



Brexit Preparation Guide

29th October 2019

Brexit- Is Your Business Prepared?

If the UK leaves the European Union without a deal, there are several areas that traders will need to be mindful of, which will change at the time the UK leaves the EU. We hope this guide will provide some assistance. If you are uncertain about any aspects, do speak to your normal ACS contact.

Contents

EORI (Economic Operators Registration and Identification) Number	3
Export Process	3
Import Process	4
Import VAT	4
Incoterms	5
Trade Agreements and Customs Duty	5
Customs Valuation	5
Arrangements for Food	6
Postal and Courier Imports	6
Wood Packing	6
No Deal Issues	7



EORI (Economic Operators Registration and Identification) Number

To trade with companies in the European Union, companies will require an EORI number obtainable from HMRC by following this [link](#) which also provides further information. If you already trade with countries outside the EU, you should have an EORI number.

HMRC have auto-enrolled 88,000 VAT-registered businesses for EORI numbers, so they can continue to trade with their customers in the EU after 31 October. If your company currently completes Intrastat declarations, it is likely that you have been recently issued with an EORI number.

To check the validity of an EORI number, use this [link](#).

EORI numbers are generally a company's VAT number, preceded by GB and with a suffix of '000'. For example, GB123456789000.

Export Process

Export Declaration - All goods being despatched from the UK to the EU, other than goods moving across the Irish land boundary, will need to be declared to HMRC prior to arrival at the port/terminal of departure. For most goods, the declaration will be submitted as an 'arrived' declaration and should clear customs immediately which will allow the vehicle to progress through UK export customs without issue.

Road hauliers carrying [controlled goods](#) - such as dual use goods will need to report to a site close to port/terminal to enable the customs declaration to be arrived and clearance obtained. Dual use goods are products which have a civilian purpose, but which may have military application. You will need a new export license if you are exporting dual use items from the UK to the EU or the Channel Islands, issued by the UK.

Export Control Joint Unit has published the [Open General Export Licence \(OGEL\) for exports of dual-use items to EU countries](#). This licence also covers exports to the Channel Islands.

This new export licence will remove the need for you to apply for individual licences and can be used immediately after the UK leaves the EU, following registration on [SPIRE, the online export licensing system](#).

Community Transit Arrangements – For goods which will not clear at the UK - EU frontier, a T1 transit will be required, as the goods will be moving through the EU and will not be in free circulation. The carrier will generally arrange these documents which will require a transit guarantee approved by HM Revenue and Customs (HMRC). If ACS is performing the carriage, we will also complete the necessary transit formalities.

Entry Summary Declarations (ENS) for EU (Security Declarations) – It is not certain which countries will require these declarations that are generally submitted by the carrier on an exporter's behalf. Ireland has advised that it will require these declarations on day one. Further information about the requirement in the Republic of Ireland can be found [here](#).

Destination Custom Clearance – Unless the goods are to be consigned to a customs approved warehouse at destination, it is likely that a destination import customs entry will need to be submitted prior to the goods leaving the UK, particularly if they are moving on a roll on roll off (RoRo) vessel or through the Channel Tunnel and clearing at the EU frontier. Do allow sufficient time to allow who ever is arranging the clearance to complete such formalities.

For example, for goods moving by road and using a RoRo service from Dover to Calais, the driver will be required to present the MRN number to French Customs at Dover which will enable the vehicle to proceed. Drivers are being told not to enter the ferry terminal unless they have a cleared UK export declaration and a valid destination customs declaration, or transit MRN to hand. It is expected that MRN and entry numbers will be provided to drivers via their mobile telephone. If a driver is moving under transit arrangements and does not have a transit document to hand as required, the Border Force will provide the necessary.

October 2019

Import Process

Origin Export Declaration - All goods being despatched from EU member states to the UK will need to be declared to customs prior to leaving the origin country.

Community Transit Arrangements – For goods in EU free circulation which will not clear at the EU - UK frontier, a T2 transit will be required. The carrier will generally arrange these documents which will require a transit authorisation approved by the origin customs authority. If ACS is performing the carriage, we will arrange the necessary transit formalities.

Entry Summary Declarations (ENS - Security Declarations) – These will not be required initially by the UK authorities until further notice.

Import Declaration – All goods imported from the EU will require an import declaration unless they are moving to an approved inland place of clearance. The options are:

- Normal declaration which for RoRo traffic, must be completed prior to the vehicle's arrival at the port/terminal of loading. The driver may be asked to provide evidence in the form of a customs entry number. By midnight on the following working day after import, the entry must be 'arrived' which will set the clearance status. It is accepted by HMRC that many goods will have been delivered by this point. For those goods clearing at inventory locations such as Felixstowe, Bristol and Liverpool, etc., customs clearance will be as per the current procedure for third country goods.
- Transitional Simplified Procedures – Should work well for non [controlled goods](#) which allows freight to move into the UK without issue, so long as the driver holds the importer's EORI number and the trader holds basic details of the movement in its records under the Entry in Declarants Records (EIDR) procedure. Further details can be found [here](#). TSP cannot be used for goods being customs cleared to [special procedures](#) such as customs warehousing. HMRC have auto enrolled 95,000 traders in addition to those who have already been authorised to use TSP. We do recommend that clients consider TSP, as this will be useful if a driver arrives at a port/terminal of loading without the correct paperwork. Only UK traders can apply for TSP and if imported goods are subject to customs duty under the new temporary duty rates regime, traders will also be required to apply for a duty deferment facility, which for the first year, will not require a bank guarantee, so long as the applicant has a good compliance history.

To allow the customs brokerage trade to build up resources, the first supplementary TSP declarations do not need to be submitted until six months after the UK leaves the EU without a deal.

- Customs Freight Simplified Procedures (CFSP) is more onerous than TSP. A frontier declaration is required to be submitted prior to the goods arriving at the port/terminal of loading, which must be arrived by midnight on the following working day. A supplementary declaration must be transmitted by the fourth working day of the month following import.

Clients importing from EU member states will need to have some sort of system in place to ensure that all goods are declared to HMRC using one of the methods mentioned above. This might be a question of using the data from a purchase ledger and cross-referencing data with actual customs declarations.

Import VAT

If the UK leaves the EU without a deal, VAT should be payable on import, but to avoid the requirement to collect VAT at the time of import, the Government has announced its intention to move all import VAT, including that due on non-EU imports, to postponed accounting. VAT will be accounted for on a company's periodic VAT return, which should produce a cash flow advantage to most traders. Further details [here](#).

This [link](#) will show you how to complete your VAT Return to account for import VAT in a no-deal Brexit

Check when you'll need to account for import VAT in a no-deal Brexit by following this [link](#).

Non-VAT registered traders will still be required to pay VAT on import.

Incoterms

Incoterms dictate who is responsible for each key cost element of a movement. Clients are recommended to review their sales terms to ensure they can comply with the requirements if the UK leaves the EU without a deal. Ex Works (EXW) and Delivered Duty Paid (DDP) are typical terms used now for intra EU trade.

- Trader selling EXW – The consignee is responsible for paying for and arranging all the customs documents including the export declaration. Buyers may appreciate a change to FCA terms which will put the responsibility of the export declaration onto the seller who is generally better placed to arrange this element of the supply chain.
- Trader selling DDP – The shipper is responsible for all customs arrangements under a DDP contract, including destination customs clearance. Several companies are refusing to be the importer of record, requiring the seller to open an establishment in the buyer's country to arrange local customs clearance, moving the point of supply of goods from origin to the destination country. Our recommendation to minimise cost, is to encourage buyers to be the importer of record, paying, or accounting for VAT locally. To remove the burden of the import declaration at destination, a seller might want to encourage the buyer to accept DAP terms, but this may be a challenge if one is competing with competitors from other EU member states.

Clients are reminded that the International Chamber of Commerce has revised the 2010 Incoterms and a [new edition](#) will come into force on 1st January 2020. Incoterms 2010 can still be used after 1st January, but it is recommended to state which version is being used when negotiating contracts.

Trade Agreements and Customs Duty

All the trade agreements currently enjoyed by the UK have been negotiated by the EU and will no longer be applicable, however, some new arrangements are in place:

General System of Preference (GSP) – Registered Exporter (REX) - The UK Government has unilaterally agreed to maintain the GSP system, so there is no change for UK importers

Free Trade Agreements – Some will continue, such as Switzerland and South Korea, while others will not and are unlikely to be agreed for some time, such as Turkey, Japan and Canada. A full list of agreements can be found by following this [link](#), which is being kept up-to-date by the Government.

Exports to the European Union – All goods moving from the UK to the EU will be subject to EU customs duty at destination. Duty rates can be found by following this [link](#). Duty will be applicable until the UK negotiates a trade agreement with the EU.

Imports into the UK – In the event of a 'no deal' exit, the Government has announced plans to introduce a UK Customs Tariff with temporary rates of duty which will apply to goods arriving from all countries, including the EU. 88% of all products by value will have a zero rate of duty. We understand that these temporary rates of duty are likely to be in place for a year or so. The UK Tariff can be found by following this [link](#). Although good for UK importers, this is not good news for many UK manufacturers and farmers who will be subject to greater pricing pressures from overseas competitors. For this reason, we understand that the Government is reviewing the Tariff and may make some adjustments which could result in additional products being subject to duty.

Customs Valuation

Traders will need to be mindful that when declaring goods to HMRC, it is important that the correct value is declared. This is the CIF (cost of goods, insurance premium and freight charge to arrival UK point of entry) value for imports and the FOB (free on board) value for exports. For imports, traders may declare the delivered UK (DDP) value, but they must not declare the ex-works value, as this would constitute an under declaration.

Intrastats

Intrastat declarations will still be required from those traders who currently complete them in the event of a no deal exit. These will be used for the collection of statistics and monitoring VAT. HMRC are yet to confirm how they will deal with any potential double counting of data, given that we presume that statistical data will be recorded once a customs declaration is submitted.

Arrangements for Food

The [Import of Products, Animals, Food and Feed System](#) (IPAFFS) will replace TRACES (Trade Control and Expert System) for reporting the import of food products to port health authorities.

The UK is likely to recognise EU food standards and vice versa; however, this is in expectation of a pragmatic approach on the part of both parties. Do be prepared for border checks in the EU for UK food exports, so do check with your customers.

EU Border posts will not clear UK bound food, for example goods moving from the Ukraine to UK via the EU, so goods will move under transit arrangements and will require port health checks in the UK. Dover is not currently a border inspection post and there are no plans or room to accommodate this requirement, so alternative routings will need to be considered.

A list of UK Border inspection posts can be found [here](#).

Further information about food movements and Brexit can be found [here](#).

Postal and Courier Imports

For imports with a value of £135.00 or less for use in your business and the seller sends them as a post or courier parcel, you will not be able to account for import VAT on your VAT return through the C79 process. The VAT will need to be paid 'up front' and the overseas seller of the goods must account for the import VAT. You should use the invoice to reclaim the import VAT on your next VAT Return.

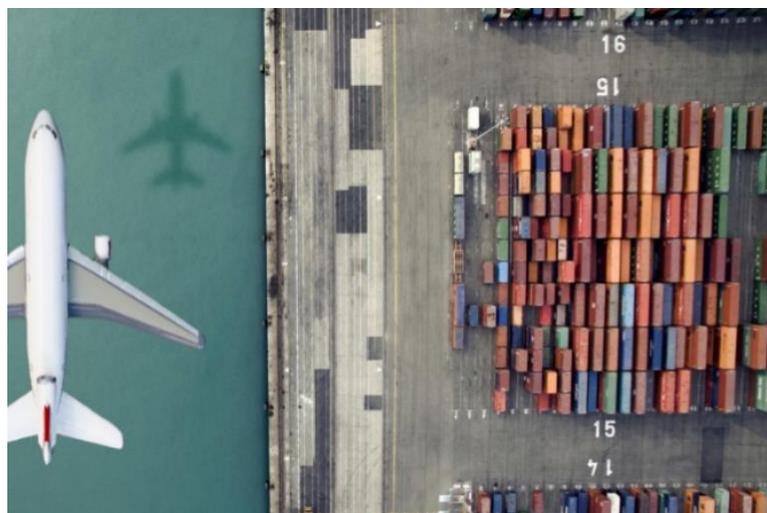
Wood Packing

When the UK becomes a third country in the eyes of the EU, all goods moving to and from the EU will need to comply with the ISPM15 wood packing regulations which apply now to all goods moving between the EU and third countries. Given the current shortage of compliant pallets, this could be an issue, but we are uncertain as to whether the authorities will impose controls, certainly in the initial period. Further details can be found [here](#).

No Deal Issues

A frequent question we are asked is, “do you think the Government will allow the country to leave the European Union without a deal?” Of course, it is possible, and it is recommended that one should prepare for such a decision, however, there are issues which need to be considered:

- There will be a significant increase in the requirement for customs declarations - in the region of five times the current number - and the forwarding industry both in the UK and EU does not currently have the capacity to increase its resources at such short notice. The mitigation in the UK is TSP for imports
- Companies trading within the EU do not always have the customs data in an automated format, which is often the case for those trading outside the EU. As a result, most customs declarations will initially be processed using traditional manual systems, with operators keying in data into customs systems, which is more labour intensive
- Delays caused by the requirement to obtain data which will allow timely customs declarations prior to a shipment’s despatch
- The requirement for transit guarantees – many EU hauliers will struggle with this requirement which will impact their cash flows
- Assess the impact of the UK Tariff with temporary duty rates
- ENS security declarations for Ireland - a significant additional task to the supply chain
- Lack of clarity of import requirements in the Republic of Ireland for cross border traffic
- Additional cost to business which could make some transactions uncompetitive
- Preparation time – such a huge change in requirements will normally require at least a two-year period to enable traders to get ready
- Training – Time needed to train companies who have no experience of customs matters and the special procedures required for the more complex supply chains where goods move from country to country for processing
- Exporters selling DDP, particularly those engaged in e-commerce need to consider the VAT implications at destination





ALLPORT CARGO SERVICES



Allport House, Phoenix House,
Oxford Road, Gerrards Cross,
United Kingdom, SL9 7AP
T +44 (0) 189 520 6000
E info@uk.allportcargoservices.com

allportcargoservices.com