with the relevant security requirements
 - c. Ensuring that their external service providers, e.g. cleaners, caterers, software providers, contractors, or security companies meet the relevant security requirements

² Some FTAs contain a Duty Drawback Prohibition. Duty drawback is refund of import duty when the goods are re-exported. This clause prohibits granting tariff preferences to goods that benefitted from duty drawback on third-country inputs. This means businesses have to choose between whether they want to benefit from the duty drawback or the preferential rates under the FTA (provided they meet the rules of origin test under that FTA). The UK has rolled over 15 FTAs that contain this prohibition.

3.4.7 Operators of Freeport customs sites will also need to designate part of the customs site as a temporary storage area, as per the standard UK customs import rules. This requirement is also present in other existing customs procedures where the goods have a customs pre-cleared status. To do this, the operator will need to secure a Temporary Storage authorisation. More information, including how to apply can be found at gov.uk.³

3.4.8 We will publish further details on authorisation requirements in due course.

iii. Other customs authorisations

3.4.9 Operators of Freeport customs sites may wish to facilitate Transit movements to and from their customs sites and there are different ways they can do this. For example, operators may offer Transit facilities and Authorised Consignee and Consignor functions to businesses on site. This will offer a streamlined approach for businesses to start and end their transit movements. To do so, operators will need to have the appropriate authorisations, many of which will be required to operate as a Freeport customs site in any case.

3.4.10 Alternatively, an operator of a Freeport customs site can allow businesses that are authorised consignors or consignees to use its Temporary Storage facilities as premises to start or end their movement.

3.4.11 Offering Transit facilities will help the government deliver on its 2025 objective to move as much customs compliance away from the border as is possible and appropriate.

iv. Inventory linking systems

3.4.12 HMRC-approved inventory linking systems control and monitor the movement of goods through frontiers. Inventory linking systems provide greater visibility for the control of goods and allow an electronic link to HMRC's declaration processing system, which saves significant resources for businesses.

3.4.13 Operators of Freeports customs sites will need to have secured a HMRC-approved inventory linking system that would ensure control of the movement of goods entering and exiting the Freeport customs site.

3.4.14 Additionally, the inventory linking system would need to ensure control of movement of goods between different Freeport locations and between a Freeport customs site and ports.

v. Customs compliance infrastructure

3.4.15 Infrastructure will be required by HMRC, Border Force and other agencies such as the Animal and Plant Health Agency (APHA) to carry out checks in line with existing arrangements at ports. Freeport operators will be required to provide this infrastructure. Infrastructure may include, but not be limited to, examination facilities, potential sites to scan goods and vehicles, and a dedicated area to securely store goods.

³ <https://www.gov.uk/guidance/temporary-storage>

vi. Excise goods

- 3.4.16 As excise goods are subject to additional controls to mitigate the risk of illicit trade, bidders will need to comply with additional requirements. Potential operators will need to demonstrate that they are a “fit and proper” person to allow excise goods to enter and be processed in the Freeport customs site in line with the existing excise rules and conditions. This ensures a level playing field with excise businesses in the rest of the UK and helps to protect the revenue in respect of excise goods held in duty suspension within the Freeport customs site.

vii. Future customs requirements

- 3.4.17 The government will regularly review the requirements and bidders will be expected to keep up to date with the requirements and co-operate with government agencies.
- 3.4.18 The government has recently published the [2025 UK Border Strategy](#) public consultation. One of the aims is to support “ports of the future” to make the experience smoother and more secure for businesses and traders. Bidders are encouraged to set out how they would be able to contribute to making a highly digitised process available for businesses and providing infrastructure that is resilient, multifunctional and facilitative.

viii. Removal of authorisation

- 3.4.19 Operators of Freeport customs sites are always required to meet the conditions as set out in their authorisation. Failure to meet any of these conditions may result in removal of their authorisation by HMG.

3.5 Tax*i. The Tax Site*

- 3.5.1 As set out in Section 3.1, **bidders must set out on a map the area where they propose the Freeport tax measures should apply** in compliance with the government’s requirements.
- 3.5.2 In order to minimise the risk of tax evasion or other criminal activity in the tax site, the Freeport Governance Body will be required to maintain a record of all the businesses operating or applying to operate within the tax site. This record will need to be readily accessible by HMRC, the NCA, and Border Force operatives.

ii. Stamp Duty Land Tax (SDLT) Relief

- 3.5.3 The government intends to offer SDLT relief on land purchases within Freeport tax sites in England where that property is to be used for qualifying commercial activity. It is intended that this relief will apply from 1 April 2021 until 31 March 2026. Clawback of this relief is intended to apply in cases where land is not used for a qualifying purpose within a control period, usually three years or earlier if the land is sold.
- 3.5.4 All purchasers of qualifying property and land would be able to claim this relief through the SDLT return.
- 3.5.5 Bidders should note that policy on taxes on land transactions in Scotland and Wales is devolved to the Scottish and Welsh governments and so any land transaction relief in Freeports in Scotland and Wales may differ to the offer in England.

iii. Enhanced Structures and Buildings Allowance (SBA)

- 3.5.6 The government intends to offer an Enhanced SBA rate, providing enhanced tax relief for firms constructing or renovating structures and buildings for non-residential use within Freeport tax sites. This accelerated relief is intended to allow firms to reduce their taxable profits by 10% of the cost of investment every year for ten years, compared with the standard 3% p.a. over 33 and a third years available nationwide. This relief would be claimable where qualifying expenditure is incurred, all associated construction contracts are entered into and the asset in question is brought into qualifying use between 1 April 2021 and 30 September 2026.
- 3.5.7 Qualifying firms will claim capital allowances as part of their income or corporation tax return. As is standard under the existing SBA, claimants will be required to retain an allowance statement to demonstrate eligibility for claims throughout the 10-year period over which relief can be claimed.
- 3.5.8 The standard SBA capital gains clawback and anti-avoidance provisions will be maintained under the enhanced SBA in Freeports.

iv. Enhanced Capital Allowances (ECA)

- 3.5.9 The new ECA the government intends to offer in Freeport tax sites will provide enhanced tax relief for companies investing in qualifying new plant and machinery assets. This accelerated relief is intended to allow firms to reduce their taxable profits by the full cost of the qualifying investment in the same tax period the cost was incurred. Firms investing in the Freeport tax site would be eligible to benefit from the relief where the qualifying investments are incurred on or after 1 October 2021 until 30 September 2026. Assets eligible for relief must be for use primarily within defined Freeport tax areas.
- 3.5.10 Firms will access the measure by claiming capital allowances as part of their corporation tax return.
- 3.5.11 As is standard for capital allowances, the Freeports ECA will feature a balancing charge in some situations where a purchased asset for which the ECA has been claimed is then later sold (disposed of). The standard disposal rules for capital allowances for plant and machinery will apply including, where appropriate, balancing charges.

v. Employer National Insurance Contributions (NICs) Rate Relief

- 3.5.12 The government intends to enable employers operating in a Freeport tax site to pay 0% employer NICs on the salaries of any new employee working in the Freeport tax site. This 0% rate would be applicable for up to three years per employee on earnings up to a £25,000 per annum threshold.
- 3.5.13 An employee will be deemed to be working in the Freeport tax site if they spend 60% or more of their working hours in that tax site.
- 3.5.14 The relief is intended to be available for up to 9 years from April 2022. Partway through, the government intends to review this relief and decide whether it should be continued up to its end date in 2031. The relief would end no earlier than April 2026 and would therefore be available for a minimum of four years. The government will provide further detail on timings in due course. The government will ensure it has the power to prevent access to the relief for those employers found to be abusing this relief by manipulating their employment practices, for example dismissing staff specifically to benefit from it.
- 3.5.15 To claim this relief employers will have to be registered with the Freeport Governance Body and operating in the Freeport tax site. Employers will be able to claim the relief through the existing Real Time Information returns, and the government will work with payroll software providers to facilitate this. Employers will be required to notify HMRC when an employee is no longer eligible due either to the three year per-employee eligibility period coming to an end, or to the employee or employer ceasing to meet the eligibility criteria.

vi. Business Rates Relief

- 3.5.16 The government intends to offer up to 100% relief from business rates on certain business premises within Freeport tax sites. This relief is intended to be available to new and certain existing businesses in Freeport tax sites in England from 1 October 2021 and would apply for 5 years from the point at which the beneficiary first receives relief. The point at which a business first receives relief must be by 30 September 2026. The cost of the relief will be funded by central government.
- 3.5.17 It is intended that newly formed businesses and businesses relocating to a Freeport will be eligible for the relief. Partial relief would also be available to existing businesses in Freeports that expand into new or additional property, expand their existing property, or expand into an unused part of an existing property following redevelopment, providing the increase in rates bills attributable to these factors is reasonably ascertainable by the local authority. New businesses or new growth will be assessed against the position on 1 October 2021. Where the Freeport tax site is located within an existing Enterprise Zone with business rates relief, businesses must choose between the Enterprise Zone offer or the Freeport offer.
- 3.5.18 Eligible firms will be able to apply to the relevant local authority to access this relief. Subject to guidance from MHCLG, local authorities will be able to finalise the details of the schemes in their Freeports, including any local displacement tests and the design of an application process, as they see fit.
- 3.5.19 Bidders should note that local taxation policy is devolved to the Scottish, Welsh and Northern Ireland governments. For this reason, non-domestic or business rates relief in Freeports in Northern Ireland, Scotland, Wales and Northern Ireland may be different to that available in English Freeports.

vii. Local Retention of Business Rates

- 3.5.20 It is intended that the council or councils in which the Freeport tax sites are located will retain the business rates growth for that area above an agreed baseline, following the example of [Enterprise Zones](#).
- 3.5.21 This will be guaranteed for 25 years, giving councils the certainty they need to borrow to invest in regeneration and infrastructure that will support further growth.
- 3.5.22 Retained receipts should be used to cover borrowing costs (where relevant); re-invest in the Freeport tax site to generate further growth; or offset expected effects of displacement of local economic activity from deprived areas.
- 3.5.23 **Bidders should set out a decision-making process for agreeing how retained rates should be reinvested.** This is particularly important where a tax site intersects multiple local authority areas (i.e. billing authorities).

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