Brexit at a Glance

As of January 31, 2020, the UK has officially left the EU. The remainder of the year will be a transition period. During this time, the UK and the EU will be discussing the future relationship between the two parties. Keep in mind, there can still be a hard or soft Brexit by the end of 2020 - all options remain viable. Whatever the outcome, there are steps you can take to ensure your business is prepared to meet the new requirements once the transition period is over (December 31, 2020).

Short-term preparations:

1. Ensure your company has an Authorised Economic Operators Registration and Identification number
2. Confirm all cargo moving to and from the UK and EU is correctly classified under the Customs TARIC system.
3. If you are a UK entity, register for Transitional Simplified Procedures (TSP); this will allow for simplified importing from the EU into the UK for an initial period of one year.
4. Ensure all cargo moving to and from the UK and EU reflects the following required information:
   - Shipper's name, address, and valid EORI number
   - Receiver's full name, address, and valid EORI number
   - Full commodity description and Customs TARIC code
   - Valuation (including delivery and shipping terms)
   - Country of origin
   - Truck registration/trailer ID
   - Commercial invoice
   - Bill of lading/airway bill/CMR
   - Packing list
   - Veterinary/Plant health certificates license, where applicable
5. Fully prepare for the possibility of import VAT or duties at the point of importation into the EU or UK if no agreement is reached on the proposed withdrawal agreement. Sufficient cash flow must be considered.
6. Ensure full consideration is given to your supply chain and cargo transit times as a no deal withdrawal will result in long delays at customs points.
7. It is crucial that all customs clearance data is accurately submitted, and on-time. Incorrect or incomplete data will impact the efficient movement of goods, and delays will add to your costs.

Long-term preparations:

1. Proactively identify potential problem areas and prioritize them – taking a proportionate, segmented, risk-based approach.
2. Review your contracts – What legal jurisdiction are those contracts in and what currency are they based on?
3. Take into account legislation and trade issues that may affect the supply chain and come up with a contingency plan.
4. Share knowledge – most organizations are dealing with the same uncertainty.

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Brexit at a Glance

Customs formalities that your business should be reviewing in the event of no deal

Customs & Excise

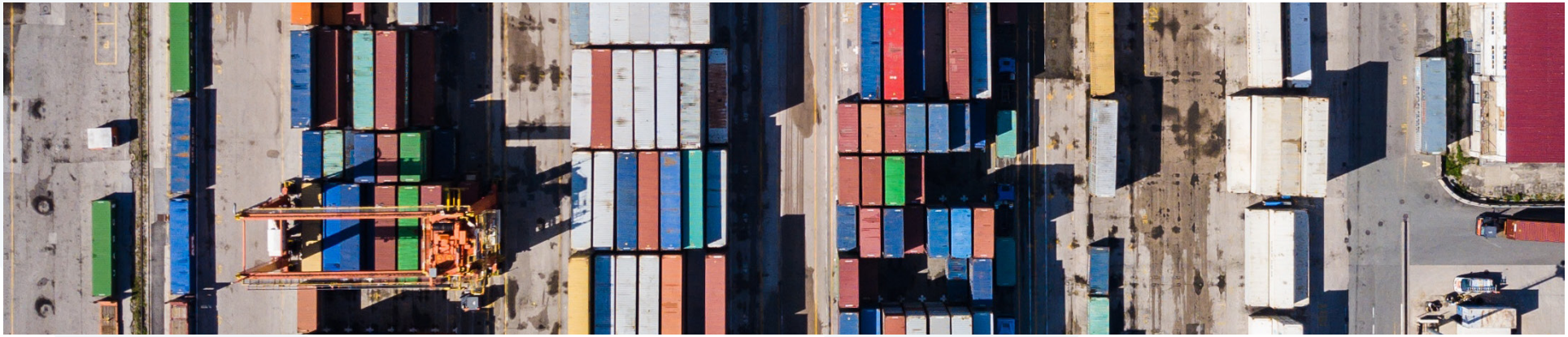
- The same customs & excise rules are applied on EU goods as on non-EU goods now. Customs declaration will need to be set up for importing and exporting goods from the UK. Safety and security declaration is required for imports and should be included in the export declaration.
- Excise Movement and Control System (EMCS) can no longer be used for movements in and out of the UK. However, it can be utilized for movements within the UK.

UK Trade Tariff

- EU's Common Customs Tariff (CCT) will not be applicable from January 31, 2020, onward.
- Trade with EU will be non-preferential, on WTO terms.
- The UK does not plan any immediate deviation from the current commodity code list published in the UK trade tariff.

VAT for business

- UK government will try to keep the procedures as close as possible to the current state.
- Postponed accounting for import VAT will be introduced: UK VAT registered companies will be able to account for VAT on their VAT return, rather than paying import VAT on or soon after the time the goods arrive at the UK border.
- Low-Value Consignment Relief (LVCR) will not be extended to goods entering the UK from the EU. Parcels valued up to and including £135, entering the UK sent by overseas businesses will be liable for VAT.



Brexit at a Glance

What can be expected on day one of a no deal scenario

For businesses importing from the EU only

- Goods will be subject to customs controls and an import declaration will have to be made
- Customs duties might be required under a new UK Trade Tariff. Before importing, businesses will be required to:
  - Register for a UK EORI number
  - Ensure the business name is mentioned as the importer in the shipment Incoterms
  - Consider who will be doing the import declaration: your business, your customs broker, your freight forwarder, etc.
  - Decide the correct classification and value of your goods and enter the correct commodity code
  - Make sure your carrier submitted the safety and security declaration at the appropriate time
  - Pay any VAT and import (and excise) duties
  - Check to see if import licenses are required

For businesses exporting to the EU only

The same procedure for exporting to a non-EU country will be applicable. Exporters will need to:

- Register for a UK EORI number
- Make sure their business is mentioned as the exporter in their contracts according to the Incoterms
- Have the right software and necessary authorisations from Her Majesty's Royal Customs (HMRC)
- Submit an export declaration to HMRC
- Check if you need to apply for an export license
- European Commission Sales List will not be required to be completed, however, you need to keep evidence to prove the goods have left the UK in case you have a zero-rate sales of goods to EU businesses
- EU Member States might have different import VAT rules - be sure to check the relevant import VAT rules in the concerned EU Member States

For businesses trading with the EU and the rest of the world

- The UK will be leaving the EU Common Transit Convention (CTC) which facilitates cross-border movements of goods. The UK is negotiating to retain membership of the CTC for business to be using the current CTC process.
- If you sell your own goods in an EU Member State to customers in that country, you can continue to do so in-line with the current Rest of World rules. Currently, EU rules state that you must register for VAT in that Member State where sales are made, in order to account for the VAT in that country.
- EU VAT refund system can not be used by UK businesses, but they still can claim refunds of VAT from an EU Member State by using the existing processes for non-EU businesses.

Source consulted: Her Majesty's Customs and Revenue

BDP International and Brexit

BDP International is here to assist with navigating the uncertainty surrounding Brexit.

Should you have any questions, please reach out to your local BDP representation.

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