Customs clearance: Safely managing customs handling in international procurement

Customs clearance refers to the customs handling of goods across a customs border, including declaration, valuation, classification and payment of duties as well as import VAT. For industrial buyers it is a central component of import and export costs and directly influences landed costs, lead times and compliance risks. Those who manage customs clearance proactively reduce duty rates legally through preferences and procedures, avoid delays at the border and withstand customs authority audits. This glossary article explains terms, procedures, KPIs and practical recommendations relating to customs clearance.

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Key facts at a glance

01 Customs clearance covers the customs declaration, tariff classification (commodity code), customs value and payment of duties on import.

02 The choice of Incoterm determines which contracting party organises and bears the customs clearance – under Incoterms EXW, for example, the buyer.

03 Duty rates depend on commodity code, origin and preferential agreements; preference evidence often significantly reduces the duties.

04 Customs procedures such as inward processing, customs warehousing or returned goods can defer or avoid duties.

05 Incorrect classification or origin details constitute regulatory or tax offences and can trigger fines and retrospective demands.

06 In practice, fixed freight forwarders or customs brokers often handle the clearance; responsibility nevertheless remains with the declarant.

Definition: customs clearance

Customs clearance is the overall economic and administrative process in which goods are declared to customs for the transit procedure, treated under customs law and the duties incurred are paid. It includes checking import requirements, applying for authorisations and documentation.

Types of duties at a glance

On import, several duties typically arise: customs duties under the Harmonised System or Combined Nomenclature, import VAT and, where applicable, excise duties or anti-dumping duties. The amount results from commodity code, customs value and origin. Exports within the EU are duty-free but require an export declaration; for third countries, the recipient's local import duties may be added.

Parties involved in the clearance

Several parties are involved in customs clearance: the declarant (frequently the recipient or an appointed agent), the customs broker or freight forwarder as service provider, the customs authority and, where applicable, upstream suppliers providing accompanying documents. Buyers should contractually specify who is the declarant and who is liable for errors – a topic that should also be addressed in the procurement manual and in the vendor onboarding of new suppliers.

Distinction: customs clearance versus customs handling

Colloquially, both terms are used synonymously. Strictly speaking, customs clearance (Verzollung) refers to the payment and declaration of duties, whereas customs handling (Zollabwicklung) covers the entire process from pre-lodgement through inspections to release. In tenders and Incoterms clauses the term should be used precisely in order to define responsibilities unambiguously.

Customs law fundamentals: classification, value and origin

Three elements determine practically every duty rate: tariff classification, customs value and preference or origin law. Errors in any of these building blocks lead to incorrect duties and are a frequent audit focus of the authorities.

Tariff classification (commodity code)

Every good is assigned a commodity code via the Combined Nomenclature or Harmonised System code, which determines the duty rate. For complex components, assemblies or mixtures, classification is not trivial; binding tariff information rulings from the customs administration provide legal certainty. In practice, a keyword-based tariff catalogue for standard materials, maintained jointly with procurement and engineering, pays off.

Customs value and valuation

The customs value is generally based on the transaction value, i.e. the price actually paid plus certain costs such as transport to the EU border, insurance and licence fees – depending on the agreed

Incoterm. Discounts, tools provided free of charge by the buyer or packaging costs can influence the value. Clean alignment between purchase contract, invoice and customs declaration is mandatory so that the invoice audit and customs audit see matching data.

Preferences and origin

Trade agreements enable reduced or zero duty rates if preferential origin is proven – for example through supplier declarations. Buyers must verify the validity of these declarations, as the importer of the goods is responsible for the preference claim. For raw materials from risk-affected origins, such as wood products under the EUDR in procurement, additional evidence and due diligence obligations apply, closely interlinked with origin questions.

Customs procedures and Incoterms: who clears what?

The chosen customs procedure and the Incoterm determine who organises, bears and is liable for the customs clearance. Buyers should actively shape both rather than leaving it to the supplier.

Incoterms and responsibility

Under Incoterms EXW, the buyer organises and pays for export and import customs clearance themselves – including collection from the supplier. Under DDP, conversely, the seller assumes the import duties, which is convenient for the buyer but can involve price and legal risks (sellers without a tax number, hidden costs). In practice, terms such as FCA, FOB or CIF dominate for imports, under which the buyer controls import clearance. A risk analysis per supply route shows which term makes landed costs most controllable.

Economic customs procedures

In addition to the standard procedure (release for free circulation), there are special procedures: inward processing (processing under duty suspension), customs warehousing (storage without duty liability), returned goods (reimport of exported goods) or outward processing (export for processing and re-import with duty reduction). Industrial companies typically use these procedures to preserve liquidity and unlock preference advantages; they require authorisations and bookkeeping.

Authorised Economic Operators (AEO)

Authorised Economic Operator (AEO) status facilitates clearance: fewer inspections, priority in selectivity checks, simplified procedures. Prerequisites include reliable bookkeeping, solvency and functioning compliance management. For suppliers with high import volumes, AEO status is a relevant criterion in supplier evaluation and tenders.

The customs clearance process: from order to release

Customs clearance follows a largely standardised process that should be digitally mapped and integrated with procurement. Clear interfaces with the freight forwarder and complete data prevent

delays and additional costs.

Data capture and pre-lodgement

The basis is the commercial invoice, packing list, transport document and, where applicable, preference evidence. From these, commodity code, customs value, origin and type of procedure are derived. Modern companies transmit data electronically in advance (pre-lodgement), so that the goods are released without waiting time after physical inspection. The quality of supplier data – keyword supplier master data validation and vendor onboarding – determines the speed here.

Declaration, inspections and release

The customs declaration is submitted electronically; the authority selects samples for document or goods inspections. After payment of duties or provision of security, the goods are released under customs law. In case of inspections or queries, a fast line to the customs broker partner is important so as not to block supply chains – a production line stop caused by missing imported parts usually costs far more than the duties themselves.

Follow-up and documentation

After release, booking, cost allocation and archiving of documents follow; retention periods are typically several years. Repayment claims (for example for goods erroneously declared at too high a duty) must be applied for within the deadline. The invoice audit should check duty and freight items against contracted rates in order to systematically uncover billing errors by the service provider.

Key KPIs and costs of customs clearance

Customs clearance costs consist of duties, service fees and indirect effects. Those who measure them can utilise preferences, compare service providers and quantify process errors.

Landed costs and duty cost ratio

Landed costs comprise purchase price, freight, insurance, duty, import VAT (interest-neutral but liquidity-relevant) and handling. Common KPIs are the duty cost ratio (duty costs relative to cost of goods) and the proportion of preference-benefiting line items. These figures feed into price and supplier comparisons and belong in the risk analysis when sourcing from third countries.

Lead times and release times

Typically measured are the time from arrival to customs release and the proportion of shipments with inspections or retrospective demands. Delays directly affect safety stocks and the safety time buffer in planning. A high service level in supply can hardly be maintained for imported goods without stable customs processes.

Compliance and error rates

Relevant are the rate of correct commodity codes, the proportion of declarations subsequently

corrected and the results of internal sample audits. In practice it shows: error rates below a few per cent are ambitious but achievable for complex assortments if master data and customs information are systematically maintained – also within the ABC-XYZ analysis in order to prioritise checking critical A-items.

Risks, controls and current developments

Customs clearance carries financial, operational and reputational risks. Controlled customs management and an eye on regulatory developments keep these risks manageable.

Typical risks

Common risks are incorrect classification, missing or invalid preference evidence, underestimation of the customs value, violations of sanctions and export controls as well as fraud in the supply chain. Consequences range from retrospective demands and interest, fines and criminal proceedings to supply interruptions. Operational failures – for example if a customs broker partner fails – can also stop supply chains; backup service providers and a bank guarantee/surety bond for larger customs risks are possible safeguards.

Controls and compliance management

An internal customs compliance system with defined process instructions in the procurement manual, regular self-audits, documented decision paths for borderline cases and clear responsibilities has proven effective. Market monitoring of duty changes, sanctions lists and trade agreements complements the control; changes should be incorporated into contracts early, for example via an escalation clause for dramatic duty or cost changes and clear governing-law provisions in international framework agreements.

Digitalisation and sustainability requirements

Customs authorities and industry are increasingly relying on electronic data, pre-lodgement and data quality; paperless processes reduce lead times. At the same time, sustainability and origin obligations are growing: evidence questions relating to wood, raw materials and supply chains (keyword EUDR in procurement) shift documentation requirements into the procurement process. Packaging management also touches on customs clearance, as packaging materials can be relevant under customs law and recycling requirements and recycling rates are increasingly demanded.

Typical metrics

Metric	Typical value
Duty cost ratio	1–5% of cost of goods (import-dependent) *Rule of thumb; varies greatly depending on product group and preference utilisation*

Preference ratio	> 90% of preference-eligible line items *Proportion of shipments with valid preference evidence*
Time to customs release	< 24 hours *Common with pre-lodgement; inspections extend the process*
Declaration correction rate	< 2% *Proportion of customs declarations subsequently corrected*

Practical example

A mid-sized machinery manufacturer imported components from Asia and experienced repeated delays in customs clearance as well as inconsistent duty rates for identical parts. An analysis revealed incomplete supplier data, missing preference declarations and three different commodity codes for the same part. With the following measures the company stabilised the process:

- Creation of a binding tariff catalogue for standard materials with binding tariff information rulings for A-parts
- Mandatory preference and origin evidence as a prerequisite in the vendor onboarding of new suppliers
- Switching critical supply routes from Incoterms EXW to FCA with an in-house, fixed customs broker partner and pre-lodgement
- Monthly invoice audit of all duty and freight cost items against framework rates as well as reporting of the duty cost ratio to management

Conclusion

Customs clearance is more than an administrative footnote: it determines landed costs, supply capability and legal certainty in international procurement. What matters are clean master data, clearly assigned responsibilities along the Incoterms and the active use of permissible customs procedures and preferences. Those who integrate customs topics into the procurement manual, supplier management and risk analysis avoid retrospective demands and supply interruptions. Given rising regulatory requirements, a structured customs compliance process is worthwhile for every importing industrial company. Recommendation: analyse the current state, prioritise critical commodity codes and digitalise processes step by step.

Frequently asked questions

? What exactly does customs clearance mean?

Customs clearance refers to declaring goods to customs and paying the resulting duties such as customs duty and import VAT. This includes the commodity code, customs value, origin and the choice of customs procedure. Once cleared, the goods are placed in free circulation and may be

used freely.

? Who is responsible for customs clearance under which Incoterm?

Under Incoterms EXW, the buyer organises both export and import customs clearance themselves. Under terms such as FCA or FOB, the buyer handles import clearance and the seller export clearance. Under DDP, the seller assumes the import duties, which is convenient for the buyer but carries price and liability risks.

? How high are duties on imports from third countries?

The duty rate results from the commodity code, the country of origin and applicable trade agreements; depending on the goods, it typically ranges from zero to clearly double-digit percentages. Preferential agreements can reduce the rate to zero if proof of origin is provided. A binding tariff information ruling from the customs administration provides clarity in individual cases.

? How long does customs clearance usually take?

With complete documentation and pre-lodgement, release frequently takes place within a few hours. Inspections, missing evidence or queries can delay the process by days. Pre-lodgement, a fixed customs broker partner and clean master data significantly shorten the lead time.

? Can duties be reduced or avoided?

Legally possible measures include using preferential agreements, permissible procedures such as customs warehousing or inward processing, precise tariff classification and applications for correction in the event of misdeclaration. False statements or manipulated origin details are prohibited. A structured landed cost analysis frequently reveals significant savings potential.

? What happens if customs clearance is incorrect?

False statements can trigger retrospective demands with interest, fines and, in extreme cases, criminal consequences. In addition, intensified inspections of future shipments loom. Prompt, voluntary-style corrections via post-clearance amendments typically mitigate the consequences; legal advice should be sought in individual cases.

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