

# How much can you rely on your customs broker?

◆ Gints Pucens

When there is a need to deliver goods across the border it is a common practice in Latvia that



import/export formalities are carried out by customs brokers. Besides filling in customs declarations and acquiring insurance policies, the services provided by a customs broker may also include the payment of applicable taxes and customs duties on the behalf of a client. According to the agreement between the holder of goods and the customs broker, the customs broker may be authorized to receive money for the state budget on the behalf of their client and is obliged to pay the State Revenue Service. One might think that the holder of goods has performed its obligation to pay taxes or customs duties at the moment when the money is transferred to the broker. Such an assumption can be a mistake.

As a rule, the agreement between the holder of goods and a broker provides that payments received from the holder of goods to pay taxes and customs duties have to be transferred to State Revenue Service instantly. Usually the holder of the goods assumes that the broker follows this rule. Unfortunately, for various reasons a broker may keep the received payment for a while. Usually this is not a big risk if the broker is able to cover its liabilities. However, things may get much more complicated when the broker company becomes insolvent. Its unpaid custom duties may result in claims from the State Revenue Service towards the holder of the goods in order to cover the debt to the state budget. This is because according to the law, both parties can be considered as jointly liable. Although the holder of the

goods has made all the necessary payments to the brokerage company, and the customs broker company is considered to be the primary debtor to state budget, the Customs Department of State Revenue Service may demand payment of the alleged debt from the holder of the goods as well.

Some may argue that the liability of the broker is insured or covered by a guarantee. Yes, it is. The law provides that in order to become a customs broker the individual or company has to comply with a number of requirements. One of them is a submission to State Revenue Service of Latvia of a general guarantee issued by a bank or insurance company. The minimum amount of the guarantee for individuals acting as customs brokers is 50,000 lats (72,012 euros) and for companies – 200,000 lats. But it is purely the prerogative of the State Revenue Service to claim amounts due from the guarantor. The Revenue Service may choose to claim unpaid amounts from the holder of the goods instead of utilizing the received guarantee.

It is advisable to verify from time to time whether all payments that are made to a customs broker are properly transferred to the State Revenue Service. Otherwise the holder of the goods may face unexpected liabilities towards State Revenue Service.

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*Gints Pucens is an associate at law at Kronbergs and Cukste.*