

Brexit at a Glance

As of January 31, 2020, the United Kingdom (UK) has officially left the European Union (EU). The remainder of the year will be a transition period, during which the UK and the EU will be discussing the future relationship between the two parties. There are steps you can take to ensure your business is prepared to meet the new requirements once the transition period is over as of December 31, 2020.



Practical issues to review:

- Register for a UK Economic Operator Registration and Identification number
- Find out the commodity code of your goods (commodity codes classify goods for customs)
- Determine that you have reviewed all values of your goods
- Check on import & export licenses to confirm if your goods are prohibited or restricted
- Establish the origin of the goods
- Consider your eligibility to use any facilitations
 - There are a number of special customs procedures available to traders:
 - Storage comprising of Customs Warehousing (CW)
 - Specific use comprising of Temporary Admission and End Use
 - Processing comprising Inward and Outward Processing transit
- Choose the correct customs procedure code (CPC) for your goods - CPCs identify the customs and/or excise regimes where goods are being entered into and removed from (where applicable)
- Declare your imports to customs

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 & risks 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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Customs formalities that your business should review

Customs & Excise

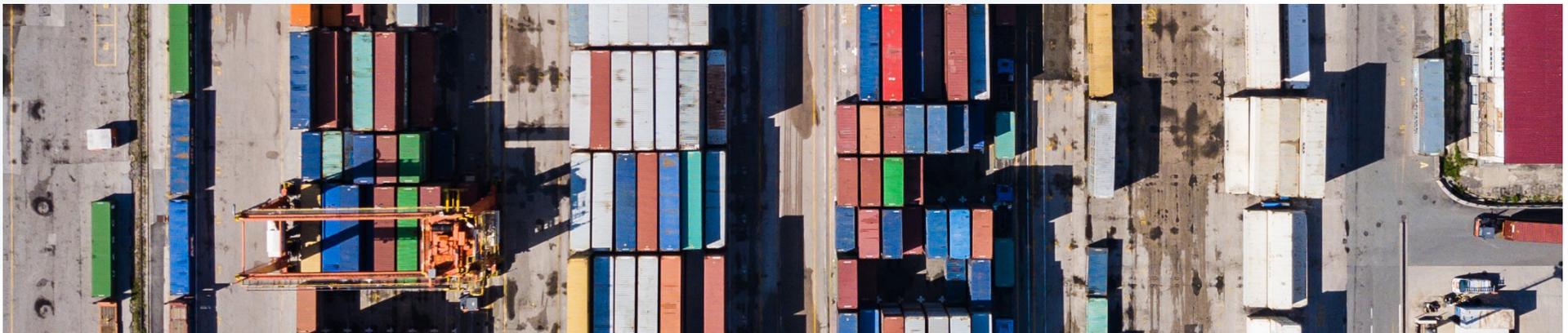
- The same customs & excise rules are applied on EU goods as on non-EU goods now. Customs declaration will need to be set up for importing and exporting goods from the UK. Safety and security declaration is required for imports and should be included in the export declaration.
- Excise Movement and Control 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 December 31, 2020, onward
- The UK does not plan any immediate deviation from the current commodity code list published in the UK trade tariff

VAT for business

- The UK's 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.



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What businesses can expect

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 will 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 UK businesses exporting to the rest of the world

- Register for the National Export System (NES), a computer system which allows export declarations to be made electronically
- There are a number of routes into the Customs Handling of Import and Export Freight (CHIEF) system
- NES operates within the CHIEF system, which controls the movement of international cargo
- The goods must be 'presented' to customs
 - Notification of the arrival of goods at the required location for customs control is referred to as 'presentation of the goods to customs'
 - CHIEF will examine the 'arrival message' and determine whether the goods have permission-to-progress (P2P) or need to go a different route
- Finalise the export entry on CHIEF
- Once the means of transport upon which the goods were loaded has physically left the UK, a departure message must be submitted to CHIEF

On exports to the EU:

- For UK exports arriving at the EU border, the EU will require payment of customs duty at the rate under the EU's Common Customs Tariff (CCT), unless otherwise agreed. The EU will apply its MFN rates to goods imported into the EU from the UK. The EUMFN rates are set out in the CCT, where they are listed as 'erga omnes' (which means 'towards all'), rather than stating a specific country.

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

- 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 cannot 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.

BDP International and Brexit

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

We expect further changes to the current regulations and processes and will continue to share updates with your business.

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

Source consulted: Her Majesty's Customs and Revenue

