KWE Customer Brexit Checklist

Is your business Brexit ready?

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The UK has left the EU and the end of the transition period is rushing up fast. Regardless of the outcome of the Brexit negotiations, our trading relationship with the EU will change fundamentally change come January 1st 2021. A recent British Chamber of Commerce Survey highlighted...

'Some 51% of companies had not taken any steps recommended by the government to prepare for changes in the trade of goods, the survey showed, with little more than three months to go before a shift in the terms of trade with the European Union.'

What is certain is that there will be additional paperwork, custom formalities and processes to negotiate for import or export shipments.

The good news is that you already have a working knowledge of the processes required from your other international trade activities. Now, it is a case of understanding how your EU trade will be impacted

For example new processes to include -

- **Customs formalities will be required.**
- **Export, Safety and Security declarations will be required**
- **MRNs lodged at the ports.**
- **All tariffs are under review— 'no deal' WTO/MFN?**
- **UK VAT payments — but does not need to be paid at importation and can be handled through VAT returns.**
- **Movements from GB to NI require import entry in NI and may be liable for duty.**
- **TSP Govt easement has been withdrawn. 'Other easements in place, eg. Deferred duty payment scheme**

The Northern Ireland protocol will still be necessary regardless of whether a trade deal is agreed or not - because EU law requires some product-standard checks, even if tariffs are eliminated.

Back in August, the Government published guidance on moving goods under the Northern Ireland Protocol. Within this guidance, it introduced the new "Trader Support Service" (TSS). The TSS will take on the burden of new customs controls and processes from businesses moving goods into Northern Ireland from Great Britain and the rest of the world at no cost.

The UK Government's second edition of the Border Operating Model has just been published as is available at—https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/925140/BordersOpModel.pdf.

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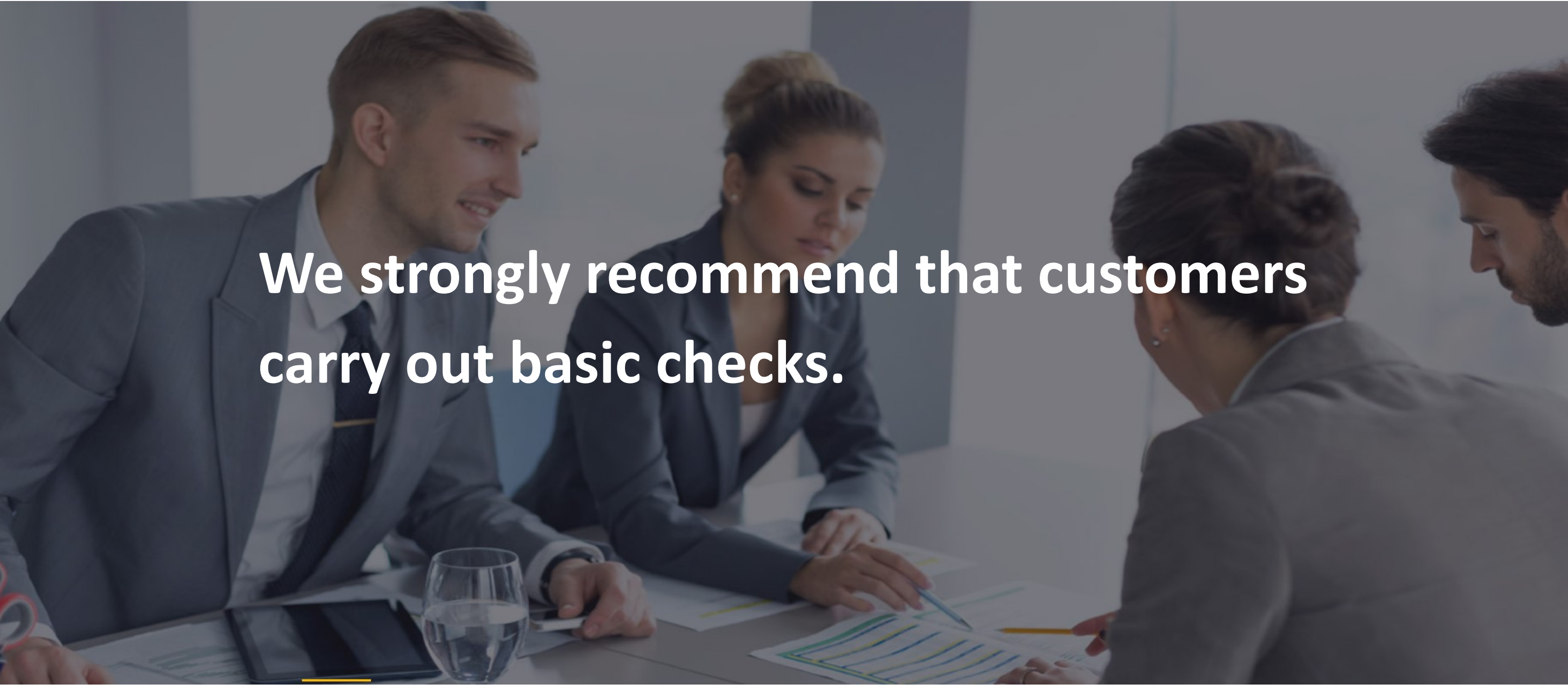

We strongly recommend that customers carry out basic checks.

Areas to consider are but not limited to -

- **Where do you source from. What markets do you sell to.**
- **Who will process your customs clearances.**
- **What Harmonized System (HS) Codes to use.**
- **Check your EORI no. and check that your trade partner has an EU EORI no.**
- **Understand what Incoterms you wish to trade under and the implications.**

Where you source from. What markets you sell to.

Map your supply chain to understand your businesses supply chain fully

The potential of customs checks and additional processes to cause delays at the border will depend on how new policies are implemented in practice. These processes may impact your cross border flows not because you have not been compliant but because of other third parties not being prepared and causing issues and delays at the port. How resilient is your supply chain to potential border delays for both imports and exports?

Look at your existing contracts. Do any have include penalties for late delivery? .

Will you need to increase your inventory and additional storage capacity

Who will process your customs clearances.

Will you use a Freight Forwarder or the your existing haulier to perform your Custom brokerage.

If you decide to do them then you must have a Duty Deferment Account **(DDA)** in place with HMRC. HMRC are introducing new rules that will allow most businesses to use duty deferment without needing to obtain a Customs Comprehensive Guarantee (CCG).

What Harmonized System (HS) Codes you use.

Confirm the HS codes (international classification system) for your EU sourced products and materials. If the UK and the EU do not reach an agreement that removes all tariffs, what would the impact of the MFN tariff be on your cost base?

The EU trade agreements that the UK currently enjoys will not apply for trade outside the EU unless the UK has secured it's own trade deals with that country e.g. the recent trade deal with Japan.

Have you assessed the potential impact of the proposed temporary tariff regime on imports in the event of a no deal.

Check your EORI no. and check that your trade partner has an EU EORI no.

Just like your current export and import activity, UK businesses trading with the EU will need to have a UK Economic Operator Registration and Identification number (EORI) number to continue trading. Customers and suppliers based in the EU will also need an EU EORI number to import / export goods to/from the UK.

The government automatically issued VAT registered businesses that currently trade with the EU with an EORI number. You should also check that your EU supplier has an EU EORI number to enable them to be able to continue to send the goods to the UK.

Understand what Incoterms you wish to trade under and the implications.

It is important to choose the best Incoterms to trade under with your supplier or customer and understand how different scenarios can impact you.

The consequences of DDP vs EXWs for example with regards to VAT and Duty payments and what fiscal arrangements need to be in place in the sellers or buyer's countries involved.

DDP—Delivered Duty Paid, may be an option but your seller will need to have a to be VAT registered in the buyers country to pay any VAT and duty.

DAP - Delivered at Place, removes the need for this but the consignee needs the facilities to pay the VAT and duty. This may be more favourable as this is something you or your buyer probably have in place with a freight forwarder and are familiar with.

Your own DDA may be useful also for your EU imports under DAP as it would prevent any delays for delivery, VAT and duties paid immediately without a third party, a freight forwarder for example, requiring cleared funds before delivery.

Exworks - buyer collect. This requires the buyer to be VAT registered in the sellers country to buy the goods and also have an agent in place to produce all the required documentation.

FCA—Free Carrier the requires the seller to produce all required documentation and prepare the goods for export. More importantly it deals with the VAT issue as the seller zero rates the goods for export and there is no need for the buyer to VAT registered in the country of purchase.

These are all trading terms and not customs terms so need to be worked out with your sellers or buyers for the best solution for both parties.

Other useful important information

Rules of Origin in UK-EU trade.

Even if the UK has a zero-tariff trade agreement with the EU, companies will need to prove that their product is of UK origin to benefit from this (usually, this means that 50-55% of the product has to be locally sourced). The exact terms of these rules between the UK and the EU are yet to be negotiated. If you are a supplier, has your customer asked you to provide proof of where you source your content? Would you be able to provide it if asked? If you buy your components from local suppliers, have you thought about conducting an audit of where they source their materials? Tariffs on UK-EU trade Businesses should consider the potential impact of a situation where there are tariffs between the UK and the EU – based on the EU Most Favoured Nation (MFN) tariff (which applies to countries that do not have a special agreement with the EU). Do you know the HS codes (international classification system) for your products? Do you know the EU MFN tariff that is applicable for your product? If the UK and the EU do not reach an agreement that removes all tariffs, what would the impact of the MFN tariff be on your cost base? . In the event of no-deal, your business will need to check the tariffs on exports to the EU before the UK leaves.

Import VAT

In the event of no-deal, the UK will introduce postponed accounting – the same system that is currently in place for intra-EU trade. This means that there will be no need to pay VAT at the border; the only change caused by Brexit on VAT will be on parcels valued up to and including £135.

VAT registration in the EU

If you trade in goods and decide to hold stock in an EU country for supply to your EU customers, you will need to register for VAT in that country. Dependent on the country where your stock is, you may also be required to appoint a Fiscal Representative who is jointly liable for any VAT you may owe. Do you know which country would be best suited to support your supply chain to EU customers/suppliers? Do you have access to bank guarantees required by Fiscal Representatives? Does your business model allow enough margin to absorb the increased costs these new processes will bring?

Source BCC.

Current 2021 UK easements for EU Imports

Simplified Declarations - allows goods to be released directly at the frontier to a specified customs procedure. The goods may be entered directly to free circulation, an economic relief, a Special Procedure or other customs procedure.

- The goods are released from the frontier using a simplified frontier declaration or an entry in the declarant's records (EIDR) which is followed at a later date by a Supplementary Declaration Imports. This is required by the 4th working day of the following month.

- The simplified frontier declaration contains a smaller amount of information than a full declaration and must contain a plain language description of the goods, the Declaration Unique Consignment Reference (DUCR), together with any other mandatory information required by the Tariff. For EIDR the importer (or their agent) makes the simplified customs declaration directly into their electronic commercial records.

- Goods released using simplified declarations for imports will still be subject to anti-smuggling checks and all border admissibility controls must be completed prior to the release of the goods.

Simplified Transit Procedures Authorised consignor/consignee status which allows traders to start or end transit movements at their own premises.

Duty Deferment Accounts Allows traders to defer payments to HMRC which benefits cash flow. HMRC are introducing new rules that will allow most businesses to use duty deferment without needing to obtain a Customs Comprehensive Guarantee (CCG). This easement will not apply to businesses that have a history of non-compliance or are insolvent.

Temporary Storage Allows traders to store goods for up to 90 days in an approved location before declaring them to a customs procedure and paying

duties due.

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How can we help

As the final outcome of the agreed trading relationship between the UK and the EU is uncertain until the 1st January 2021, KWE UK is closely monitoring Brexit developments and is proactively putting in place practical solutions to cover all outcomes.

If you have any questions regarding Brexit and are interested to learn about how KWE UK can support you during this uncertain and potentially demanding and challenging transition period, please do not hesitate to contact us at.

brexit@kwe.com

Additional information -

www.gov.uk/transition

www.britishchambers.org.uk/page/brexit-hub,

ww.check-future-uk-trade-tariffs.service.gov.uk/

https://www.gov.uk/government/publications/changes-to-vat-treatment-of-overseas-goods-sold-to-customers-from-1-january-2021

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/925140/BordersOpModel.pdf.

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