

Thinking About Exporting?

If your business has a product or service for which there is an overseas market, you may decide to export to other countries. However, there are numerous considerations that must be taken into account prior to committing to overseas customers as there are financial, practical and legal implications related to exporting goods – as well as possible language issues, of course.

Assuming that you have conducted sufficient market research to ensure that your product is exportable, and you have located adequate demand in foreign markets to justify the exercise, you may now be drawing up an export plan to target one or more territories. There are numerous ways in which you can sell your products abroad: setting up an overseas office; using sales agents; using a distributor or entering into a joint venture. Which is best for you depends on the nature and extent of your business abroad and the investment you are prepared to make.

Financial Matters

There is likely to be a delay between shipping the goods to your customer and the date at which you get paid for those goods, which could create cashflow problems if you have not properly made allowances for this gap in time. You may also consider taking out an insurance policy to protect your business against an international customer going out of business. In terms of methods of payment, it is highly advisable only to use confirmed letters of credit.

Your Legal Obligations

Certain classifications of products require an export licence. Exporting without the required licence is a criminal offence, so it is vital that you obtain this prior to sending goods abroad. Licences are required for medicine, animals and plants, chemicals, fine art, firearms and technology, amongst other goods.

There are also obligations relating to VAT returns. Although the majority of exported goods are zero rated for VAT purposes, there are some exceptions so it is important to check. All the goods that you export must be included on your VAT return, and there are different systems for EU and non-EU sales.

Transport Considerations

As soon as goods enter another country's territory, they are under that country's jurisdiction. Transportation overseas can be complex and it is very important that you establish the exact requirements of each party in terms of duties and risk on your international commercial contract.

The International Chamber of Commerce publish sales terms, the current edition of which is called 'Incoterms 2000' that, when used in international trade contracts, determine exactly the obligations in relation to payment of shipping, risk, and other responsibilities of the buyer and seller in an international transaction.

If you need expert business advice on exporting your goods or services successfully, contact us today.

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