



Import Handbook **2020**



Make Trade

Preface

There are many reasons why importing plays a key role for Sweden. Like many small countries, Sweden is unable to produce all the raw material, products and services it needs to add value to Swedish industry and the consumer market. This global pattern has become even more reinforced with e-commerce. The Swedish economy is therefore highly dependent on imports. In fact, industries such as clothing, food and electronics are totally dependent on imports.

The importing of goods and services into Sweden has other implications as well. The exposure to international competition, puts pressure on Swedish companies to stay competitive in terms of price and quality.

Even though imports can play a key role for larger companies, the topic is often neglected at a strategic level. Smaller companies and start-ups often do not know where to turn with the different questions they stumble on when importing.

The purpose of this Import Handbook is to help you navigate around the everyday issues and challenges you need to tackle when importing.

The Handbook shares advice on:

- What you need to know when you start up your importing business.
- How to plan your importing activities strategically in order to lower risks, save costs increase profits.
- Details and practicalities tied to importing.

As a 360° guide to importing – this Handbook gives you the support you need to develop your business. We would like to thank Tillväxtverket for their support and co-financing of this Handbook.

Our thanks also goes to those listed below, who have contributed content and written the different chapters: Charlotta Sandahl (Agility), Johan Ohlsson (Regin), Ross Hopwood (Breaze Solutions), Nathalie Aldana (Nathalie's Direct Trade), Ulf Djurberg (Settervalls) and Ylva Rosén (Swedbank). Thanks also to Madeleine White (Madeleine F White Consultancy) who has created this English version, and Rickard Örtégren for layout.

We hope you find it useful!

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Ensuring you have a solid purchasing process, with a checklist of carefully defined steps, will help you make the most of your success while minimizing risk.

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Introduction to the Import Handbook

The Import Handbook has been designed to help those who wish to start an import business succeed. If you've never imported before, the Handbook's step by step approach, will support you right through the process – starting with a feasibility study that allows you to work out whether an import focussed business is the right thing for you.

It is important to remember that, even before you start importing, due diligence around searching for potential suppliers and business partners will be rewarded. These days, it is possible to source an almost endless supply of goods online, by reaching out to suppliers all over the world. However, this doesn't necessarily mean they will deliver your goods within the quality and price range agreed, nor that they are the right people for you to go into business with. If you truly want to find business partners you can trust, you need to travel regularly to meet and engage with your suppliers in person. This will give you a chance to see their production process in action, bring back product samples, get to know your customers and build a long term relationship with them.

Although risk is associated with all import transactions, thorough preparation can help you avoid costly pitfalls and surprises. For example, being aware of the differences between the rules, in terms of how you import from countries outside the European Union, as opposed to those within the EU, will help you gain a better understanding of the applicable laws, duties, taxes and restrictions.

Signing an agreement with the business or individual you are importing from, at the very outset of your dealings, is also highly recommended. It will help you manage your freight costs along with other logistics involved in getting your goods into Sweden. Setting out a finance plan for your import business is also important.

Just started your business?

There is further guidance below from the following Swedish government financed agencies. You may need to contact them by mail or phone to see what information they have in English:

- [Tillväxtverket \(verksam.se\)](https://www.verksam.se/) • [Bolagsverket](https://www.bolagsverket.se/)
- [Almi](https://www.almi.se/) • [Skatteverket](https://www.skatteverket.se/) • [Nyföretagarcentrum](https://www.nyforetagarcentrum.se/)

Once your business is registered you will be in a position to take advantage of the information contained in this Handbook.



The Import Handbook has been designed to help those who wish to start an import business and succeed, and for those who want to scale up and make their business more efficient when it comes to imports.

The import process in 6 simple steps

Deciding on the key steps you need to focus on when you start your importing journey, is a must. We have therefore divided the main body of this Handbook into chapters that reflect the steps we believe are crucial regarding the import process. You will find a simplified version of both timeline and process illustrated below. In the real world, neither will be as clearly defined (especially not if you are a start-up!); however, this overview will help kick-start your journey.

By fine-tuning the purchasing process of your import business with the kind of checklist we have set out here, you are setting yourself up for success – not least because you are minimising your risks.

Missing sections?

The sections in this Handbook may be downloaded as separate pdf:s (excerpts) or together as one complete Handbook.

If you are unsure of what version you are currently looking at, take a quick look at the cover page.



From needs analysis to business model

Market positioning

For your import business to be profitable and sustainable, there needs to be someone who wants to buy your product as well as market demand. There are however many segments within a market. You may, for example, be importing goods to resell directly to the retail sector or as a supplier in a Business to Business environment. You might be bringing in goods to support your own manufacturing or production process – or selling the goods directly to the consumer through your own outlets.

Before you start importing, you should therefore formulate a basic market analysis and know what segments in the market you are focusing on. Key to success is analysing the market properly. A rigorous market analysis will help you determine your position on the market. To become competitive, you may need to choose between different strategies and customer segments. Porter's Model of *Three Generic Strategies* for Competitive Advantage (see image below) are frequently used to guide this process.



Key to success is analysing the market properly. A rigorous market analysis will help you determine your position on the market. To become competitive, you may need to choose between different strategies and customer segments.

Market positioning (cont.)

A wealth of online information is available to help you with your marketing strategy. The classic (Porter) model will give you a base for exploring the following:

- *Strategic target group*: Does your product satisfy a particular, targeted need or should it be sold to the entire market?
- *Strategic advantage*: Is your product unique when compared to others in the market? What is its competitive advantage?

See below, for some basic considerations around market positioning:

- *Market focus*: Will you chose to engage with the market in its entirety, or is a niche customer group more appropriate?
- *Differentiation*: Is your product unique? Do you, for instance, offer an exclusive brand or services that are unique on the market? Is your offering of superior quality or delivered in a certain way?
- *Cost Leadership*: competing with the lowest price: If your product is not unique, are you able to compete on price? This in its turn requires that you and your suppliers have competitive, cost efficient production units and lean structures.



THE PORTER MODEL APPLIED: SELLING HANDBAGS

If you import handbags and apply the *cost strategy*, you will be selling handbags at the lowest price. Alternatively, you can apply the *differentiated strategy* by selling luxury, branded handbags. You can even sell sports handbags, aimed at athletes. This would count as the *specific segment focus*.

Profitability?

Once you have decided that there is indeed a market for your product, it's time to start scrutinising features such as functionality, appearance and quality. You should also consider product distribution and delivery. The goal is to pull together as much relevant information as you can; i.e. purchase price, delivery conditions and other costs. This will help you make an informed decision in terms of overall profitability. If your profit margins are too low, it is a good idea to source an alternative line of products or rethink your business.

The list of requirements below, give examples of what you may need to consider.

PRODUCT FEATURES AND REQUIREMENTS

- Are there specific requirements around functionality?
- Is my product user-friendly?
- Does my product have particular features?
- How safe is my product?
- Accessibility/easy to supply on short notice?
This may be important depending on if end user is in retail or industrial production.
- What are the conditions for moving and transporting the product?
- Is there a need to meet particular requirements – e.g. standards/certification for the product?



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If your profit margins are too low, it is a good idea to source an alternative line of products or rethink your business.

Profitability? (cont.)

COSTS FOR PURCHASING AND IMPORTING

Purchasing costs will include the immediate purchase price. However, your calculations should also include the costs associated with the whole import process. The list below is not exclusive, but gives you a good idea of what you need to budget for.

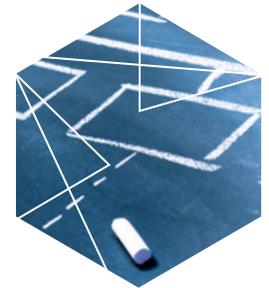
- Purchase price
- Freight/shipping and insurance
- Quotas and tariffs
- Customs duty and other taxes
- Costs for testing and certification
- Environmental fees: waste and recycling etc.
- Sales costs
- Warranties and insurance
- Payment fees
- Costs for personnel, payroll, premises etc.

IS IT PROFITABLE?

Here are examples of what is important to include when working out profitability:

- Base your calculation on the *product features and requirements* in accordance with above.
- Base your calculation on the overall *cost estimate* for purchasing and importing the product in accordance with above.
- Determine a sales price with a *workable profit margin*.
- Compare the price with the corresponding products that are already on the market; to determine whether your product will be competitive and saleable.

Once you are up and running with your imports and are ready to scale up, you need to include key figures in your financials to reflect overall profit and cash flow so you know what it will actually cost you to run and scale up your business.



Purchasing costs will include the immediate purchase price. However, your calculations should also include the costs associated with the whole import process.

Business contacts and industry networks

Finding business contacts and suppliers

There are many different ways to find business partners and suppliers. Based on the industry you are currently working in; you may already have personal contacts. You might even be importing various components to support your production process. It could also be, though, that you are starting your business from scratch.

If you are starting to build business contacts and suppliers from zero, doing your homework becomes even more important. The more research you do around the industry you wish to engage with, the better placed you will be to find suppliers and business partners to match your needs. It is true that the internet offers almost endless possibilities. However, when accessing goods and services from around the world, it is worth starting with researching and engaging with the tried and tested channels below.



The more research you do around the industry you wish to engage with, the better placed you will be to find suppliers and business partners to match your needs.

Finding business contacts and suppliers (cont.)

A good tip is to look for distributors who work with products similar to your own in other countries. Reach out to them to find out who their suppliers are. Word of Mouth is also a great method, as are social media channels such as LinkedIn, Facebook and Instagram.

Remember though, it's not just about connecting, it's also about finding suppliers that you can trust to deliver your goods on time and to the quality and price agreed.

Below are some examples of the arenas and places where you may be able to network, get market information and make business connections:

- Fairs
- Industry colleagues
- Distribution Houses
- Wholesalers
- Foreign embassies and trade representations
- Business to Business (B2B) and contact databases
- Chambers of Commerce
- Industry organizations
- Industry magazines and specialty magazines
- Participating in company / official delegation overseas or being part of receiving business delegations from abroad.
- Check out customs import statistics to get a break down of countries that export to Sweden and which types of goods they supply



A good tip is to look for distributors who work with products similar to your own in other countries.



Procurement

Choosing the right supplier

If you wish to become a successful Importer, choosing the right supplier is a must. How you make your choice, though, will depend on a number of factors. Whether you have gone for a supplier you already know or have decided to take a leap into the unknown – setting the criteria needed to make a professional assessment of a potential supplier, is crucial.

In your needs analysis you will have summarised product procurement requirements (functionality, appearance, quality, shipping etc.). Your next step is to specify the additional criteria needed to support your supplier assessment.

The diagram below, specifies areas that are important for you to consider as part of this. Don't forget, though, a good personal relationship should be at the heart of any business relationship!



Choosing the right supplier (cont.)

The broad-brush assessment criteria from the previous page will help you drill down to your own individual checklist. This is specific to you and should include discussion points you will use to engage with potential suppliers.

Use the previous diagram, showing assessment criteria for suppliers, to clarify your thinking. Below are further pointers which should help you put together a more detailed picture.

Discussions with potential suppliers might include the following:

- Are they able to deliver at the right price?
- Are they able to deliver your requirements in terms of quality and other characteristics of the product and support services that might be needed?
- Are they able to meet set delivery times?
- Are they able to deliver to Sweden – based on the set-up you require as well as adhering to the relevant rules and regulations?
- Are there other existing collaborations with Swedish companies?

- What other customers does the supplier work with? Is there a chance they may be potential competitors for you and if so, what terms has the supplier given them?
- Is the supplier legally entitled to give you the distribution rights for Sweden?
- What payment terms does the supplier have?
- Digital skills – do they have a professional website? E-commerce?
- Financial stability – what do the past three years of annual reports look like?
- Who owns the company? Is there a transparent ownership structure?
- Sustainability – do they meet legal requirements on environmental, health, safety and labour law? (See separate section on *Sustainability*).
- Are there other risks associated with the supplier and the country of origin?
- Are parallel imports occurring, including via e-commerce?



Setting the criteria needed to make a professional assessment of a potential supplier is crucial.

Choosing the right supplier (cont.)

- Are there any risks in terms of corruption and money laundering? (See later section on importance of Know Your Customer, KYC.)
- Are supplier references readily available? How is the supplier rated? Are you able to speak to other customers?

The following points are especially important to put into the agreement and contract you sign with the supplier:

- Specification of the quality of the product
- Guarantee of ability to supply and transport product
- Terms for payment and finance
- Guarantee terms and the complaints procedure
- What after-service support may be needed and should therefore be included.

You can reduce upfront risk, by ensuring that verbal assurances from your supplier are written into the contract. The following chapter gives a more detailed explanation on the different relationships you may have with your supplier in legal terms. These should be reflected in any signed agreements. The legal relationship will basically define the division of responsibility between the yourself and the supplier.



You can reduce upfront risk, by ensuring that verbal assurances from your supplier are written into the contract.

Risks related to your supplier

Once you have clarified your requirements, you are ready to make a formal supplier evaluation. If the products are technically complex, you will probably need to visit the supplier in person to check out their production facilities, as quality will be critical. For less complex products you might decide that outlining your requirements in a form, specifying the pertinent questions is sufficient. However, it is still advisable to make personal contact by phone or Skype once this information has come back to you and go through the specifications together.

Remember, as well as finding out everything that might be directly relevant to the deal you wish to make, you should also ask wider questions. Drilling down like this will help you find out more about the supplier as well as exploring general values and competencies.

In addition to the lists with points above, specific to the business deal itself, the points below are more general but important, in terms of getting to know your supplier and in line with the questions your bank may ask on KYC (Know Your Customer).

Your supplier assessment should thus also include the following considerations:

- What is the size of the company?
- Are there any customer references?
- Does the organisation operate a robust quality control system and how do they work with suppliers to make quality improvements?
- Does the organisation have the relevant workplace health and safety certification?
- Does the organisation operate an environmental policy?
- Does the organisation operate codes of conduct with reference to child labour, anti-corruption, equality etc.?

All companies must take customer compliance (KYC – Know Your Customer) into consideration when building new relationships. Understanding who your suppliers and customers are, is a critical component of the global fight against money laundering and terrorism. If you are not covered by the money laundering legislation, it is still useful to think about how your company might mitigate these risks when operating on an international stage.



Along the line of compliance with KYC, Know Your Customer, you should make a thorough assessment of your supplier, including business ethics, financial audits etc.

PROCUREMENT

Risks related to the supplier and delivery

To be an Importer, you need to be active, evaluating potential risks and how these should be managed. This will help you lay the foundation for a successful business venture. An important goal of the supplier assessment procedure is to minimize risks in terms of quality, costs and delivery.

The risks will of course vary, depending on the type of business, product and industry you are in. Always ask for help, if you see that you are lacking the skills in your company.

Examples of common risks and how to manage them:

- **Quality:** How do you ensure you get the right product? Tip: Arrange with someone to inspect the products before delivery. Avoid pre-payment, so you can check the product before you pay.
- **Delivery:** How do you ensure that the supplier complies in terms of delivery? Tip: Always include in the agreement who is responsible for the transportation (see further the separate section on Incoterms). Ensure that the goods have been insured during the transportation. Keep in constant contact with the supplier.

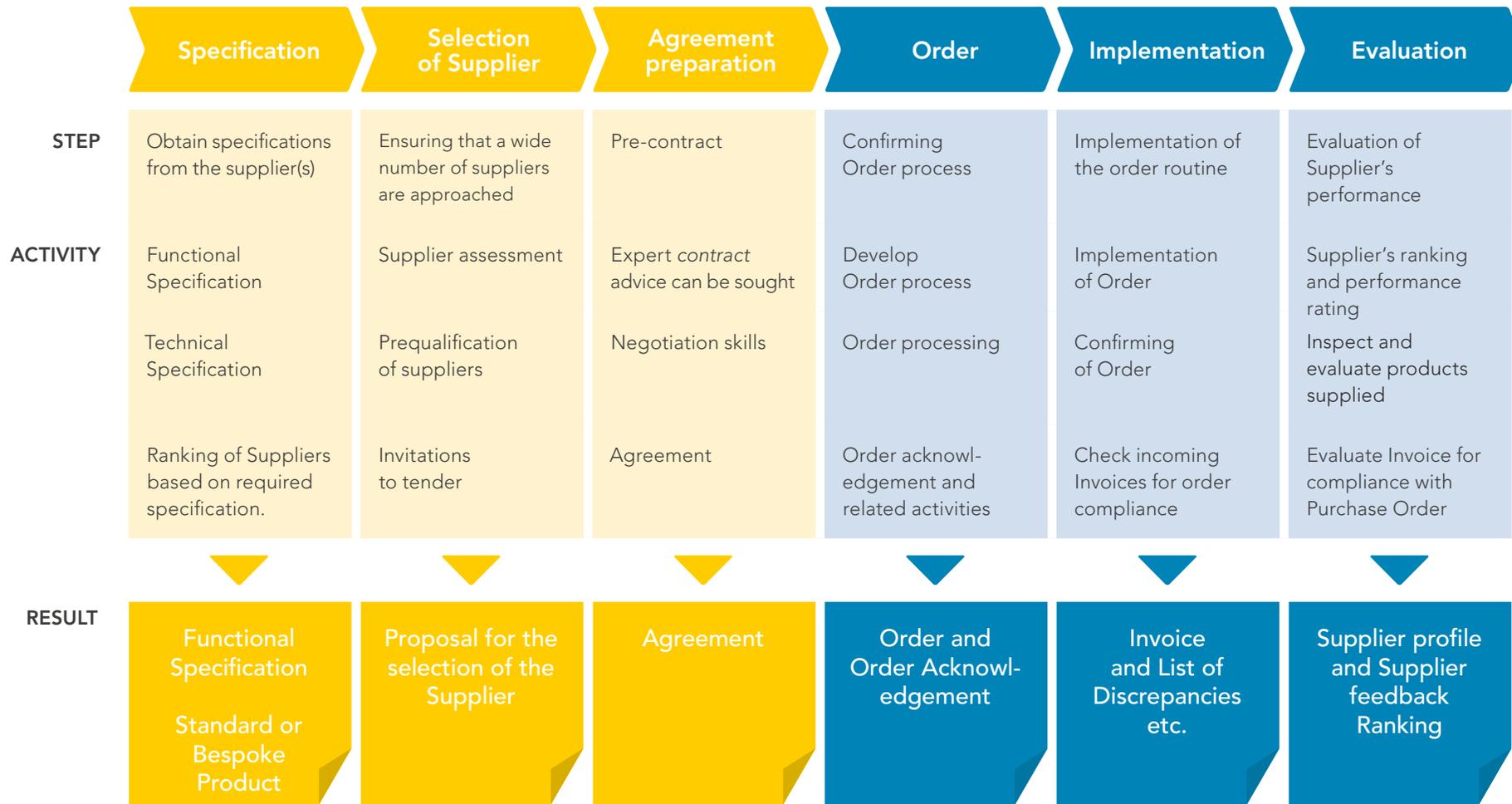


ANALYSE YOUR SITUATION AND MITIGATE THE RISKS The above matrix is an example of how you can map the risks, depending on what situation you are in when it comes to how the product weighs in on your business (business risk) and the purchasing risk (supplier dependency). If you find the matrix relevant, analyse what situation your business may be in and see how you can reduce the risks.

PROCUREMENT

Graphic Procurement Process Guide

Companies with large and regular import operations frequently develop an internal process to ensure efficient handling. Below is an example of such a process – from procurement to evaluation.



Agreements and contracts

Legal distribution forms when importing directly

When you have found the manufacturer or supplier to buy from and are ready to import directly to Sweden, you need to specify the legal set-up and arrangements in an agreement.

You may, for instance, have the opportunity and choose to buy the products directly from the manufacturer and import the goods on your own. You will then be acting as a *Distributor*, which means that you bear the sole responsibility for the whole importing process, placing significant demands on you and your company. Another scenario could be, especially if the supplier already has distribution channels in place, that you take the role of a *Commercial Agent*. This means that the manufacturer/supplier takes a greater responsibility for importing and marketing.

The main forms of legal arrangements for direct importing are outlined in the following chapter. You need to decide which type of arrangement best suits your business. Your decision on the legal role you want to have as an Importer, may be determined by the nature of your industry and the risks you are willing to take.

Principal: *In Commercial Agent or Commission agreements, imports are done on behalf of the so called Principal. **Third Party:** The one which buys the goods from the Commercial Agent or Commissioner.*



Your decision on the legal role you want to as an Importer, may be determined by the nature of your industry and the risks you are willing to take.

Commercial Agent, Commissioner or Distributor?

A Commercial Agent (also known as Sales Agent, Commission Agent or Trade Agent) is defined as a *self-employed intermediary* – someone who has ongoing authority to negotiate the sale or purchase of goods on behalf of another person (the Principal), or to negotiate and conclude transactions on behalf of, and in the name of, that Principal. Usually, once the Commercial Agent has taken customer orders on behalf of the Principal, they are forwarded on to the Principal who then supplies the goods and invoices the customers. In return for his work, the Commercial Agent is paid a commission on the order generated.

If you are the Commercial Agent, it is your supplier (the Principal) who controls most of the process. They have the power and responsibility to send orders and invoices. The supplier is also, for example, able to impose geographical restrictions on where you can sell their products. They will also be responsible for ensuring brand adherence with the customers as well as any marketing. However, if you are representing the brand, it is likely you will be contractually obliged to enforce brand ethos.

A Commissioner (less common these days) sells or buys goods on behalf of the Principal and, do so in their *own name*. This means that the end customer is not necessarily aware of this underlying relationship. The Commissioner is compensated by being paid in full or, what is more likely, by receiving a commission on the sales they have brokered. The crucial difference between a Commissioner and a Commercial Agent is that the former acts in his own name. Importing as a Commissioner has become less common and does not seem to be frequent outside the Swedish market – choosing another legal form, is therefore recommended.



If you are the Commercial Agent, it is your supplier who controls most of the process. They have the power and responsibility to send orders and invoices.

Commercial Agent, Commissioner or Distributor? (cont.)

A Distributor buys goods from the supplier and then sells them directly to the customer. A Distributor will have their own warehousing facilities and is therefore able to deliver the goods and invoice the customers. Their business income is derived from the margin between the price they purchased the goods at and what they are able to sell them for. A Distributor has the exclusive rights to sell the supplier's goods within a specific territory.

The crucial difference between a Distributor and a Commercial Agent, is that the former has responsibility for both finance and logistic arrangements when buying and selling goods. Being a Distributor, therefore means you can act relatively independently in terms of purchasing, inventory, sales and marketing to the customer. However, you also bear the financial risk.



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The crucial difference between a Distributor and a Commercial Agent is that the former has responsibility for both finance and logistic arrangements when buying and selling goods.

Commercial Agent, Commissioner or Distributor? (cont.)

	<i>Commercial Agent</i>	<i>Commissioner</i>	<i>Distributor</i>
On whose behalf?	Principal's account	Principal's account	Own account
In whose name?	Principal's name	Principal's name	Own name
Who takes the risk?	Principal, takes the risk of good not being sold	Principal	Distributor
Inventory	Usually it is the principal who warehouses the goods. The Agent only conveys the orders.	The Principal provides goods to the Commissioner in advance. Usually the latter bears the cost of the inventory.	The Distributor buys the goods from the Principal and is therefore also responsible for any storage costs.
Payment	Commission	Commission	Trading profit (difference between purchase and purchase and sales price)
Termination period	Pre-determined timeframe. The notice period is regulated by law.	Pre-determined timeframe. The notice period is regulated by law.	Stipulated in the agreement
Notice period compensation	Right to severance pay	Right to severance pay	
Risk	There may be <i>del credere</i> responsibility. A <i>del credere</i> is an Agent who guarantees the solvency of third parties with whom the Agent contracts on behalf of the Principal i.e. the Agent guarantees that the Buyer will pay for the delivered product and becomes liable for damages if the Buyer does not pay.	Under certain circumstances, the Principal can reject a signed agreement. The Commissioner, however, is still bound by the agreement because it was made in the Commissioner's name.	Because the Distributor has purchased the goods, he risks the goods not being sold, or being sold at a lower price than the purchase price. Both can mean significant financial losses.

Contract Considerations

A well-designed agreement is the key factor in terms of avoiding conflicts between the contracting parties. However, it is still surprisingly common for Agency or Distribution agreements to be concluded with a well-meant handshake. Admittedly, there is no 'one-size-fits-all', and agreements that are formulated too tightly can be restrictive. However, even if there are flaws, an agreement determines the nature of the relationship, so it is essential to formulate it in a way that ensures it meets the business needs of both parties. No matter which type of set-up you end up going with, your rights must be secured through a carefully formulated, written agreement.

When signing the contract, it is worth investing in some legal advice. A lawyer can ensure that your agreement is correctly drawn up. An agreement should, for example, include the following:



- Who the parties are...
- Which products are covered by the agreement...
- Which geographical area the agreement refers to.
- Task and authority of the Commercial Agent/Commissioner/Distributor.
- The Principal's function and task.
- Replacement.
- The duration of the contract.
- How the agreement can be terminated.
- Applicable law with reference to the termination of the agreement.
- Which country's law should govern the agreement and dispute resolution.
- Non-competition clause (see later section on EU rules in this area).
- Market exclusivity clause (if possible).



A well-designed agreement is the key factor in terms of avoiding conflicts between the contracting parties.

Contract Considerations (cont.)

APPLICABLE LAW

“When entering into an agreement, the parties should always state what national legislation should be applied.” As an Importer, it is of course preferable to sign an agreement governed by Swedish law. However, no matter the size of your company, this is not necessarily easy to achieve. Whatever the case, though, both parties must agree on which country’s law governs the agreement. For example, it is not possible to insert a conflict rule in an attempt to avoid mandatory legislation and favour the Commercial Agent or Commissioner.

SWEDISH LEGISLATION

The Commercial Agent relationship is regulated in Swedish legislation through *Handelsagentlagen*. This law is based on an EU directive that applies to all EU countries and contains compulsory rules benefitting the agent. This includes rules around the termination of the contract and the right to severance pay.

Commissioner legislation, however, is determined by country. In Sweden, for example, this arrangement is regulated by Swedish law through *Kommisionslagen*. Similar to Commercial Agents, it contains a number of

compulsory clauses that benefit the Commissioner (termination of the contract and the right to severance pay).

Only certain EU countries have drawn up specific legislation for Distributors. In Sweden, for example, there is no legal support for Distributors. In fact, Swedish law favours Commercial Agents and Commissioners and gives no corresponding benefits to a Distributor. In Sweden, Distributor agreements are often based on a number of different laws. These include Swedish laws on the contract and purchasing areas, the above mentioned law for Commercial Agents, competition law, instalment purchase law, as well as other legislation relating to commercial matters.



To be on the safe side, when entering into an agreement, the parties should always state what national legislation should be applied.

Contract Considerations (cont.)

COMMERCIAL CONFLICTS AND DISPUTE SOLUTION

If a dispute arises between the parties which cannot be solved through negotiation, there are a number of different approaches to consider. These include:

- Hiring an expert to come along and advise on a particular dispute.
- Hiring a mediator (with a limited, or unlimited, mandate) to find a solution.
- Initiating court proceedings
- Initiating arbitration

Your agreement should include a dispute resolution clause, setting out whether disputes should be resolved in the public courts or through arbitration. Arbitration is a form of alternative dispute resolution (ADR). It is a private arrangement that allows for disputes to be resolved outside the courts and is accepted by a large segment of the world's jurisdictions. ADR offers a quick and effective way to resolve disputes. An additional bonus is that the procedure remains confidential with the parties being able to appoint the arbitrator. However, the cost of arbitration is usually higher than resolving the dispute through the public courts. Many manufacturers therefore prefer

the latter. As a last point, it should be noted that making use of mediation to find a solution that satisfies both parties can often be more favourable than solving a dispute through legal reasoning, especially if you are interested in continuing a commercial relationship.

The Arbitration Institute of Stockholm Chamber of Commerce has developed simplified arbitration rules. This process may be particularly suitable for an Importer, given that the disputes are often less complicated and of lesser monetary value. See sccinstitute.se for more information.



Arbitration is a form of alternative dispute resolution (ADR), a private arrangement that allows for disputes to be resolved outside the courts and which is accepted by a large portion of the world's jurisdictions.

Competition Law

COMPETITION LAW PROHIBITIONS

Both EU's competition law and Swedish competition law prohibit agreements which prevent, restrict or distort competition, within certain circumstances. If companies violate this ban, they could be liable for a financial penalty of up to 10% of the company's turnover, creating major financial consequences.

TYPES OF AGREEMENTS COVERED BY THE PROHIBITION

Not all types of agreements are covered by the the prohibition rules in the competition law (hereafter called *the Prohibition*). In some cases, for instance if *the Seller* takes a minimal risk and is highly integrated with the supplier's/manufacturer's business, the Prohibition does not apply. Because they are acting on behalf of the Principal (supplier/manufacturer), a starting point is therefore that Commercial Agents and Commissioners would not be covered by the Prohibition. However, this does not exempt agreements between suppliers/manufacturers and Commercial Agents/Commissioners from being scrutinised under competition law – what matters in the end is not the formal contractual relationship, but rather the distribution of fiscal and commercial risk between the parties.

Indications that an agreement is covered by the Prohibition, is for example, if you as a Seller:

- Take over ownership of the goods.
- Contribute to costs in connection with supply/purchase of the goods.
- Pay for the holding of goods at your own expense.
- Are legally responsible towards third parties for damages caused by the product (product liability).
- Make your own investments in equipment/supplies, offices/premises and training of personnel.

If the above applies to you as a Seller, there is a high probability that you are considered to be independent from the supplier/manufacturer, and that the agreement between you and the supplier/manufacturer is covered by the Prohibition. This means that the agreement may only, under certain circumstances, contain measures which restrict competition (please refer to the next page for examples of such restrictions).



It is often difficult to determine whether an agreement falls under the Prohibition rules. It is therefore recommended that you seek legal advice if you are unsure.

Competition Law (cont.)

DEALING WITH ACTIONS WHICH LIMIT COMPETITION

The fact that your agreement is covered by the Prohibition set by the competition law, does not mean that the agreement itself is not allowed. It just means that you need to be aware of

what restrictions there are on competitiveness in your agreement. Below are a few examples of measures restricting competition and under what circumstances they may be permissible.

<i>Measures restricting competition</i>	<i>In what form they may be permissible</i>
Non-compete clause – refers to a prohibition to compete with a product other than the supplier’s/ manufacturer’s	A maximum of five-year restriction is allowed on the Seller not to develop, buy or sell products that compete with the supplier’s products. Do not implement non-compete clauses with unlimited or more than five year time terms.
Exclusivity – the Seller is awarded the exclusive right to serve a specific geographic territory or clientele	A supplier/manufacturer may grant its Sellers exclusive rights to sell products within a certain territory or to a certain group of customers. This means that the supplier/manufacturer may limit the Sellers from operating sales within another Seller’s designated territory or customer group. However, the supplier/manufacturer may only limit active sales, e.g. by prohibiting a Seller from having sales premises or perform marketing specifically within another Seller’s designated territory or customer. It is however not permitted for the supplier/manufacturer to limit passive sales. This means that the supplier/manufacturer may not prohibit the Seller from selling products to customers from outside the designated territory or customer group, if the customer approaches the Seller through their own initiative i.e. rather than responding to active marketing.
Obligation on Seller to buy goods from the supplier or the manufacturer	It is allowed to put in an obligation on the Seller (i) to make larger purchases greater than 80% for five years or less and (ii) to make smaller purchases of less than 80% over a period of time which is longer than five years.
Price fixing	It is not permitted for the supplier/manufacturer to determine the Seller’s prices. However it is possible to recommend an optional pricing structure.

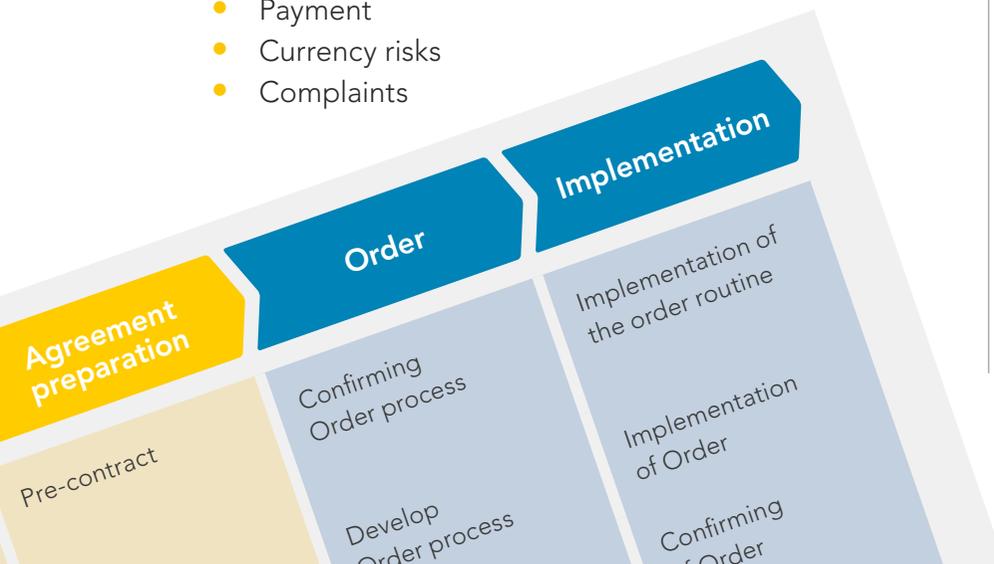
Logistics and fulfilment

Orders and Order Acknowledgement

The key to a successful importing business is the existence of a company infrastructure that allows business to proceed smoothly. It will help avoid wasted time and unnecessary costs.

It is important to put robust structures and procedures in place in the following areas:

- The ordering and fulfilment process
- Shipping
- Payment
- Currency risks
- Complaints



Always remember to ensure the following:

- Engage in, document and save all written correspondence with your supplier. In this way, you will have a Document Trail which is a track record and a base for discussions with suppliers, your bank, authorities etc.
- Ensure an ongoing dialogue with your supplier and that you are investing in the building a good relationship with them. This will help mitigate any problems that may arise down the road.

Examples of problems that could appear:

- Shipping delays
- Adjustment to pricing
- Specification changes
- Problems with quality



Your supplier relationship should be robust and supported by positive, ongoing dialogue. This will help mitigate any problems that might arise down the road.

Orders and Order Acknowledgement (cont.)

When you receive an order from – or place an order with – your supplier, it is important that you follow a process that is framed by legal considerations and driven by practical routines and transparent communications.

The order you place should allow your supplier to understand *what* they need to deliver and *how*. You must therefore ensure that the *Order Acknowledgement* contains the following written information:

- Product name and description
- Price
- Quantity
- When you need it by (i.e. delivery time)
- The terms of delivery (see Incoterms below)
- Warrantees and guarantees
- Corporate terms and conditions

Often, the supplier will already have specified these points for Order Acknowledgement terms according to the above.)

Industry specific organizations can be a useful resource for you in terms of finding out any standardized delivery terms around your product. Here is an example of a standard agreement used in the engineering industry: [Teknikföretagen–Orgalime](#).

You should *always* receive a written acknowledgment, i.e an order confirmation, from your supplier when you have placed your order. This receipt should confirm the terms you have specified in your order. In this way, you can identify any discrepancies between the order you have placed and the suppliers understanding of it. It is vital that this happens before any shipping of goods or invoicing takes place.



The order confirmation from your supplier should confirm the terms specified by you when you placed the order.



Dealing with complaints

If your preparation has been thorough and you have reached a mutually acceptable agreement, it is likely your purchase will proceed without further problems. Nevertheless, it is still a good idea to think about how you and your supplier might proceed if a delivery does go wrong. This is a list of things that might go wrong:

- Deviation from specification (wrong colour, technical problems etc.).
- You incur costs because of shipping delays.
- The product does not match expectations.

As soon as you realise something is not right, you must get in touch with your supplier. If it's something simple, like a freight issue, you may very well be able to solve it together. Whatever the problem is, the contract you have drawn up will govern your rights and any recourse you might have. It is worth remembering, that different industries have different standards, so don't forget to check with the potential sector organisation on your rights and standard procedures (see further chapter on Incoterms and previous example for the engineering industry [Teknikföretagen–Orgalimes](#)).

Key considerations

- Check the products you have purchased.
- Inform the supplier and work with them directly to resolve any problems.
- Make a record of what this issue has cost your company – you may be able to reclaim some of these from the supplier as well as understanding how you might minimize costs the next time.
- Claim compensation based on the terms and conditions you set out in the contract.



Inform the supplier of any problems and work with them directly to resolve things.

International Transport and Freight Forwarding

There are many things you need to keep track of when shipping goods internationally. Some of the most important considerations are outlined below.

TERMS OF DELIVERY

When products are sold, they must be transported between the Seller and the Buyer. Both parties must agree on the best way to ship these goods from A to B. Considerations include whether it is the Buyer or Seller who arranges the freight (i.e. who pays the costs). Who bears the responsibility for the goods while they are being shipped also needs to be determined, as this affects the insurance. It quickly becomes apparent why setting appropriate shipping rules is so important.

Please note: The *General Delivery* terms run in parallel with the specific shipping and logistics rules you set for the purchase. General Delivery specifies the conditions that apply to the purchase as a whole, e.g. responsibility for damaged goods or any delays. Therefore, in the general terms of delivery, one can also include the delivery rules that apply to the specific purchase.

INCOTERMS®

Incoterms are the most common set of rules for terms of delivery in international trade. These rules have been developed and agreed by by the International Chamber of Commerce (ICC). Incoterms 2010, have now been replaced by Incoterms 2020.

Older Incoterm Terms are still applicable if the date indicated on the Incoterms stamp predates January 1st, 2020. The Incoterms rules provide specific guidance for the imports and exports of global trade on a daily basis. However, the scope of Incoterms is limited to the obligations between the Buyer and Seller – that is the rules do not apply to the carrier.

The 11 Incoterms rules are divided into four groups. These are set out on the next page.



Incoterms are the most common set of rules for terms of delivery in international trade.



LOGISTICS AND FULFILMENT

Incoterms®

Studying these Incoterm rules in detail will pay off since it will help you achieve the best solution for the delivery of your products, reduce risks and avoid unnecessary costs. You can read more about Incoterms on ICC, the International Chamber of Commerce's [website](#).

It is possible to make additions and clarify the terms set out in each group, but make sure that any changes made are easily understood with clear definitions and meaning.

Group E

The Buyer gets the products directly from the manufacturer's premises. Is mainly appropriate for domestic or internal EU trade.

EXW (ExWorks) : Directly from the factory. The Buyer is responsible for all associated costs.

Group F

Delivery is made by the Seller at a named point of export which is owned by or contracted by the Buyer. When the goods are loaded, the risk passes to the Buyer. The Buyer arranges and is responsible for and pays for the costs of the main transportation. The Seller however remains responsible for export customs formalities:

FCA (Free Carrier) named point of export

FAS (Free Alongside Ship) named port of shipment – only applies to sea transport.

FOB (Free on Board) named port of shipment – only applies sea transport.

A distinguishing factor of the F Group is the fact that shipping is paid by the recipient (Buyer). This can be useful, since it is often the Buyer who is best placed to negotiate favourable rates with the freight forwarder.

Group C

Same as in the Group F, but it is the Seller that is responsible for arranging and paying for the carriage to the destination port or place in the Buyer's country. The risk of loss or damage transfers to the Buyer, once the goods are on board the vessel or in the hands of the first carrier in the Seller's country (as with Group F).

CFR (Cost and Freight): Cost and shipping – only applies sea transport.

CIF (Cost, Insurance and Freight): Cost, insurance and shipping – only applies to sea transport.

CPT (Carriage Paid to): Free shipping.

CIP (Carriage and Insurance Paid): Free shipping including insurance.

Risk and cost transition occur at different points in the transport chain. Re CIP and CIF the Seller is obliged to sign insurance. Note also, that in Incoterms 2020 for CIF the Seller needs to sign a more inclusive "all risks" insurance than in Incoterms 2010.

Group D

The Seller is responsible for delivery, costs and risk up to a named point in the country of destination.

DDP (Delivered Duty Paid): Delivered to a named place of destination.

DPU (Delivered at place unloaded): The place of delivery can be any place the Seller chooses to unload the goods, not just a "terminal".

DAP (Delivered At Place): Delivered to a specified location where the goods are made available for the customer to retrieve from the chosen means of transport.

The D-Group puts most of the risk and burden on the Seller, which is responsible for all transport costs. For you as an Importer, DAP is the most advantageous as the Seller delivers to the agreed location. You are, however, responsible for the customs declaration.

DDP can be difficult to implement since it obliges the Seller to take responsibility for the customs process in the importing country, and thus is responsible for paying the customs and VAT. If you as the Buyer are VAT registered and responsible for the import yourself, it may be preferable to use "DDP VAT Unpaid" so that the Seller avoids paying VAT which he cannot deduct (since you have the right to deduct it).

Footnote: It should be noted that, Incoterms 2020 has been extended to cover FCA, DAP, DPU and DDP should the parties themselves take responsibility to manage the shipping; i.e. rather than of hiring an external carrier, they themselves become the freight carriers. This is becoming more common among major players.

Transport Insurance

If there is any part of the shipping process that represents a risk to the goods, the person buying or selling goods should protect against financial loss by taking out transport insurance.

When purchases are made, i.e. when goods pass from Buyer to Seller, there is a definite risk of goods being lost or damaged. During this process, the risk of the goods being lost or damaged also passes from the Seller to the Buyer. This risk transition can occur at any point of the shipping process. The initial agreement made between the parties determines exactly when and where the actual transition takes place. Most often, this is done by basing the delivery terms on Incoterms in the purchase agreement. Incoterms regulates who is at risk if the goods are damaged or lost.

The risk transition is often determined by the point at which someone other than the sender or recipient has direct control over the goods – a carrier, freight forwarder, port or warehouse for example. They are all responsible for the goods they handle on behalf of their customers. However, as they operate according to national and international transport regulations, the responsibility of these parties is limited. As additional protection, therefore, the carriers take out liability insurance.

The general contractual provisions in the field of transport in the Nordic region are determined by NSAB 2015 – often referred to in transport agreements. To summarise; even if all parties in the supply chain have defined responsibilities, it is important that you, as a company, are aware of *all* potential risks. You should therefore keep track of what is covered by each party in the supply chain and what the insurance you take out needs to cover.



The risk transition is often determined by the point at which someone other than the sender or recipient has direct control over the goods – a carrier, freight forwarder, port or warehouse for example.

Hiring a freight forwarder

Logistics services are usually purchased through a freight forwarder. A freight forwarder works to find suitable means of transport for different cargo needs. Even if the ownership of transport does not lie with them, the freight forwarder is able to handle the entire process themselves or, in some cases, take on carrier responsibility.

As well as being able to organise storage (albeit at an additional cost), the freight forwarder is also able to process all information around receiving a commodity, for example, preparing all necessary documents needed to support the import/ export process in terms of customs (i.e. they can also act as a Customs Agent). Read more about Customs Agents in "Trade outside – EU rules, duties and VAT" in section 6.

As an entrepreneur, you might need to make use of different kinds of freight forwarding services. Be aware this can mean that, you yourself assume responsibility for some of the process. It is therefore essential you look over what terms apply and importantly, that you agree on what should apply if something goes wrong. Also, even if the freight forwarder helps with everything regarding freight, logistics and customs; to protect your company you should have a basic understanding of freight industry terms: Incoterms, transport insurance, modes of transport and shipping documents, etc.



A freight forwarder works to find suitable means of transport for different cargo needs. Even if the ownership of transport does not lie with them, the freight forwarder is able to handle the entire process themselves.



Hiring a freight forwarder (cont.)

Once you find a shipping company that appears to suit your needs, be sure to read about what services they are focused on and what certifications they carry. For example, it might be useful to see whether they are affiliated with industry organizations. This can give clues about how established and experienced the company is.

In Sweden, you can, for example, approach the members in the Swedish Transport Industry Association (Sveriges Transportindustriförbund). Their members are listed [here](#).

It is common for freight forwarders to quote an all-inclusive price. However, it is important to take time to find out what costs really are included. Costs for special handling and extra fees for example, are not usually included in this all-in-one price and Duty and VAT are hardly ever included! It is therefore important to be aware of all the associated costs, ensuring that these are included in the transport budget from the start. Also, keep in mind that shipping quotes are only valid for a specified, limited time. Prices are renegotiated all the time and a price may only apply for a few weeks.



“

It is common for freight forwarders to quote an all-inclusive price. However, it is important to take time to find out what costs really are included.

Means of transportation

ROAD TRANSPORT

Road freight is one of the most common of all modes of transportation. It is widely used in Europe, Africa, and North America. The single customs document process provides a seamless movement of goods, even across various states and countries.

Road freight provides several advantages over other modes of transportation.

Key benefits

- Cost-effectiveness
- Quick and scheduled delivery
- Local, cross-border, long or short haul deliveries even in rural areas
- Flexible service
- Reduced packing costs when compared to other modes
- Track and trace of cargo and truck
- Complete door-to-door service, despite being one of the cheapest means of transport. Works best within Continental Europe.

However, road transport is somewhat limited as to what it can carry by the size of the vehicles used and by size and weight restrictions. Another limitation is that it is affected by weather, road conditions and traffic.



80%
*of all goods in
Continental Europe
are transported
by road.*

Means of transportation (cont.)

RAIL TRANSPORT

Another mode of transport, often designated as a “green” option, is rail. Trains burn less fuel per ton-mile than road vehicles. Also, a train, which can have as many as 100 wagons, only needs one driver. There are, however, some additional costs which are incurred in a rail journey. For example, at each end of the rail transit, a road delivery will be needed, and there will be a lift cost to transfer the container between the train and the road vehicle.

On average, longer journeys tend to be less expensive by rail, and shorter journeys are less costly by road. Where the point of cost neutrality comes, is governed by many factors. These are generally route and commodity specific. As a rule of thumb however, the point of cost neutrality can be expected to lie in the range of 130 to 150 miles.

In 2015, the first freight train carrying ISO freight containers from China arrived in the Port of Rotterdam in 18 days. Impressive, when compared to the normal 44 or so days by sea. This movement of containerized cargo by rail from China to logistics hubs in Europe, such as in the Netherlands or the UK, is seen as a significant step in the development of trade between the two continents.

As demonstrated above, if you can set up effective planning, rail is a relatively quick mode of transport, taking only 20 days to China. In addition, moving to rail has other advantages too; such as all containers being transported to the location in one go and being environmentally friendly (a train releases far less CO₂ than a plane).

Key benefits

- Can be cost effective.
- Reliable transit times and schedules.
- Railways are the most environmentally-friendly and efficient form of land transportation. One train can haul the equivalent of over 400 trucks.
- Fast and cost-effective deliveries over long distances – typically over 500 miles.
- Traditionally, rail has a strong safety record.
- Helps in alleviating road congestion, thus lowering emissions.
- High transport security.
- Best suited for transporting large volumes of cargo volumes on long distances.

Key disadvantages

- Not as flexible or as fast as road transport.



Railways are the most environmentally friendly and efficient form of land transportation.

Means of transportation (cont.)

OCEAN

Seaborne trade accounts for about 90% of the global trade. Often the size or volume of what is being shipped, makes it impossible or economically unviable to move by any other means of transport.

Ocean freight is the least expensive method of shipping goods. The drawback however, is the longer transit time. Another benefit of ocean freight is while size and weight may be an issue for air; it is not for ocean freight. Ocean freight is used quite extensively for the movement of bulk commodities such as agri-products (wheat, maize, soya, etc.), coal, iron ore or for wet bulk products such as crude oil and petroleum. Also, larger, odd-shaped items including engines and propellers may move via this mode as well, depending on how sensitive the delivery time is.

Ocean freight is also a preferred mode of transport for the movement of high volume and heavy cargo such as minerals, metals, ores, steel coils, etc. which would be impossible to move by air freight. Ocean freight is the main mover of containerised freight globally with over

793 million TEU (twenty-foot equivalent units) moved in 2018. Additionally, businesses are placing more of an emphasis on the environmental impact of shipping. An air freight service emits a higher amount of polluting gases with less space capacity, compared to sea freight services which are considered to be a much greener transportation mode with a higher carrying capacity.

Key benefits

- Fits a wide range of products with long lead times.
- Large volumes. A single, ultra-large container ship can carry +/-20,000 twenty-foot equivalent units (TEU).
- Most environmentally friendly of all modes of transport.
- Economical – Liner shipping is the most efficient mode of transport for goods.
- Extensive coverage around the world.
- Multiple carrier options for the shippers.

Key disadvantages

- Relatively slow.
- Not flexible when shipping smaller volumes.



Businesses are placing more of an emphasis on the environmental impact of shipping.

Means of transportation (cont.)

AIR

Over the next 15 years, as the world GDP grows, there will be a demand for higher value goods. Therefore, world air cargo is forecast to grow massively. To meet the demand for growth, world air cargo traffic is forecast to grow by an average 4.2% per year. Air freight is a critical mode of transport. It serves markets and supply chains that demand speed.

Sectors such as the electronic, automotive and retail industries utilize air freight to achieve just-in-time (JIT) inventory replenishment. The JIT option allows stores and production lines to place order fulfilment based on demand and when required. It provides greater flexibility and reduces inventory and storage costs. Also, perishable goods such as foods, flowers, and some pharmaceuticals depend on shorter transit times. Another positive for air freight, is that there is less handling of cargo overall, so the likelihood of damage or theft is lower when utilizing air.

Air freight has its disadvantages though. These include cost. Due to the requirement of speed and the fuel that is used, it is one of the most expensive ways to transport goods. There are also size and weight limitations. Regulatory bodies limit what can and cannot be transported by air, and as such, oddly shaped or very large items may be more suitable for other modes of transport.

Key benefits

- Quick transit.
- Less handling of cargo.
- Less documentation.
- Reliable arrival and departures.
- Enhanced level of security for your cargo.
- Good for transporting small volumes.
- Reduced need for inventory.
- You can send and receive goods virtually anywhere in the world.
- Possibility of low insurance premium and cost savings.
- Reduced need and greater opportunity to reduce packaging and packaging.

Key disadvantages

- Expensive, especially for large volumes.
- Air transportation is highly criticized from an environmental and CO₂-perspective.



Air freight is a critical mode of transport. It serves markets and supply chains that demand speed.

Means of transportation (cont.)

MULTIMODAL

Another option to keep in mind is multimodal solutions – making use of more than one mode of transport.

Multimodal is a combination of different modes of transportation such as rail, road, and sea, allowing the customer to cost-effectively manage shipments from end-to-end, ensuring optimum care and efficiency every step of the way.

One such example, is the cross-region rail network combined with road transport. Providers including DHL, Geodis, UPS and DB Schenker are offering such a solution along China's Silk Road network. According to UPS, the service can offer savings of up to 65 % versus air freight costs while providing transit times up to 40% faster than standard ocean movements.

Sea-Air is another example of multimodal transport. This service is considered less expensive than air and quicker than the ocean freight.

As an alternative solution to just air or ocean, Sea-Air provides global transportation; offering time and cost savings along with reducing the environmental impact. Sometimes using this mode of transport can also help to avoid demurrage fees.

Key benefits

- Cargo can be moved to any part of the world using multiple modes of transport.
- Reduces the distance for the goods between the manufacturer and consumer.
- Customers can deal with one entity to handle all modes of transport under one document.
- Efficient and cost-effective delivery options.



Multimodal is a combination of different modes of transportation such as rail, road, and sea.

Considerations

DANGEROUS GOODS

Dangerous goods, abbreviated DG and sometimes called hazardous goods, are substances and products that when transported are a risk to health, safety, property or the environment. A substance or product which in itself is harmless, can pose a danger during the shipping process depending on how the product is transported and if it is being transported along with other products.



Dangerous goods are divided into nine classes and classified by features. This classification is universal and issued by the United Nations in the International Maritime Dangerous Goods Code (IMDG). There are a number of subdivisions in each class.

1. Explosive materials
2. Gases
3. Flammable liquids
4. Flammable solids
5. Oxidizing substances and organic pesticides
6. Toxic and infectious substances
7. Radioactive materials
8. Corrosive materials
9. Miscellaneous



Different rules apply to the different shipping methods. If you suspect that the goods you wish to import might be classified as *Dangerous Goods*, please contact a freight forwarder for more information.

Links to Swedish contact points

- » [Transportstyrelsen](#)
- » [Kemikalieinspektionen \(KEMI\)](#)
- » [Myndigheten för Samhällsskydd och Beredskap](#)

Weight, size and volume

Types of freight differ, not just in terms of defined transport speed, price etc., but also how weight and volume are measured. *Chargeable* or *paying* weight was created as a conversion factor for air freight to account for the difference between volume and weight. In order to be able to charge this difference equally, a conversion factor was created.

Below is a brief summary of how chargeable weight is calculated in different types of freight.

Air freight: 1 m³ equals 167 kg

Seaborne freight: LCL, 1 m³ equals 1,000 kg

Road transport: 1 m³ equals 280 kg

Nordic road transport: 1 m³ equals 350 kg

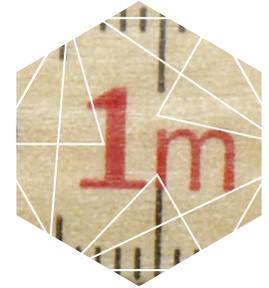
Overseas road transport: 1 m³ equals 333 kg

It is also important to understand that surcharges will apply if the goods are not easily stackable or are considered to be oversized goods, etc. If pallet goods

(or larger products) are not stackable, then the flat metre (flm) charge applies. You can understand this as being based on the floor area the goods occupy, i.e. you are paying for space that cannot be used for other goods.

The most common pallet in use in Europe is the “Euro pallet” with dimensions of 1,200 × 800 mm and a half size Euro Pallet of 600 × 800 mm. A pallet with the dimensions of 1,200 × 800 mm is a full pallet and – often called a “Euro pallet” (with EUR and EPAL logos on). The 600 × 800 mm is commonly termed a half pallet. One pallet space corresponds to 0.4 flat meters, i.e. 1 ppl = 0.4 flm.

Oversized goods are often calculated on a basis other than volume or loading meters. It is, for instance, common for goods over 2.5–3.0 m to have an *oversized goods calculation* based on the length according to about 200–900 kg per meter. As usual, the weight you pay for is the one the various calculation methods calculate as being the highest.



The most common pallet in use in Europe is the “Euro pallet” with dimensions of 1,200 × 800 mm.



Weight, size and volume (cont.)

OTHER PALLET SIZES

Other pallet sizes in common use are:

USA

(GMA) pallets at
42 × 42 inch (1,067 mm)
48 × 48 inch (1,219 mm)

UK, Finland etc.

1,200 × 1,000 mm

Australia

1,165 × 1,165 mm

Asia

1,100 × 1,100 mm
1,067 × 1,067 mm
1,000 × 1,200 mm



Trade outside the EU – rules, duties and VAT

When buying from a country outside the EU, i.e. from a third country, the goods must be declared to Swedish Customs on arrival. They will remain under customs control until all import duties are paid, and the relevant conditions for importing are met. See the Swedish Custom's Agency's [overview](#) of what you need to know when importing into Sweden. The agency has also developed Customs-focused e-learning courses covering e-training on major international instruments, topics and concepts.

If you are procuring goods from the UK, you need to take Brexit into account and check out the effects it will have on your imports – see more updates on this at the Swedish National Board of Trade's [website](#). You can contact them for an English translation.

To work out what the customs duties on the product you wish to import are likely to be, you must have information around the following three things: *Commodity Code*, *Customs value* and *Origin*, explained below.



“

To work out what the customs duties on the product you wish to import are likely to be, you must have information on the Commodity Code, Customs value and Origin.

Trade outside the EU – rules, duties and VAT (cont.)

COMMODITY CODE

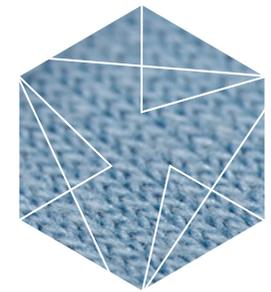
Getting the right code is important to ensure compliance with customs declarations and paying the right taxes and duties. You will need to describe details such as type of product, the material used to make it, and even the type of method used for production to get your classification. When the product is classified and you have your commodity code, you will be able to see what customs fees apply to your particular product. Read more about classification under the heading *What is a Commodity Code?* below.

CUSTOMS VALUE

The term *Customs Value* defines all the costs associated with importing a product. For example, what you will need to pay for the product and any other payments you might need to make to get the product into the EU. Only when you have obtained the Customs Value will you be able to calculate customs duties – as the latter are based on Customs Value. Read more about how to calculate the customs value under the heading *What is Customs Value?* below.

ORIGIN

The origin of a product is not necessarily based on the country it is shipped from. Defining the country of origin can be complex, so make sure you are rigorous in determining how product origin is assessed. The amount you pay depends on the country that is considered to be the country of origin. There may even be no customs duties at all. It could even be the case that, two identical products have different countries of origin and are therefore subject to different customs duties. Read more about what is meant by *Origin* in terms of importing under the *Origin of Goods* section below.



The amount you pay depends on the country that is considered to be the country of origin. There may even be no customs duties at all.

Trade outside the EU – rules, duties and VAT (cont.)

WHAT IS A COMMODITY CODE?

Commodity Codes are used to classify any goods being imported or exported. Most import rules and duties are based on them. The commodity code classifications are specified in the integrated EU Customs Tariff, TARIC. The tariff consists of about 15,000 different numbers, each one determining customs duties and other fees obliged to be paid. The Commodity Code also gives at hand, if any other rules are applied to the specific product when imported into the EU, e.g. import licenses.

A product is classified according to what materials it is made of and its features. Customs Duties start with primary products, including raw materials, live plants and animals and energy, and then move on to more complex goods. Reading the headings of each chapter is not enough to build familiarity with the classifications. It is much better to familiarize yourself with the general provisions.

The commodity codes in the EU tariff are based on *The Harmonized Commodity Description and Coding System* (often called *HS codes*), an international system that is used by over 200 countries. The first four digits are called HS numbers. The first six numbers are called HS sub numbers. In addition to HS numbers, the sub-numbers have been increased in the EU to by two, totaling eight. These eight-digit commodity codes are referred to as the *Combined Nomenclature* (the *CN-code*). CN codes are used to classify a product when exporting to countries outside the EU.



Commodity Codes are used to classify any goods being imported or exported.

Trade outside the EU – rules, duties and VAT (cont.)

WHAT IS A COMMODITY CODE? (CONT.)

If importing from countries outside the EU, 10 digits are used to classify the goods, the last two digits being based on the country being imported from. A [list of all commodity codes](#) is available from the [Tullverket website](#) in Swedish and English.

If you want to find a specific code, contact the Swedish Customs Authority Helpline (TullSvar 0771-520 520) or ask a customs representative for help. Keep in mind, that any response you get will be indicative at best. You, as the Importer, bear full responsibility for ensuring that the commodity code is correct. The only way to be certain that the commodity code is correct is to apply for a BTI – a *Binding Tariff Information* ruling. An application for a BTI is made to the Customs Authorities directly and is valid for three years.



“

*You, as the Importer,
bear full responsibility for
ensuring that the commodity
code (HS-code) is correct.
Your supplier can often help
you identify the product's
HS-code.*

Trade outside the EU – rules, duties and VAT (cont.)

WHAT IS CUSTOMS VALUE?

Customs value is the value at which duty and VAT are calculated. Essentially, the customs value includes all costs associated with importing a product. Costs that have arisen outside the EU will also be included in the customs value.

The primary customs value of import goods is their transaction value – that is, the price that is paid or payable for the goods when sold for export to the customs territory of the EU. The total customs value includes costs not included in the transaction value. These may include freight and insurance costs, tool costs, packaging costs as well as royalties and license fees.

However, some costs do not form part of the customs value and you will have the opportunity to deduct these. An example of shipping costs not included in the customs value: freight costs that arise after the arrival of the goods into the EU, costs for product processing after having imported, purchasing commissions and import duties.



The Customs Value is the base from which duty and VAT are calculated. Essentially, it includes all costs associated with importing a product.

Trade outside the EU – rules, duties and VAT (cont.)

CUSTOMS VALUE DECLARATION

If a consignment's customs value is calculated to more than SEK 206,600 a customs value declaration must be submitted to the Swedish Customs Agency. The Customs Value Declaration verifies the costs and circumstances which have affected the price of the imported goods. A Customs Value Declaration is only relevant for ad valorem duty rates, not weight duty rates.

For recurring imports, a general customs value declaration can be made. This declaration includes all suppliers, even if specific terms between these may differ. The different Suppliers and the different conditions must be specified in an annex to the Customs Authorities. For more information on Customs Value see the Swedish Customs Agency's [website](#) (Tullverket) For more specific information you will also find the [Customs Value Calculator](#) and [Customs Value Guide](#) helpful (unfortunately only available in Swedish).

CUSTOM VALUE FOR DUTY-FREE GOODS

Customs value also needs to be calculated for goods that are duty free. The reason for this is that the customs value is used as a base for calculating the VAT on imports.

Companies that are VAT registered must report on – and pay – VAT on their imports to the Swedish Tax Agency. This also applies to companies that are VAT registered and importing goods with the help of a Customs Clearance Agent. Even if your business is VAT registered, it still needs to do the customs clearance through the Swedish Customs Agency. They are the ones that make the tariff assessment decision and verify that the information declared on customs value, classification etc. is correct.

Take note that the *data* on VAT for your imports should be reported to the Swedish Tax Agency through a specific VAT tax declaration. Read more about the Swedish Tax Agency and reporting VAT [here](#) (unfortunately only in Swedish). Private parties who import goods or businesses and organizations that are not VAT registered, pay VAT directly to the Swedish Customs Authorities.



The Swedish Customs Agency are the ones that make the tariff assessment decision and that check the information declared on customs value and classification. The company's VAT on imports, though, is paid to the Swedish Tax Agency.

Trade outside the EU – rules, duties and VAT (cont.)

CUSTOM VALUE FOR DUTY-FREE GOODS (CONT.)

Declaration of Origin

All internationally traded goods are required to have an *origin* when they are declared to customs at the point of import. Origin can be understood as the economic nationality of the goods. Determining a product's origin in a customs context is, however, very regulated. Your product's origin may not necessarily coincide with the country where it was shipped from. A rule of thumb is, if the whole product has been produced in one country, this will generally be the country that defines the origin. If the product in question has been manufactured in more than one country or contains materials from several countries, the determination of origin is based on the country where the last substantial transformation has taken place.

To decide the origin of the specific product you want to import to Sweden, you should start by checking if there are any trade agreements between the EU and the countries supplying your product. The next step is to look more



closely at the *Preferential Rules of Origin* tied to the trade agreement and what terms apply for your product's HS-number. You may also want to check that there are no negative trade policy measures in place for your product, where Rules of Origin also may play an important role.



To help you find out what might apply in terms of the product you wish to import you should start by checking if the EU has a trade agreement with the country in question.

Trade outside the EU – rules, duties and VAT (cont.)

CUSTOM VALUE FOR DUTY-FREE GOODS (CONT.)

Declaration of Origin (cont.)

The rule of origin may sometimes be formulated in a way that states the percentage or limit of how much non-originating material the product may contain in order for the trade agreement to apply. Other times, the rules may stipulate that the product should change HS number, if for instance, there has been value addition through manufacturing – this is known as the *Value Added Rule*.

It is important to distinguish between the EU's non-preferential and preferential Rules of Origin and where and how they might apply to your products. Below gives you an overview of this.

Non-Preferential (general) Rules of Origin

The EU has specific regulations tied to its Trade Policy, for licensing, anti-dumping duties and quotas on imports targeting particular countries. Because of this, it is impor-

tant to be sure about your product's country of origin. The Rules of Origin which are used tied to this are called Non-Preferential (general) Rules of Origin. These rules are for instance also applied in conjunction with trade sanctions and for the production of trade statistics.



It is important to distinguish between the EU's non-preferential and preferential Rules of Origin and where and how they might apply to your products.

Trade outside the EU – rules, duties and VAT (cont.)

EU TRADE AGREEMENTS AND PREFERENTIAL RULES OF ORIGIN

The European Union (EU) has about 40 free trade deals, covering more than 70 countries. This means that member states are able to trade with the countries covered by these agreements, to a reduced or zero tariff on the goods. Countries covered by an EU free trade agreement can be seen on the National Board of Trade's [website](#).

These Free Trade Agreements also determine the Rules of Origin for the products which qualify for preferential treatment. Preferential Rules of Origin are intended to ensure that only products originating in preferential trade partner countries or the beneficiaries of autonomous preferences, benefit from reduced or zero duties. This means, that if products originate from countries and territories covered by the agreement, you might find them to be completely exempt from customs duties or payable at a significantly reduced rate.

Back to that basic rule of thumb: If goods are wholly obtained – or produced – in a single country, this is usually considered to be the country of origin (i.e. raw materials and products that have not been subject to any actual processing). However, as most will have undergone some form of processing, this does not apply to the vast majority of goods that are traded.



The EU has about 40 free trade deals, covering more than 70 countries.

Trade outside the EU – rules, duties and VAT (cont.)

EU TRADE AGREEMENTS AND PREFERENTIAL RULES OF ORIGIN (CONT.)

Determining the origin of goods whose production involves materials from more than one country is far more complex as there are several criteria to consider – e.g. the origin of the materials, the country in which the final, substantial production phase took place, and the value of the working and processing added by each country passed through. If some of the components are manufactured in one country, but components are added and the product is assembled in another, it may be judged that the product originates from the country where it was assembled.

The requirement will depend on the arrangements between the country in which the product was assembled and the country it's imported into. How this works is outlined in the various free trade agreements. There are lists which go through how the various constituent materials should be reviewed on a product by product basis, as well as the accepted definitions and processes that define the country of main manufacture and therefore origin.



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Preferential Rules of Origin are intended to ensure that only products originating in the country that EU has a trade agreement with can benefit from reduced or zero duties.

Trade outside the EU – rules, duties and VAT (cont.)

CERTIFICATE OF ORIGIN

A product needs to have its country of origin certified. To facilitate the application of favourable trade terms (tariffs mainly) under a preferential trade policy of the EU, an EUR. 1 can, for example, be used to certify the origin of a product.

Sometimes though, instead of the EUR 1 certificate, a declaration of the origin for the goods in question can simply be stamped by the customs authority of the exporting country. Under the terms of some free trade agreements, this kind of certification can be used as an invoice declaration, as well as a declaration of origin. Its context will be specified in the text on the invoice or other commercial document's, such as certification that determines the origin of the product.



THE EU GENERALISED SYSTEM OF PREFERENCES (GSP): IMPORTS FROM DEVELOPING COUNTRIES

The EU offers developing countries lower tariffs on their exports into the EU. The system that allows this to happen is called the Generalized System of Preferences (GSP). It was created to encourage the industrialization of developing countries by supporting the export of mainly processed goods.

The GSP covers a large number of industrial and agricultural products. Depending on how sensitive the product is to the EU, the duties levelled will be reduced, or even be entirely duty free. The claim for GSP treatment must be supported with the appropriate documentary evidence. The GSP Certificate of Origin Form A is used for this purpose – i.e. certifying country of origin. If the Exporter is considered to be part of the Registered Exporters System (REX) they will have a REX number. It is possible for a declaration of origin to be made without a REX number if the value is less than €6000. You can find out more about the GSP system [here](#) at the United Nations trade and development organisation, UNCTAD.



Depending on how sensitive the product is to manufacturers within the EU, you may be granted either reduced or duty free import.

Trade outside the EU – rules, duties and VAT (cont.)

TRADE POLICY SAFEGUARDS – IMPORT QUOTAS, IMPORT LICENSES AND ANTI-DUMPING DUTIES

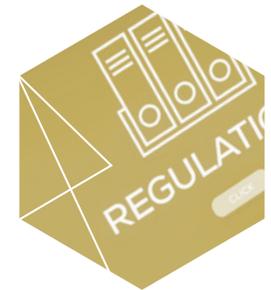
Import measures are used by the EU as a way of protecting its Internal Market. The EU, may for instance, decide to charge extra custom duties, as a percentage on the value of the goods. They may also make use of fixed pricing schemes, where businesses are obliged to sell goods over a certain price, or impose import quotas. Below are more detailed examples of how some of these safeguards work.

An import quota, for example, is a type of trade restriction that sets a physical limit on the quantity of a goods that can be imported into the EU in a given period of time. Quotas, like other trade restrictions, are typically used to benefit the producers of a goods in that economy. A quota can also mean that a predetermined volume of goods originating in a specified country can be imported into the EU at a favourable rate of duty. Import quotas set by the EU, apply to each and every member state. Please remember, that you will need an import licence if you are importing goods restricted by the EU.



Other EU trade policy measures include anti-dumping duties, which target and counteract *dumped imports* and *unfair competition*.

All WTO (World Trade Organization) member countries must comply with the rules set in the WTO's Anti-Dumping Agreement, when making use of trade policy safeguard measures. You can find out more on the website of the National Board of Trade (Kommerskollegium) [here](#).



Please remember, that you will need an import licence if you are importing goods where the EU has imposed trade policy safeguards.

Trade outside the EU – rules, duties and VAT (cont.)

SPECIFIC IMPORT REGULATIONS

Excise duties

In addition to VAT, some goods also have additional excise duties levelled on them, e.g. alcoholic beverages, tobacco products, chemicals contained in certain types of electronic goods and printed matter that carries advertising. You can find out more about excise duties on imported goods on the Customs Authority [website](#).

Special requirements and conditions

Some goods may only be brought in if certain conditions are met. Companies that trade in the following areas must be registered with the relevant authorities. Often, a special import permit and/or import license is required. Many of the Swedish authorities listed below have part of their websites in English.

- Animal products, live animals, plants, cereals and endangered species must be registered with the [Swedish Board of Agriculture](#)
- Rice may also need an import license from the [Swedish Board of Agriculture](#)
- Some fish products: the [Swedish Agency for Marine and Water Management](#)
- Alcoholic beverages, the [Swedish Tax Agency](#)
- Food, the [Swedish Food Agency](#)
- Medicines, syringes, white spirits and alcoholic preparations, the [Swedish Medical Products Agency](#)
- Explosive substances, the [Swedish Civil Contingencies Agency \(msb\)](#)
- Radioactive substances, the [Swedish Radiation Safety Authority](#)
- Chemicals, the [Swedish Chemical Inspectorate](#)
- Poison, [County Administrative Board](#)
- Weapons, [the Police](#)
- Radio transmitters, the [Swedish Post and Telecoms Authority \(PTS\)](#)
- For Iron, steel or aluminium, you may need import license from the [National Board of Trade](#)

As an Importer you can contact the Customs Authorities (via Customs Help-line on +46771 52 0520) or speak directly to a customs representative. Advice might include information about national taxes and fees that must be paid at customs. You can also find out whether you need import permits or licenses for the goods you wish to import.

Trade outside the EU – rules, duties and VAT (cont.)

IMPORT OF ORGANIC PRODUCTS

If you have imported a product labelled with the EU organic logo it applies across the EU. This means that products sold as “organic” in an EU country, may also be sold as organic in Sweden. In turn, organic certified products from Sweden can be sold as organic in all EU countries.

If you are importing organic foods to Sweden, different rules will apply based on the country you are importing from. You therefore need to ensure that you make all necessary preparations. For example, extended import controls might be applied when importing from certain countries, and each consignment (COI number) carries of fee of SEK 750 with it; imposed by border control. You can find out more about the kind of preparations you need to make on the Swedish Food Agency’s [website](#).

If you are importing organic products other than food to Sweden, general agricultural products such as feed or seeds for example, the same applies. Basically, different rules apply based on the country you are importing from. You therefore need to ensure that you make all the necessary preparations *before* you start importing. Again, extended import controls apply if you are importing from certain countries. In some countries, there are increased import controls. You can find out more about the kind of preparations you need to make on the Swedish Board of Agriculture [website](#).

Other useful links

- » [Duty-free goods](#)
- » [Duties payable](#): Goods with import restrictions



Products sold as organic in an EU country may also be sold as organic in Sweden.

Trade outside the EU – rules, duties and VAT (cont.)

COMING INTO SWEDEN

Products that come into Sweden are stored by the carrier in a bonded storage facility or customs warehouse. The relevant authority will be notified by the Importer. You can then use an approved Customs Agent such as a freight forwarder, to help you clear customs. The freight forwarder has the expertise to classify a product, interpret what needs to be done on this basis and then produce the documents required to ensure the import process proceeds without any problems. The freight forwarder should also be able to arrange transport and ensure warehousing of your goods if required. Please see the section on international transport for further details.

Register as an Importer

Businesses and people wishing to trade, must apply for and use a EORI number, “Economic Operators Registration and Identification number”. The EORI number is used as an identification number in all customs procedures when exchanging information with Customs administrations.

The easiest way is to apply for an EORI number, is via the Customs Authorities’ [website](#). This number is issued free of charge and most applications will be dealt with within an hour. In order to login, you will need to register with the Customs Authorities.

Payment deferral from Customs Authorities

A payment deferral means being able to pay customs duties and any other taxes and fees afterwards. Your payment can be deferred for up to 30 days. It is, however, important to note, that although the Customs Agency may issue the invoice 11 days before the due date, the deferral period starts counting down from the moment your goods have been delivered. If the debt exceeds EUR 1,000, you need to issue a guarantee for the debt to be paid in order to get payment deferral. A Customs Agent can help you navigate the payment deferral process – read more below.



Your business must be registered and have a EORI number in order to trade with countries outside the EU.

Trade outside the EU – rules, duties and VAT (cont.)

COMING INTO SWEDEN (CONT.)

Deciding on the correct customs procedure.

At the time of importing, one of the following customs procedures must be selected. Procedures 2–4 require the permission of the Customs Authorities. This must be obtained before any import is made.



1. Release for free circulation – Goods are released to the market once all the import requirements (e.g. health requirements) have been met. All applicable tariff duties, VAT and excise duties have been paid.
2. Temporary import: For those who temporarily want to import a product and then return it in unchanged condition to a third country outside the EU.
3. Inward processing: For those who temporarily want to import a product in order to process it and then return it to a third country outside the EU.
4. Customs warehousing can benefit traders who import goods because it offers a storage facility that delays duty and/or import VAT payments until the goods leave the customs warehousing procedure or enter another customs procedure.
5. Customs transit is when goods are transported through from one customs office to the other without paying import duties, domestic consumption taxes or other charges normally due on imports. The country of destination is where the customs clearance is made.



You need to decide on the correct customs procedure before any import is made.

Trade outside the EU – rules, duties and VAT (cont.)

MAKING A CUSTOMS DECLARATION

As the Importer, when your product arrives in Sweden you must submit a customs declaration to Customs. You can also do this via a customs representative. In the customs declaration this is done digitally (via the customs declaration) and is based on some key pieces of information. You must, for example, declare the name and address of both Shipper and Consigner, the trade name of the goods and country of origin, the number of packages, weight and transport method. Full information on what information you will need to provide can be found in the customs declaration [support pages](#).

A customs declaration is submitted digitally, but this can be done in two ways: You can submit either via TID (Customs Authority Internet declaration) or via the EDI (Electronic Data Interchange).

Submitting a customs declaration via TID.

TID is a service on the Customs Authorities' [website](#). Through TID, the person making the customs declaration enters the information into an electronic form. When all the information is completed, they will auto-

matically be transferred to the Customs Data System (TDS). TID is primarily intended for companies making a small number of customs declarations. Using this method of submission, means that no additional fees are payable. This digital information carries the same legal weight as a paper document that is subsequently signed digitally. In order to use TID though, your company must register with the Customs Administration. You can find out more about TID [here](#).

Submitting a customs declaration via the EDI

The abbreviation *EDI* stands for *Electronic Data Interchange*. The customs declaration is sent as a message via EDI-direkt to the Customs Data System (TDS). Declarations made via EDI are best suited for those who make a large number of declarations. Using EDI means having access to the corresponding software; it is the only way you will only be able to create, process, send and receive EDI messages.

If you do not wish to, or are unable to, submit a customs declaration digitally, a Customs Agent will be able to help you.



Customs declarations for imports are sent as one message via EDI-direkt, straight to the Customs Authorities' data systems.

Trade outside the EU – rules, duties and VAT (cont.)

MAKING A CUSTOMS DECLARATION (CONT.)

Correcting Mistakes

If you as a company, discover that you have sent through the wrong information, get in touch with the Customs Authorities as soon as you can in order to correct your mistake. You may also be able to do this yourself, digitally. If you have hired a Customs Agent, you can, of course, ask them to make the required changes. It is actually possible to make corrections up to three years from the initial submission. If you have made a *self-declaration* it is unlikely that you will have to pay a penalty (termed the Customs Supplement). See more under the heading *Customs: Error Detection*.

What you need to do next, depends on the nature of the change made. For example, if it has affected what you have paid, then the process might be more rigorous. If this kind of mistake is discovered in terms of payment of customs duties and/or other fees, you should apply for a *change of declaration*. In essence, this means that the declaration is reassessed by the customs authorities.

Here are some examples of changes to the customs declaration that will affect payment amounts: new product code, new valuation, new weight (if there is a weight duty on the product), deletion or addition of goods etc. For changes that don't impact what you need to pay, it is likely you will be able to make the corrections on the customs service portal. See [here](#) for more information.

In some cases, you may even need to cancel a declaration entirely; for example, if you applied the incorrect customs procedure when declaring your goods, or if you submitted a declaration by mistake. In these cases, you need to apply to cancel the declaration (see further below). If the goods are already in Sweden, you or your customs representative have 90 days in which to apply for a cancellation from the original date of submission. If you are still waiting for them to be delivered, you should apply for cancellation as soon as possible.



If you discover that you have sent through the wrong information, get in touch with the Customs Authorities as soon as you can in order to correct your mistake.

Trade outside the EU – rules, duties and VAT (cont.)

MAKING A CUSTOMS DECLARATION (CONT.)

Customs: Error Detection

The Customs Authorities will make a number of checks to ensure all is as it should be. These include physical checks as well as checking your documentation. This is to be certain that the information provided in the customs declaration is correct. Customs Authorities are able to enforce a customs audit, which allows them to check through all your accounts and documentation. Its purpose is to ensure that you, as a company, have declared everything you have imported, as well as checking that the actual declarations made by your company are correct.

The Customs Authorities will adjust any errors found, regardless of whether you have over- or underpaid duties and fees. If you've paid too little, it is likely a customs surcharge will be levied against you. If they decide that you have been deliberately providing false information, you may be prosecuted. Be aware, in some cases this prosecution can lead to imprisonment.



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Customs Authorities are able to enforce a customs audit, which allows them to check through all your accounts and documentation.

Trade outside the EU – rules, duties and VAT (cont.)

MAKING USE OF THIRD-PARTY SUPPORT

Companies can either make the relevant declarations themselves, or they can employ a *Clearance Agent*. Using the power of attorney, third-party customs representatives are able to provide a customs declaration on behalf of other companies. However, be aware that the agent will always assume that the duty of payment lies with you, i.e. the Importer, even if you are working with a representative.

Even if you are not issuing the customs declaration yourself, you, as an Importer, are always the party responsible for ensuring that the information given is correct. You should therefore always check any declarations yourself and notify the customs representative of any new, or changed, costs that have been incurred in connection with the goods you are importing.



Two types of agent

There are two types of agent handling when it comes to customs management – one is *Direct Representation*, the other is *Indirect Representation*.

Direct Representation is the most common form of proxy. This means that the Clearance Agent leaves the declaration for customer's account, and then stands alone as a customs representative in the customs declaration. The customer can choose whether to use the credit facilities of the customs agent, or pay the customs fees directly to customs. No matter how you choose to pay your customs duties, you must remember that in this scenario, you, as the Importer, are entirely responsible for any submissions or payments made to the customs.

Indirect Representation means that the Customs Agent makes the declaration in their own name but does so on behalf of the customer. In this *indirect* scenario it is the Clearance Agent who is responsible for the declaration and is therefore also liable for any payments. This kind of representation is not very common in Sweden. You can find out more about hiring a freight forwarder in the *International Transport and freight Forwarding* section.



There are two types of customs clearance handling when it comes to customs management – one is direct representation, the other is indirect representation.

Trade within the EU – Intrastat and VAT

INTRASTAT

Sweden has been an EU Member State since 1995. The EU is a Customs Union. This means that there is free movement of goods and services between Sweden and other EU countries. There are no customs duties paid on goods moving between EU Member States and all apply a common customs tariff for goods imported from outside the EU. Goods that have been legally imported can circulate throughout the EU with no further customs checks. Therefore, a system for collecting information and producing statistics on the trade in goods between Member States, by collecting data directly from the companies themselves, has been created. This system is called Intrastat.

To find out which countries are EU Members, or if you want to know more about the EU generally, visit the Swedish Parliament's EU Information Service [website](#).

Now that Brexit is imminent, if you are procuring goods from the UK, it is worth checking out the latest information. A good overview is provided by the National Board of Trade on its [website](#).



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The EU Interstat-system has been created to collect information and produce statistics on the trade in goods between Member States, by collecting data directly from businesses.

Trade within the EU – Intrastat and VAT (cont.)

INTRASTAT (CONT.)

Which companies must report to Intrastat?

Every VAT-registered business trading goods with other EU member states is obliged to declare certain information. In practical terms, though, application varies slightly from country to country. In Sweden for example, [Statistics Sweden \(SCB\)](#) has the task of collecting, compiling and publishing the data submitted through the Intrastat reports.

If the value of goods received by a business exceeds SEK 9,000,000 in a twelve-month period, an Intrastat declaration must be submitted during the month when the threshold was reached. The duty to report, then applies. Statistics Sweden will notify the company directly, if that is not the case.

There is a close connection between the information provided to Intrastat and the information provided on tax returns, which are submitted by Swedish businesses

to the [Swedish Tax Agency](#) on a monthly or quarterly basis. A company paying taxes will automatically be referred to Statistics Sweden to facilitate the data collection needed, and will be required to submit an Intrastat report if applicable. If information is not provided in a timely manner, a reminder will be sent to the company. If the business then fails to respond, an official request will follow. If the business still fails to comply, it will be ordered to fulfil its obligation of submitting information, and a penalty will be imposed.

Intrastat information can be submitted via IDEP.WEB or any other approved software. The company can also make the choice whether to report directly, or to appoint an agent to submit on their behalf. The final responsibility for the accuracy of the information provided however, remains with the business itself and even if an agent is used, the company responsible for bills and payments.



If the value of goods received by a business exceeds SEK 9,000,000 in a twelve-month period, an Intrastat declaration must be submitted.

Trade within the EU – Intrastat and VAT (cont.)

INTRASTAT (CONT.)

Intrastat submission due dates

Intrastat declarations must be submitted on a monthly basis and are due on the 10th business day of the month following the month to which the declaration relates. The due dates are published on [Statistics Sweden's website](#).

The *reporting month* refers to the month the goods are received in Sweden. Although the invoice is dated later than the month the goods are delivered in, the information provided should be based on the delivery month. In exceptional cases, adjustments can be made to encompass VAT reporting. In these cases, the reporting month becomes the same month as purchases/sales declared in the VAT return. The general rule is that the information provided should be based on the delivery month.

What should be reported?

Only imports of goods from another EU country should be reported, i.e. the physical flow of goods between Sweden and other EU member states. Trades in services that do not involve the delivery of goods are not includ-

ed and should therefore not be reported to Intrastat. Whether the delivery involves a monetary transaction or not, information must still be provided. The value stated should be the market value. If the expected invoice value is missing, the reported price of the goods is considered to be the normal purchase price, i.e. market value. Please note, that even if a company has not received deliveries in any given month a Nil report must still be submitted to Statistics Sweden.



Even if a company has not received deliveries in any given month a Nil report must still be submitted to Statistics Sweden.

Trade within the EU – Intrastat and VAT (cont.)

INTRASTAT (CONT.)

What if the submitted information is incorrect?

If the provider of the information (company or agent) notices that incorrect information has been sent, a written correction must be sent to Statistics Sweden without delay so that previously submitted products can be corrected.

If the difference between the original value and the correct value for a commodity item is less than SEK 50,000, corrections do not need to be made to the amounts. If the wrong country or commodity code has been used, or if a significant error has been made in weight or regarding the supplementary unit, corrections should always be sent through.

More information about Intrastat can be found on Statistics Sweden's [website](#). You can also find the latest version of the downloadable Intrastat guidance manual there. Please note; Statistics Sweden publishes a new Intrastat guidance manual every year.

What if you want to hire a representative?

The company can make the choice whether to report directly, or to appoint an agent to submit on their behalf. However, the final responsibility for the accuracy of the information provided rests with the business itself.

Organisations can use agents in two different ways: They can either employ one or a number of agents or they can hand their information (i.e. bills and invoices) over to a representative.

If the company uses a representative, it is that representative's responsibility to file the information with Intrastat. However, if it is the agent reporting on the company's import interactions, the company itself must confirm this, by submitting a report to Statistics Sweden. If the Intrastat report is missing or delayed, a reminder will be sent to the company, as they are responsible for the data. Some companies chose to transfer their entire data submission to an appointed representative. This type of representative agent will submit information reflecting the client company's total trade operations to Intrastat every month. In this case, it is only the agent providing Statistics Sweden with information. Reminders are therefore sent to them, rather than the client company.

Trade within the EU – Intrastat and VAT (cont.)

VAT WITHIN THE EU: TRADING GOODS

Harmonization in the EU means that VAT no longer exists when paid in connection with imports from another EU country. Instead, each Member country is responsible for setting its own rates within the framework of a its internal taxation system. This means a company's domestic VAT account encompasses the acquisition of goods from other EU countries also.

Intra-Community Acquisition – ICA

An *Intra-Community Acquisition* (abbreviated *ICA* and called *Gemenskapsinternt förvärv, GIF*, in Swedish), means that a Buyer in an EU country has acquired a product from a Seller in another EU country. The main rule of taxation between the Member states is that the sales of goods are divided into two independent stages. In the country of sale, no tax is payable and, in accordance with domestic rules, zero tax provision applies. It is in the recipient's country the purchase is made and this is taxed accordingly, following that country's regulations.

The existence of an ICA is dependent on goods having been acquired; i.e. ownership transferred from one party to another and financial recompense has been paid.

The way it is designed, compels the Buyer to record their acquisition for taxation purposes, detailing which country the goods have come from. In this intra-Community acquisition, the Seller's invoice is used by the Buyer to calculate the VAT.

A *right to deduct* means a taxable person's right to claim from the tax authorities the VAT paid upon acquired goods and services. VAT due or paid on an ICA can be deducted. This can be done by subtracting the deductible amount from the VAT payable in the regular VAT return submitted to the tax authorities. Deductions for input tax can be claimed under the same period as outgoing tax is reported.

A Buyer in Sweden who buys goods from another Member State through ICA must recalculate the invoice amount to Swedish kronor as well as calculating the outgoing tax. In most cases this amounts to 25% of the total (12% for food and 6% for books). The calculation of exchange rates should be based on the rate on the day of invoice, or on the one that applies post-delivery on the 15th of the month.



ICA means that a Buyer in an EU country has acquired a product from a Seller in another EU country.

Payment and risk

Risk management

As an Importer, you are faced with a number of issues. Some are of a purely practical nature, for example the risks associated with product quality and payment methods. Others are of a more strategic nature. Your key consideration must always be risk minimization. No matter what you are importing, or who you are importing from, you can get to grips with the risks in your business environment by reviewing your processes with risk in mind.



RISKS IN BUSINESS ENVIRONMENT

Dealing with foreign companies means you may be affected by political situations or economic instability in the country in question. Before you commit to a business relationship, it is important to assess potential uncertainties on the local market you are entering. For example, what is the local taxation or investment climate like? How will this interact with your financial situation? If the local situation makes timely delivery less likely, what impact will this have on your business?

Examples of questions you might ask

Industry organizations, Chambers of Commerce or your government's official trade promotion office, [Business Sweden](#) being one of these, can offer information as well as help on identifying local business risks. You may for example, want to find out about a supplier's reputation in terms of the quality of his goods. These agencies can also help you explore payment terms in the relevant country and industry. Remember that your liquidity is directly related to the supplier's payment terms.

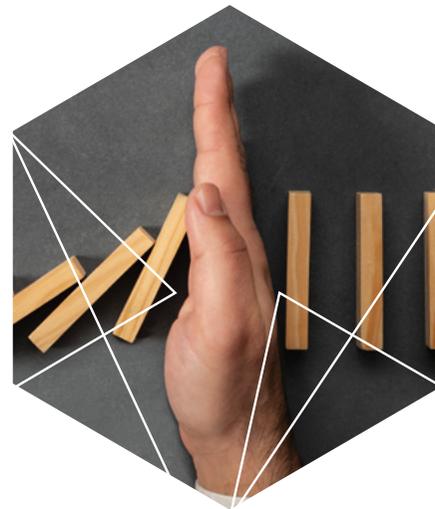


Industry organizations, Chambers of Commerce or your government's official trade promotion office, can offer information as well as help on identifying local business risks.

Risk management (cont.)

Examples of questions you might ask (cont.)

- Are you able to influence the terms of your contract with the supplier, re any advances, choice of currency and terms of delivery for example?
- How sure can you be of getting the product you ordered at the agreed quality?
- How will delays in delivery affect the relationship with your end customer? Apart from damage to your reputation, will you, as a subcontractor, be liable for a breach of contract?
- Who is responsible for arranging and paying for shipping and insurance?
- Might political unrest lead to problems in terms of the delivery of your goods? Is it possible that sanctions or other trade barriers could emerge?
- Are you depending on just a few suppliers? What happens if the supplier is unable to complete delivery, will you be able to find another at short notice?
- What happens if the supplier goes bankrupt?
- How will you resolve disputes? Which country's jurisdiction will apply?



“
*What happens if
the supplier goes
bankrupt?*”

PAYMENT AND RISK

Payment Solutions

The profitability of an import business is often dependent on practicalities. The choice of payment solutions can, for instance, have a major impact on your business. The aim is to help you minimize financial risk while protecting your cashflow.

To start with, it is important to have an account that provides you with continuous cash-flow information. Having this information at your fingertips will help you manage your liquidity effectively.



TRADE FINANCE

Trade finance refers to financial products which facilitate trade flows and transactions between Importers and Exporters. Trade finance has been created to mitigate the risks of cross border trade.

For example, your business might be affected by a prevailing in-country political situation, which could impact your ability to pay a supplier. To reduce these risks banks – and other financiers – have stepped in to provide trade finance products.

Swedish banks have, compared to banks in many other countries, unfortunately not been keen on developing trade finance services for imports. It is therefore worth contacting banks in other countries, which, for instance, your supplier may have good business relations with, to see if they can offer additional solutions.



Trade finance refers to financial products which facilitate trade flows and transactions between Importers and Exporters.

Payment Solutions (cont.)

CUSTOMIZED PAYMENT SOLUTIONS

All companies need to manage their international payments in a fast and secure manner, minimizing costs. Which payment solution suits your company best, depends on how many payments you make, the size of these, the time aspect, as well as the terms you have agreed upon with the supplier. When you make an international payment, it is in both parties' interest that the payment reaches the recipient as soon as possible.

If you know your supplier, you may have built a strong enough relationship to know your products will be delivered on time. However, if you are working with an untested business contact, you may not have the same confidence that they can fulfil the terms of your agreement. If that's the case, a simple payment structure is unlikely to offer you sufficient protection. There are, however, other types of solutions you can put in place that will offer you further assurance. For example, it is usual for a supplier to secure payment before you as a Buyer have access to the goods. A payment provider such as a bank, can help you develop a customised payment solution to include in the payment terms.



All companies need to manage their international payments in a fast and secure manner, minimizing costs.

Payment Solutions (cont.)

CUSTOMIZED PAYMENT SOLUTIONS (CONT.)

International transfer

An international transfer from one account to another is the most common and simplest payment method. Making use of online banking for your international payments is a practical and efficient way to manage payments, get an overview of pending payments and a history of payments made as well as a registry of your suppliers. It is important to ensure that the receiving bank is seen as an equally important partner in your overseas transactions. Its performance depends on the country's infrastructure and the receiving bank's ability to handle foreign payments.

Various intermediaries such as banks provide trade finance instruments. These can facilitate transactions by financing the trade. Which payment solution that suits your company best, depends on the following:

- The business relationship and trust between you and your supplier.
- The terms you have agreed upon with your supplier.
- How many payments you make and the size of these.
- The time aspect.



Various intermediaries such as banks provide trade finance instruments which can facilitate transactions.

Payment Solutions (cont.)

FREQUENTLY USED PAYMENT SOLUTIONS

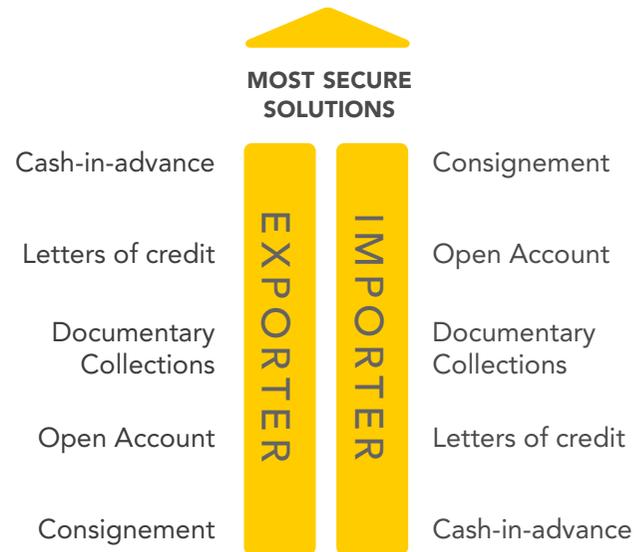
Cash in Advance – the Buyer arranges for their bank to pay the supplier in advance – this can also be done partially with 30% of the order value upfront when ordering, and the other 70% when the goods are released or shipped.

Letters of Credit (LoC) – provides the Seller with a guarantee that the payment will be made by the Buyer.

Documentary Collections (D/C) – the Exporter entrusts the collection of the payment from the Buyer to its bank (remitting bank), which sends the documents the Buyer needs to the Importer’s bank (collecting bank), with instructions to release the documents to the Buyer for payment.

Open Account – means the goods are shipped and delivered before payment is due. Used by business partners who trust each other; the two partners need to have their accounts with corresponding banks.

Consignment – payment is made first after the goods are sold. Common if Importer is for instance an agent.



OPPOSITE INTERESTS What is most secure for the Buyer/Importer is often opposite to what is secure for the Seller/Exporter.

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What is most secure for the Buyer/Importer is often opposite to what is secure for the Seller/Exporter.”

Payment Solutions (cont.)

FURTHER DETAILS ON INTERNATIONAL PAYMENT SOLUTIONS

Letters of Credit

A Letter of Credit, or LoC, is a letter from a bank guaranteeing that a Buyer's payment to a Seller will be received on time and for the correct amount. In the event that the Buyer is unable to make a payment on the purchase, the bank will be required to cover the full or remaining amount of the purchase. An LoC is the most secure form of payment solution for an Importer to use, although you are of course required to pay a fee to the bank, for making use of this service.

There are many kinds of LoC:s. Like a bank guarantee, which is frequently used for real estate contracts and infrastructure projects, both assure that the third party, in this case the Seller, will get paid despite the financial situation of the Buyer.

Essentially the process is that the Buyer's/Importer's bank promises/undertakes to make the payment to the Seller/Exporter via its bank if the Seller can present the complying documents to the Buyer's bank as specified by the Buyer/Importer in the purchase agreement.

LoC:s are especially important in international trade due to the distance involved, the potentially differing laws in the countries of the businesses involved, and the difficulty of the parties meeting in person. LoC:s are primarily used in global transactions, while bank guarantees, which have a similar function, are more used in real estate contracts and infrastructure projects. A bank guarantee and a letter of credit are both promises from a financial institution that a borrower will be able to repay a debt to another party, no matter what the debtor's financial circumstances.

Documentary Collections

The Buyer may obtain possession of goods and clear them through customs, if the Buyer has the shipping documents (original bill of lading, certificate of origin, etc.). The documents, however, are only released to the Buyer *after* payment has been made ("Documents against Payment") or payment undertaking has been given ("Documents against Acceptance").



The Buyer may obtain possession of goods and clear them through customs, if the Buyer has the shipping documents.

Payment Solutions (cont.)

Documentary Collections (cont.)

D/C, is less costly for the Buyer to make use of as a payment solution, than making use of Letters of Credit (LoC), but does not provide the same level of security as an LoC. For a D/C, the bank acts as a channel for the documents but does not guarantee any payments. The bank that receives a D/C may debit the Buyer's account and make payment only if authorised by the Buyer.

D/C is good to use in cases when the Seller does not want to deliver goods to the Buyer on "open account" basis, but due to a long-term stable business relationship between the parties there is no need to pay a fee for the security provided by an LoC. D/C is suitable if the Seller has no doubts about the Buyer's ability to meet its payment obligations, if the political and economic situation in the Buyer's country is stable and if there are no foreign exchange restrictions in the Seller's country. D/C is convenient for the Buyer because there is no need for an advance payment.

CURRENCY RISK

Currency risk, or exchange-rate risk, arises from the change in price of one currency in relation to another. All international companies need to put resources into

managing currency risks. Whether you are exporting or importing, managing investment or business operations and assets across borders you will be exposed to currency risk that may create both unpredictable profits and losses.

Important advice to take note of if you are an Importer:

- Follow and be aware of currency fluctuation risks for the countries you are trading with. A higher valued Swedish Crown relative to the currency in the country you are trading with means that Swedish exports become more expensive and imports to Sweden become more cheap.
- Ensure that you have taken currency fluctuation risks into account in the pricing of your products, in discussions with your suppliers and your purchasing orders.
- Discuss ways of mitigation and hedging currency risks with your local bank. There are several instruments for this including using forex, futures, options contracts, or other derivatives. Some of these may be more suitable and affordable for larger companies and economic actors, but it is always important even if you are a smaller company to evaluate what instruments are available in dialogue with your bank or other financial institution.



Ensure that you have taken currency fluctuation risks into account in the pricing of your products, in discussions with your suppliers and purchasing orders.

Sustainable entrepreneurship

OVERVIEW

The Sustainable Development Goals (SDG:s), also known as *The Global Goals*, were adopted by all United Nations Member States in 2015 as a universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity by 2030. Increasing global awareness of these seventeen goals has had a direct impact on global commerce; to the point that many now believe business should be the driving engine behind the social change required to meet these goals.

To help your business to set goals and implement work on sustainability, there are several international guidelines, tools and standards developed both on a general and sector specific level – e.g. ISO 26000, UN Global Compact, UN/ECE.

Increasingly, new business models are emerging, created by social entrepreneurs who have decided that meeting social and environmental challenges is at the heart of their company DNA. Several Swedish companies operating in the food industry, for instance, are committed to reducing food waste. There are now several innovation

funds investing in the development and use of innovative technological solutions to environmental problems along with wider future innovations.

At the same time, an increasing share of the market is demanding environmentally sustainable products. The LOHAS concept (Lifestyle of Health and Sustainability) is particularly relevant to the Swedish market, as around 40% of Sweden's population care about their health and the environment and want to be part of this movement for change. Fortunately, the purchasing power of this demographic makes premium pricing possible.



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Sustainability Analysis: Considerations for importers

The purpose of a sustainability analysis is to identify and analyse your company's risks and opportunities with regards to sustainable development. Agenda 2030 is a good starting point for this analysis, before finding the relevant guidelines and standards for your business and products. As an Importer, your considerations might include potential business opportunities linked to business ethics as well as environmental and social responsibility. If you do this analysis carefully, you are likely to reap the rewards – with the Nordic market being particularly receptive.

Some questions you might like to ask yourself are outlined below:

Climate goals. What 2030 goal(s) will your business be helping to solve? Set concrete goals and define how to measure them.

Localisation. Is your product Swedish? If it isn't, is it possible to have it manufactured in Sweden? Often, we will import products because the manufacturing costs are lower elsewhere. Although this gives products a more competitive price point, they will not necessarily be as sustainable as a home-grown version. Of course, some products do not grow in colder climates. However, Swedish retailers are increasingly realising that, although it is possible to buy lamb from New Zealand and beef from Brazil, customers are willing to pay a bit more for meat that comes from Sweden.

Product development. Is your product able to meet both environmental and customer needs? Is there a better, more sustainable solution you might not have thought of yet? It is still possible to be creative; designing a solution which is as environmentally friendly as possible

at the product development stage. You might wish to look at measuring CO₂ equivalents as your product passes through the supply chain.

What is the most environmentally friendly way of shipping your product to Sweden? You could even consider the proximity of your supplier to Sweden in terms of your transport process being more sustainable.

Packaging. Is your product packaged using materials that can be recycled? Are you able to minimize your packaging requirements – maybe even avoid packaging entirely?

Communication. Transparency in terms of how to communicate your product can give you a strong competitive edge – especially if you boldly align to the 2030 goals you are contributing to.

Things to consider when importing organic products

If you are importing organic products, a key tip is to ensure that your supplier remains responsible for your stock. You may be able to do this according to Incoterm's DAP (Delivered at Place). Setting things up in this way, means that the freight carrier will then be responsible for customs clearance and any other administration relating to your imported goods.

When importing organic products to the EU, it is important to remember that either you, or the carrier, will need to present Customs with a verification certificate, guaranteeing that your products are truly organic. The responsibility for this rests with your supplier (the Exporter). These certificates are issued by inspectorates across different countries (either state controlled or privately run) and are an essential accompaniment to each consignment of organic products imported into the EU.

Since January 1, 2018, control has moved from the Customs Authority to the National Food Agency. The latter is now in charge of verifying the inspection certificate using

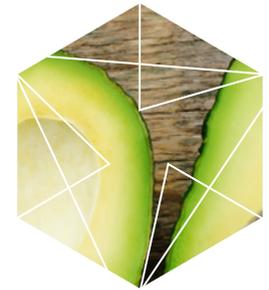
electronic the system Traces NT. This must be cleared before the Customs declaration is submitted. Originals should be sent to the following address:

Gothenburg Border Control Station
Port 3, Skandiahamnen
418 34 Gothenburg

You can find more information [here](#).

Useful Links

- » [Agenda 2030 \(SDGs\)](#)
- » [The 17 Global Goals](#)
- » [Measuring your efficacy in terms of the global goals](#)
- » [Measuring carbon footprint for food companies](#)
- » [Getting Organic products through Customs](#)
- » [ISO26000 on social responsibility](#)
- » [United Nations Global Compact](#)
- » [The National Food Agency and the EU – guidance on import of organic foods.](#)



If you are importing organic products, a key tip is to ensure that your supplier remains responsible for your stock.

Understanding different business cultures

Business culture can differ markedly across regions, countries and continents. When you are building relationships with businesses in other parts of the world, it is worth taking some time to understand how you can use language, body language and particular cultural mores to your advantage, to give you the best chance of success. You can either invest in a representative in the country you are looking to work in, or use someone in your personal network to help you build understanding.

The list below, is based on cultural factors you should consider when preparing to do business abroad:

- Language
- Body language
- Physical contact
- Tone
- Facial expressions
- Clothing
- Religious and moral values



Business culture can differ markedly across regions, countries and continents.



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