

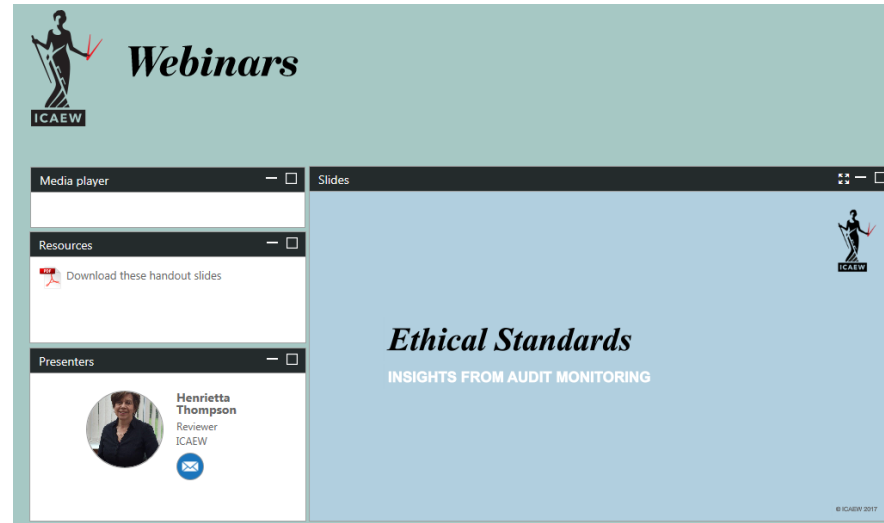


An Exporter's Guide to Brexit

IN ASSOCIATION WITH MHA MACINTYRE HUDSON

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Today's speakers



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BREXIT & EXPORTING



Brexit The basics



The UK has left the EU. It is in a transitional period until 31 December 2020.

There will be no extension to the transitional period. Deadlines for trade negotiations were pushed back to October, with the EU Council meeting 15-16 October and the outcome due 31st October

From 1st January 2021 all supplies of to the EU to UK will become third-country exports and be subject to Customs declarations.

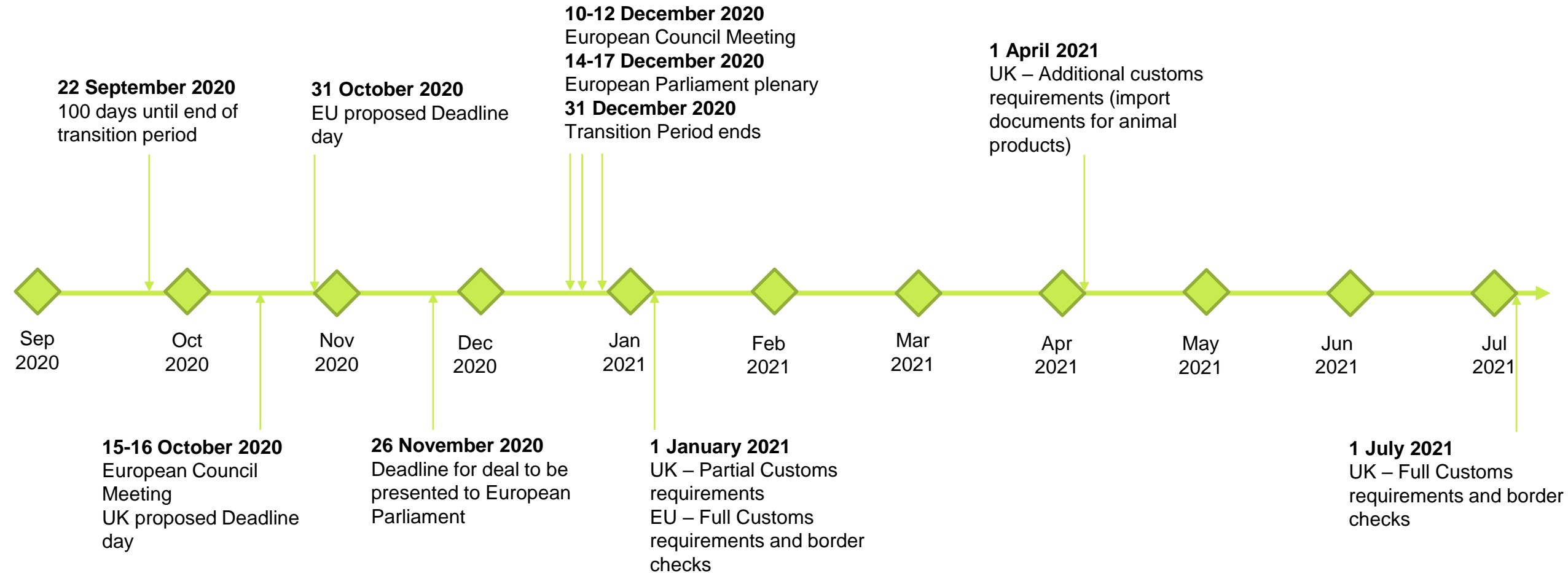
Customs Duty will be charged on UK goods imported into the EU, based on the rates determined by the EU.

There are only a matter of weeks for the UK and EU to agree a trade deal in time for 2021

There are challenges ahead and for businesses to thrive they will need to navigate the complex rules of Customs Duty and VAT to continue trading with the EU.



Brexit Timeline



Customs Changes



1

Introduction of the UK Global Tariff (UKGT)

- As the UK leaves the EU it will not be bound by the current EU Common External Tariff (CET). The new Tariff was announced in May 2020 and it will impose the customs duty rates applicable on imports into the UK.

The main differences to the CET are:

- Simplification into bandings 2% -20% (e.g. 6.5% > 6%)
- Scrapping of “nuisance” tariffs under 2%
- Removal of complicated calculations on agricultural goods.

2

Postponed Import VAT accounting

- Available for most imports of goods from 1/1/21
- VAT not paid on importation – instead through VAT Return using HMRC issued evidence.
- Cash-flow benefit
- Not mandatory

3

Deferred Import Declarations

- Not mandatory – only for “standard” goods.
- Covers up to 30 June 2021
- Requires submission of customs declaration within 6 months.
- VAT still accounted for in month of import.
- Helpful? Still need to gather data.

Customs Changes

4

Low value imports - £135

- Low Value Consignment Relief is disappearing
- The seller, or online marketplace, will be required to charge and collect VAT at time of sale
- In most cases the non-UK seller will need to register for VAT.
- VAT invoices will need to be raised to customers.

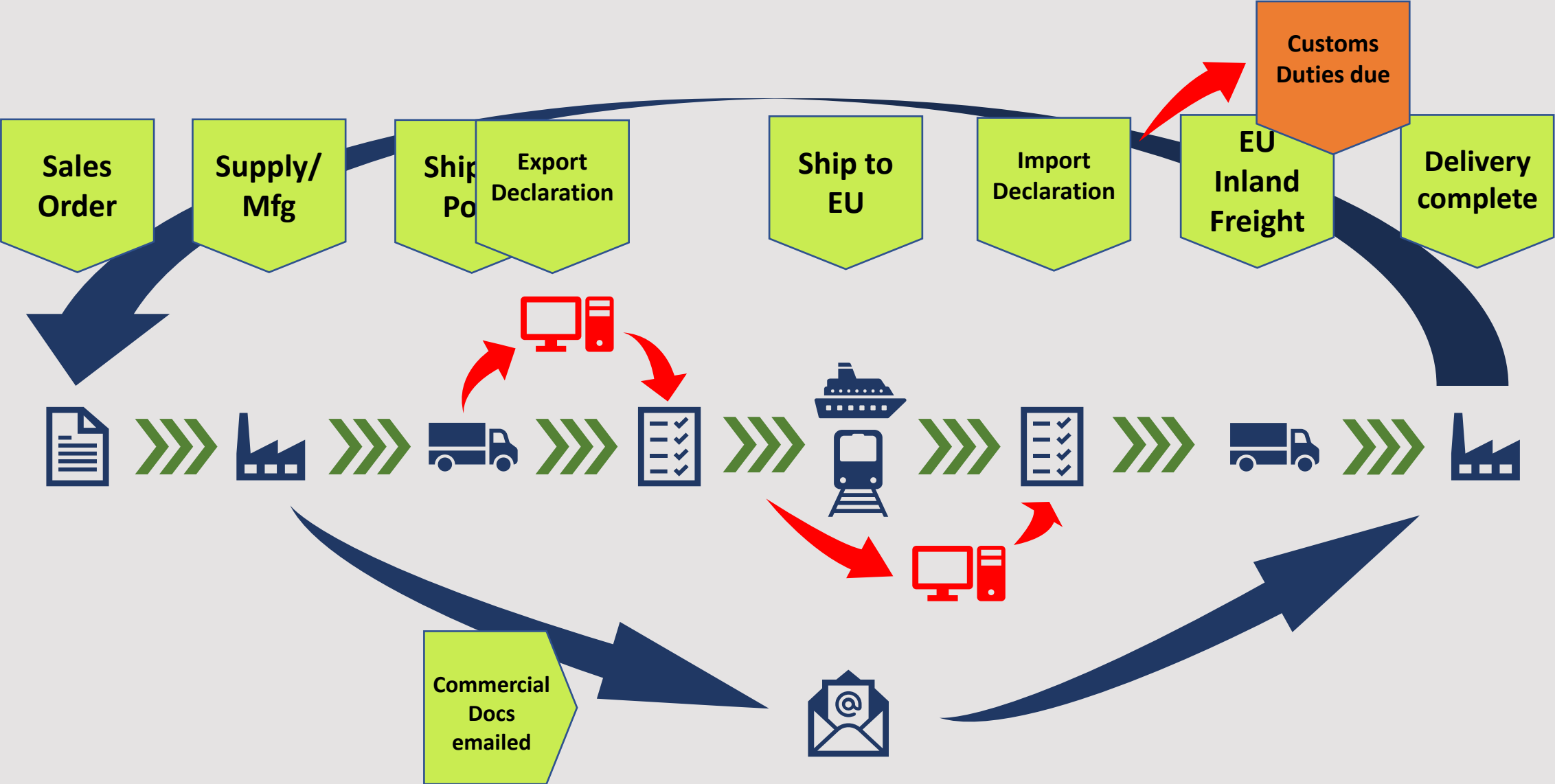
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Trade Support System (TSS)

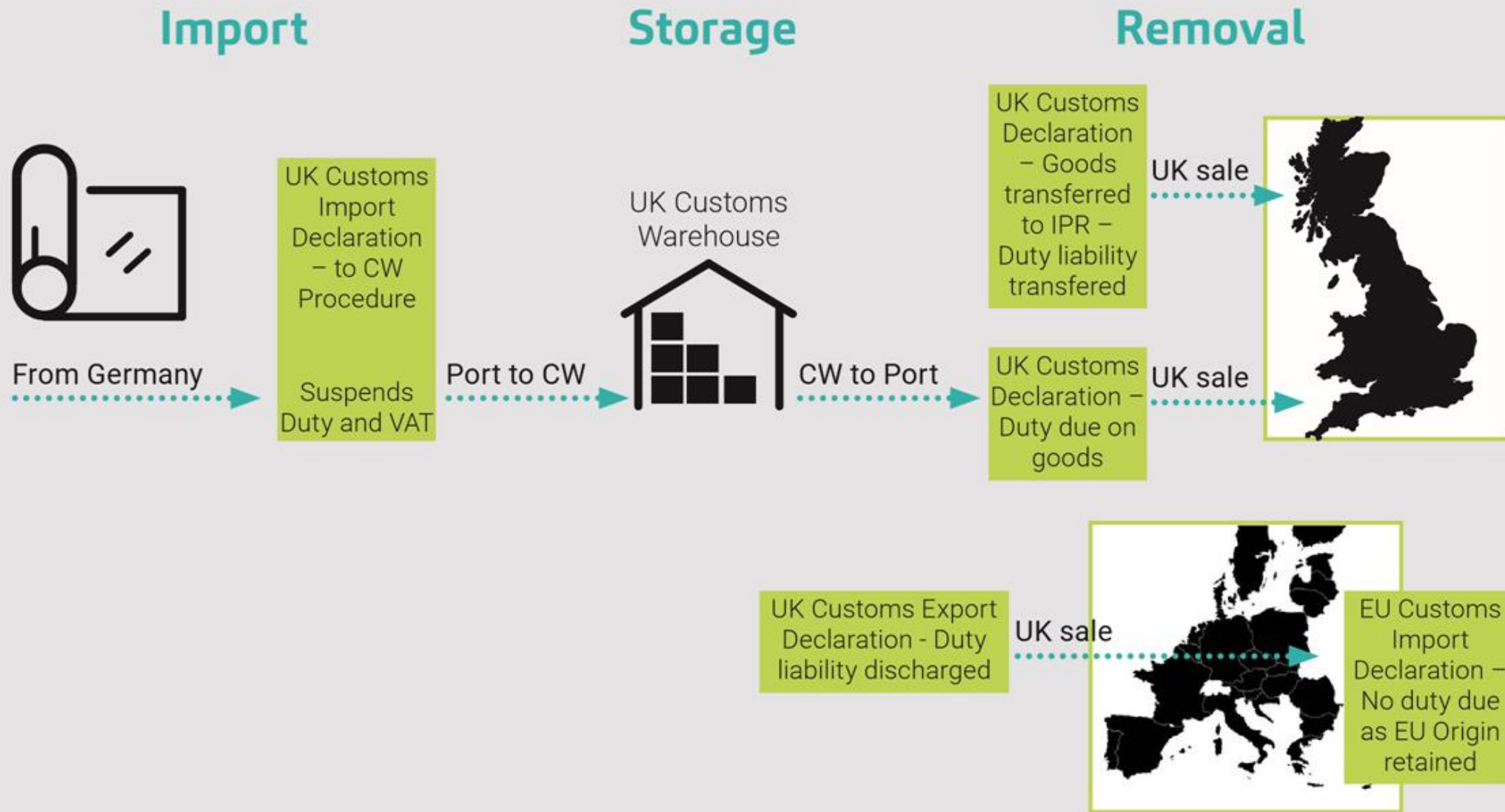
- New online Portal for declaring goods going into Northern Ireland.
- Currently being developed for 1/1/21.
- Required to meet the terms of the Northern Ireland Protocol.
- May be used to collect 'rebateable' customs duties.
- GB businesses should register now.



Export Process Flow

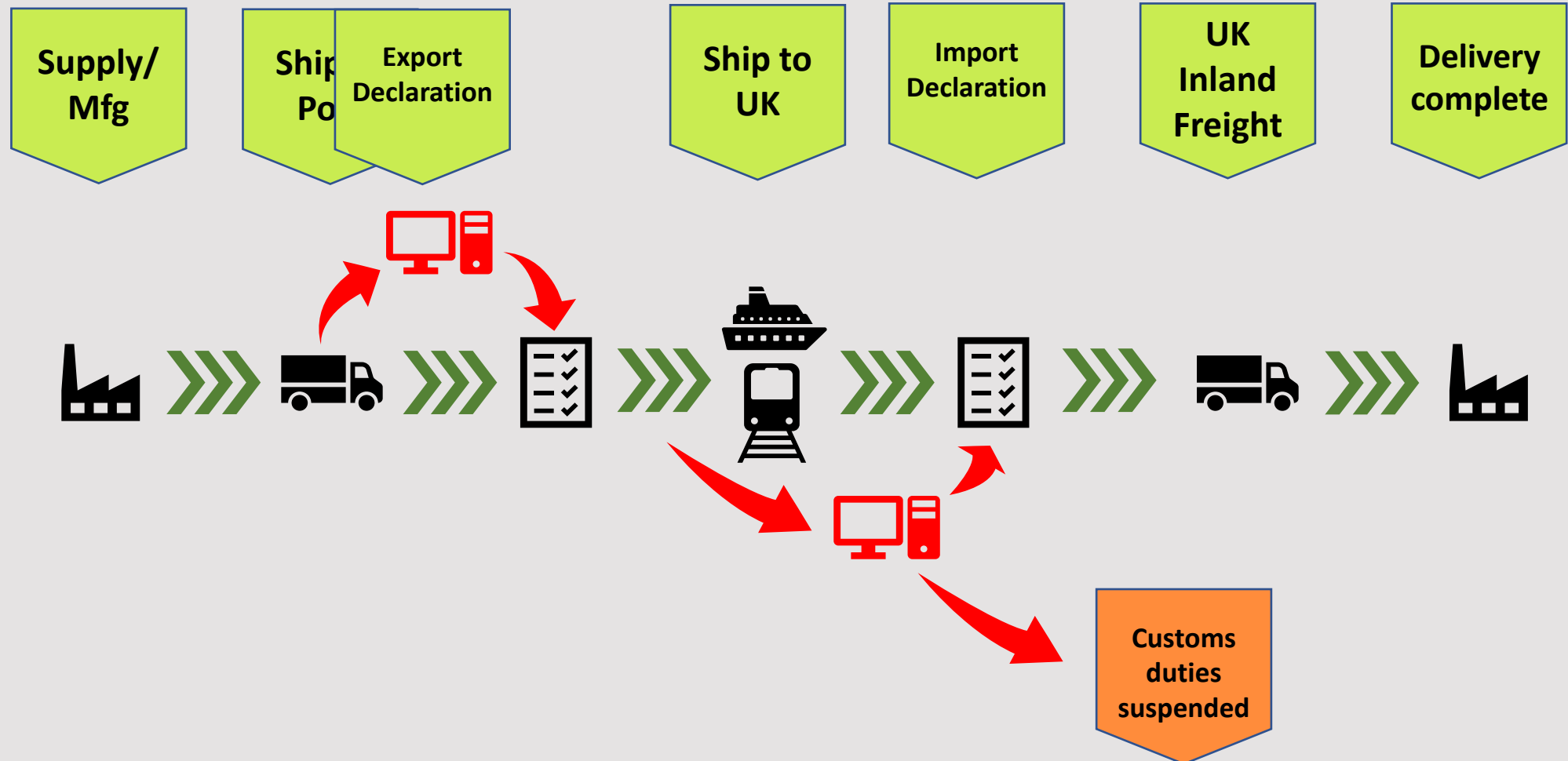


Customs Warehousing



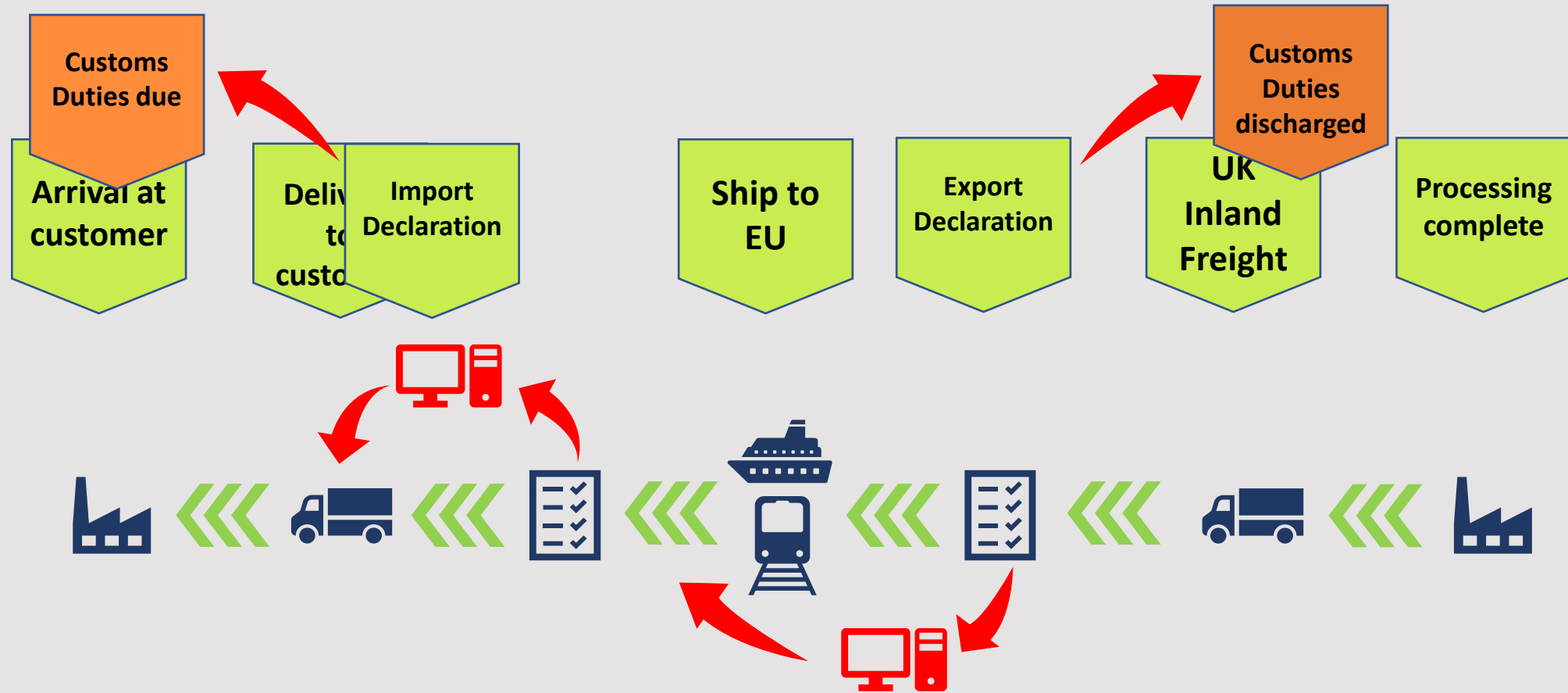


Inward Processing Flow - Import



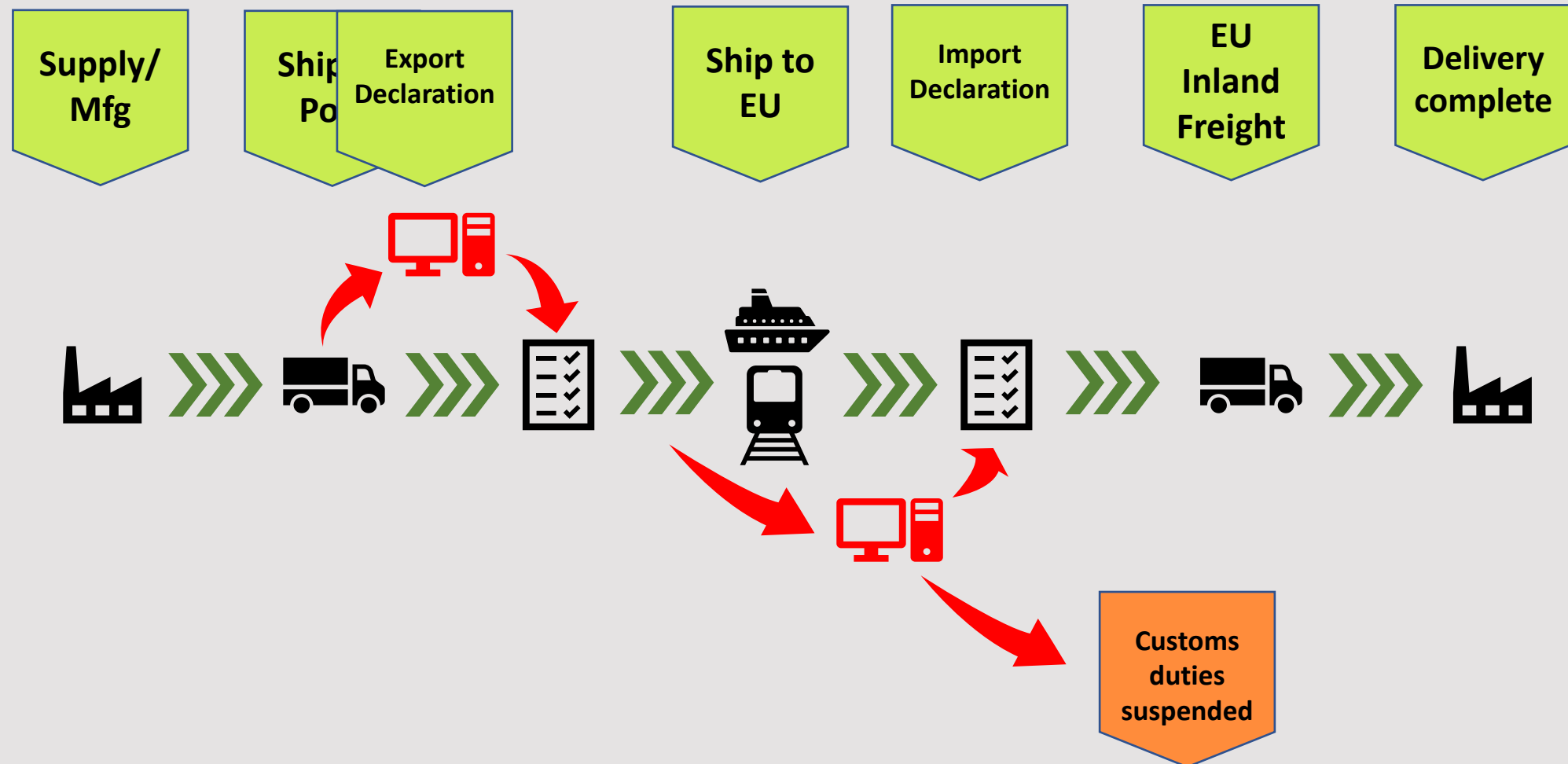


Inward Processing Flow – Re-export



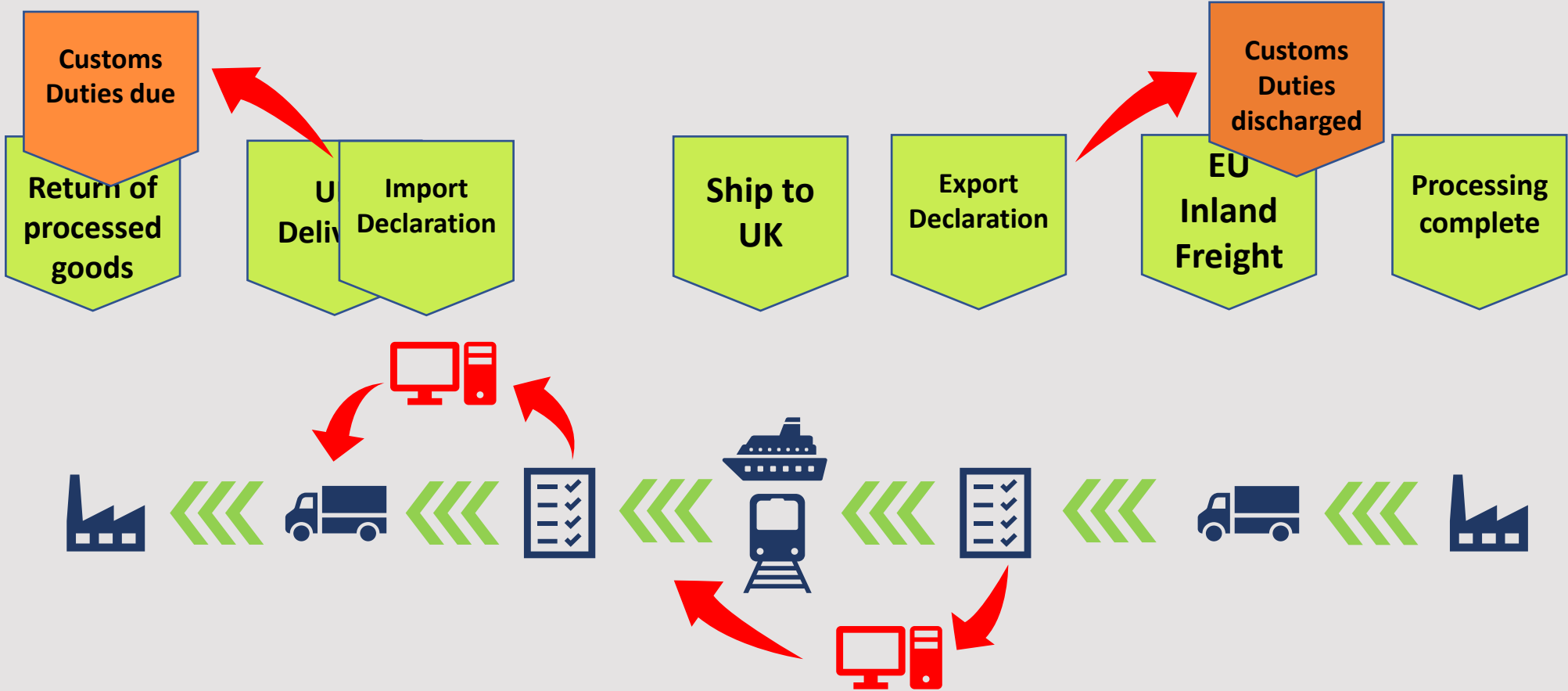


Outward Processing Flow - Export





Outward Processing Flow – Re-import

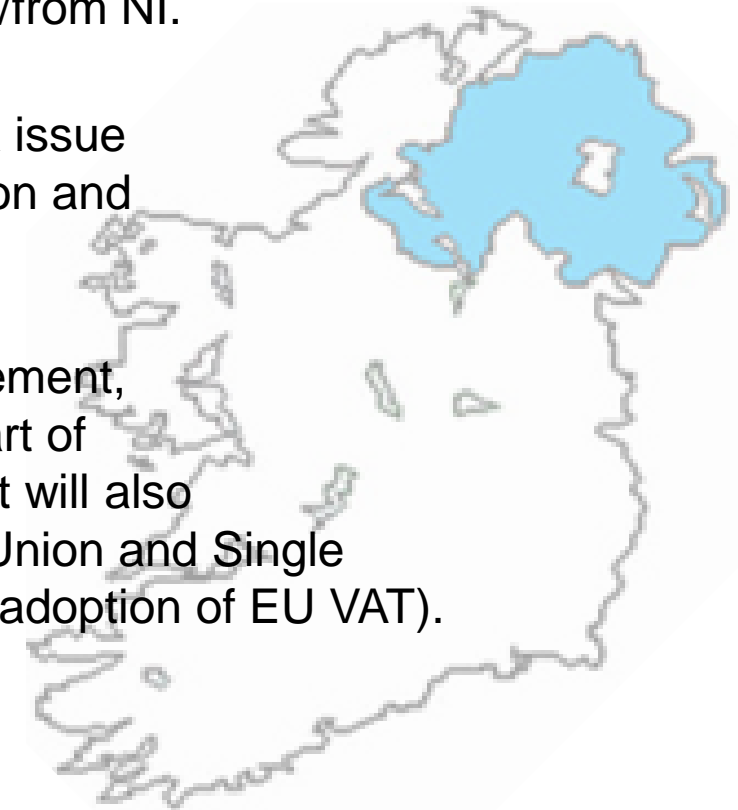


	INCOTERMS® 2020 RULES
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Northern Ireland

- On 7th August 2020 the UK announced proposals for movements to/from NI.
- This area is such a complex issue that it is still under negotiation and may change.
- Under the Withdrawal Agreement, Northern Ireland remains part of the UK customs territory, but will also remain in the EU Customs Union and Single Market for goods (including adoption of EU VAT).



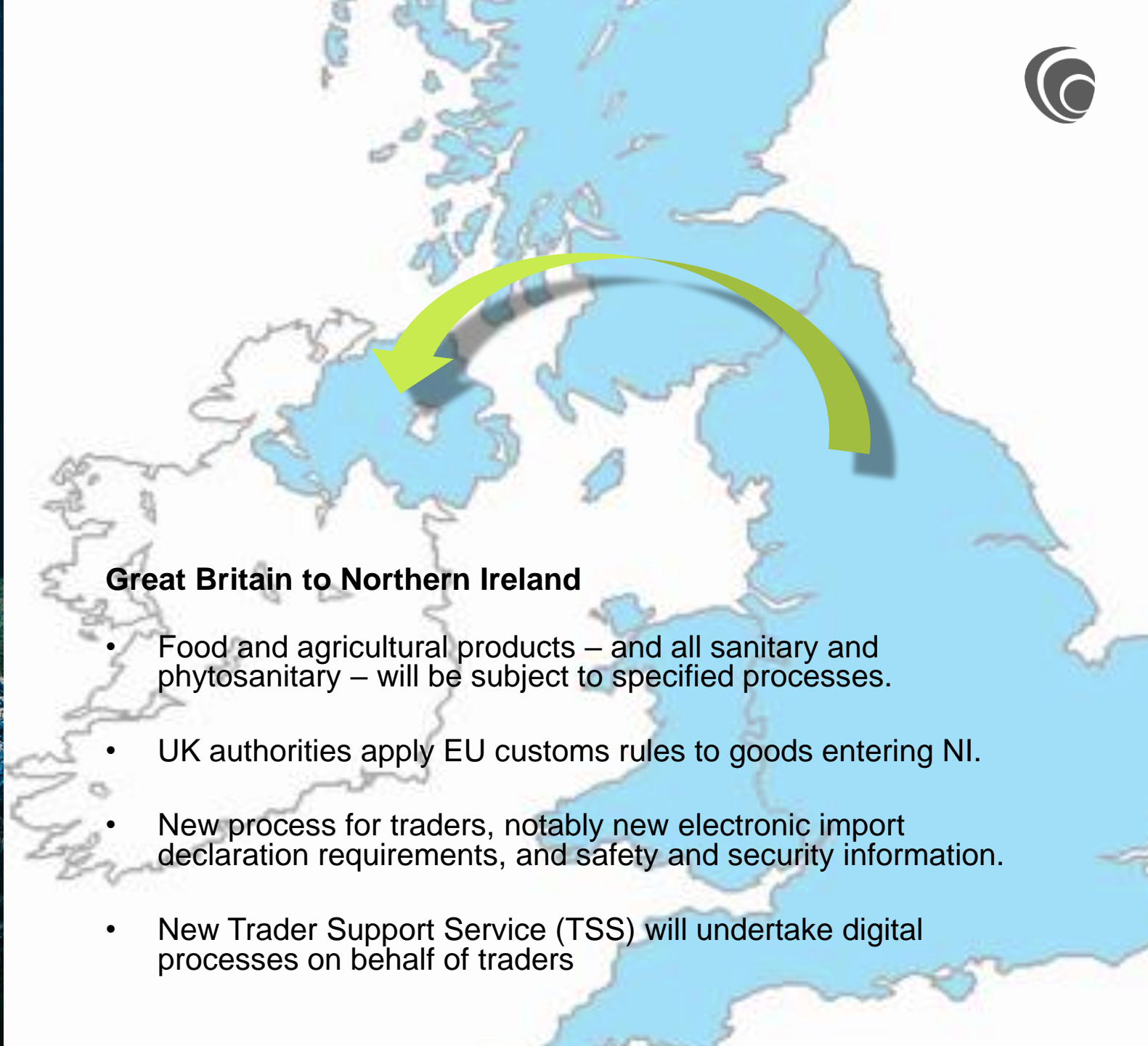
Northern Ireland



Northern Ireland to Great Britain

- Unfettered access for Northern Ireland's businesses to the rest of the UK internal market
- NI Goods will be able to be placed on the UK market whether certified against EU or UK rules.
- Still need to define "qualifying" status for NI businesses.

Northern Ireland



Great Britain to Northern Ireland

- Food and agricultural products – and all sanitary and phytosanitary – will be subject to specified processes.
- UK authorities apply EU customs rules to goods entering NI.
- New process for traders, notably new electronic import declaration requirements, and safety and security information.
- New Trader Support Service (TSS) will undertake digital processes on behalf of traders

Northern Ireland

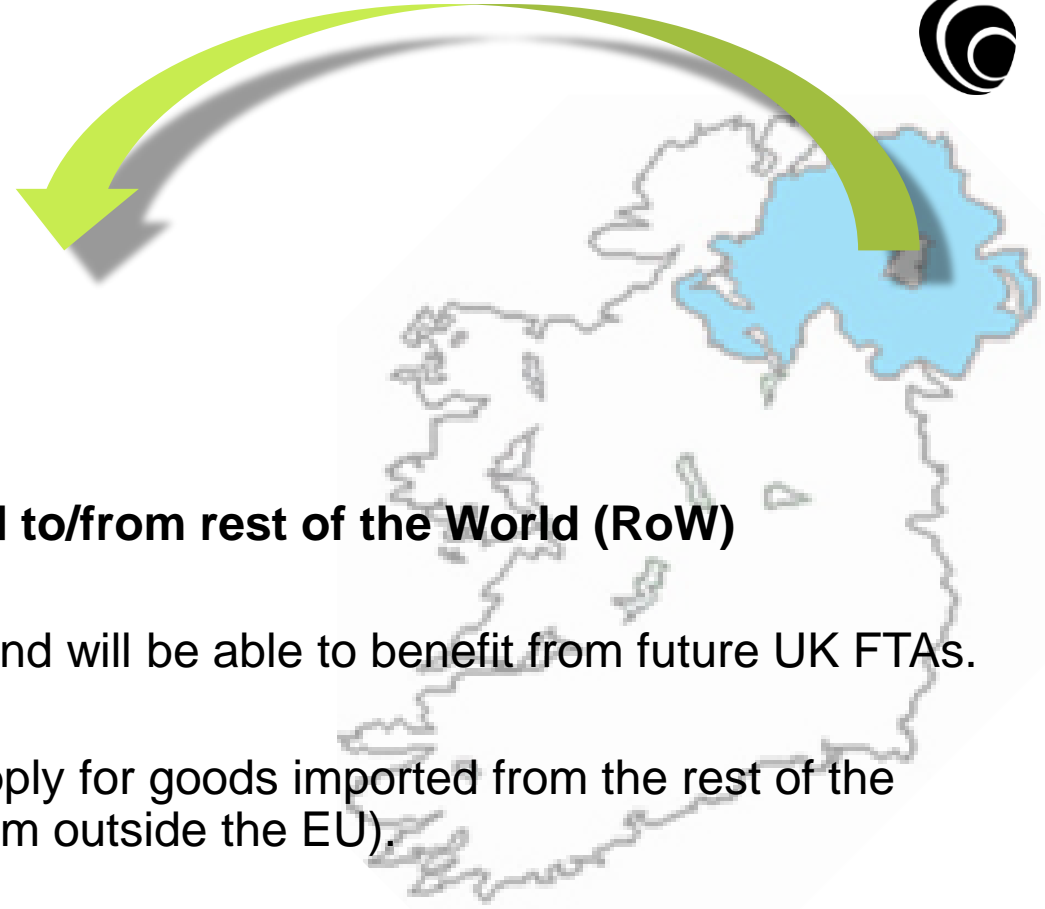


Moving Northern Ireland goods from/to EU

- No new paperwork; no tariffs, quotas or checks on rules of origin; nor any barriers to movement within the EU Single Market for goods in free circulation in Northern Ireland.
- No EU Member State will be able to apply any tariff or related barriers to goods from Northern Ireland.



Northern Ireland



Northern Ireland to/from rest of the World (RoW)

- Northern Ireland will be able to benefit from future UK FTAs.
- Tariffs may apply for goods imported from the rest of the world (and from outside the EU).
- The UK's tariff regime will apply to such movements, unless
- A good is considered 'at risk' of moving into the EU and UK and EU tariffs differ.
- Trader Support Service will be used for declaring imports from RoW countries.

Key Points

1

The vital importance of Incoterms

- This determines who will be the importer and responsible for Duty and VAT
- DDP means the Seller is the importer – VAT registration will be required in receiving country.
- EXW means the Buyer is the importer.

2

Customs Procedures – to help minimise duty costs

- Customs warehousing – Beneficial for UK companies who import goods for onward dispatch to EU – duty only liable on goods retained in the UK.
- Inward Processing – Companies who import materials/components for processing would only pay duties on processed goods retained in the UK.
- AEO – Allows reductions in duty deferment guarantees.
- CFSP – Allows companies to submit their own customs declarations – useful for businesses with large volumes or a customs warehouse.
- Approved exporter – If trade deal is agreed – origin will be vitally important. Allows companies to simplify origin documentation – reducing costs and delays.

3

Being ready – HMRC Customs Grants

- Funding for training, software and recruitment
- Customs Duty is a bottom line cost

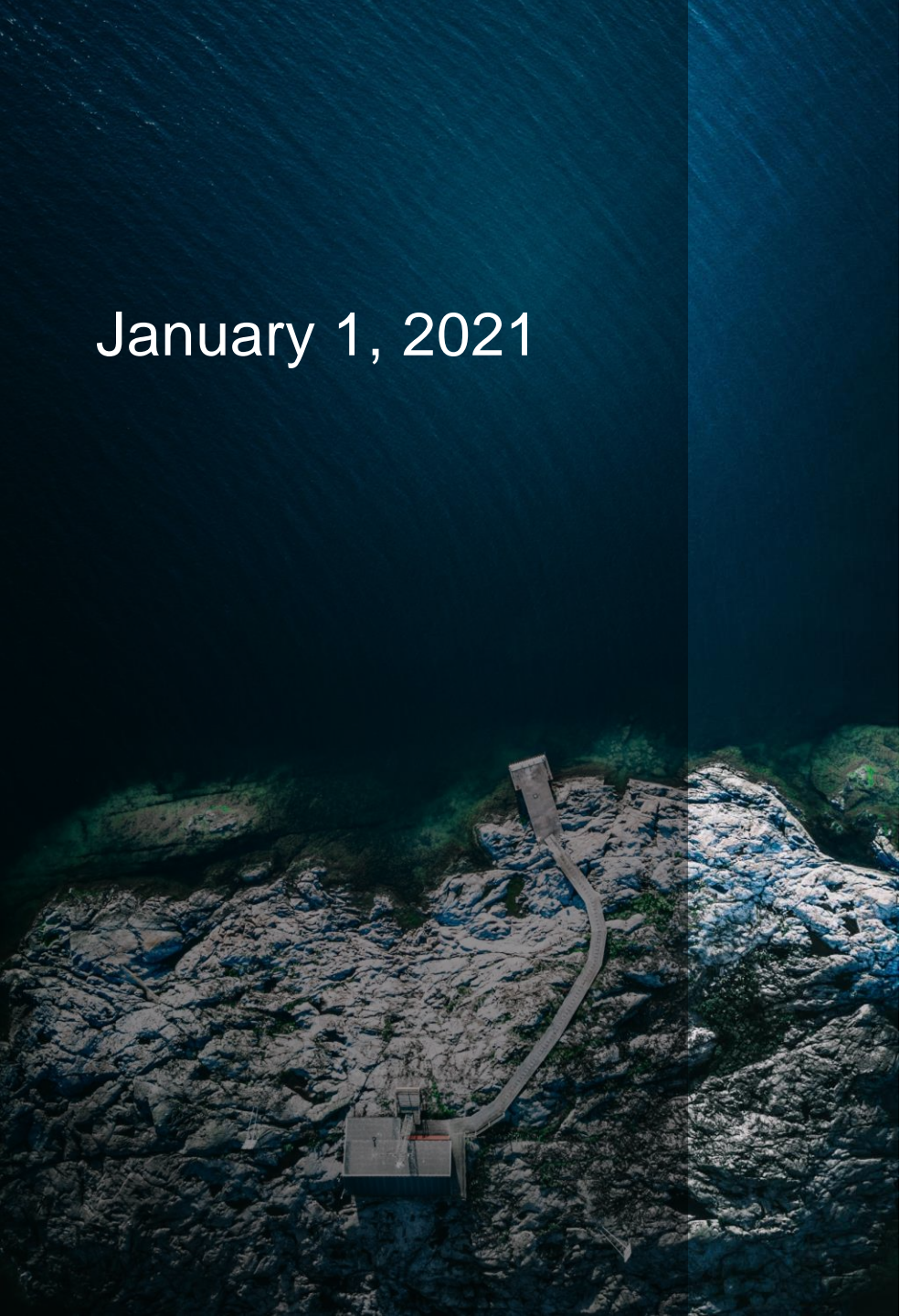


Customs Training



Customs Training should include

- How to classify your goods
- How to value your imports
- Customs Duties – what are they and how do you calculate them
- Rules of origin
- Export licensing – how to confirm if goods need a licence and how to get one
- Import declaration process
- Shipping terms
- Roles and responsibilities of the importer and exporter and shipping agent
- Duty relief regimes
- HMRC Customs Audits

A vertical image on the left side of the slide showing an underwater scene. At the bottom, there is a concrete structure, possibly a dam or a bridge pier, situated on a rocky seabed. The water is dark blue and slightly murky, with some light filtering through from above.

January 1, 2021



VAT and the B2B trade in goods **in case of a no deal Brexit:**

- All supplies of goods coming from the UK to the EU will be an export in the UK and an import in the EU.
- Responsibility of import in the EU – Incoterms.
- Import duties and import VAT deferment
- Required fiscal representative
- VAT reporting changes
- EORI number in EU country
- No legal entity requirement



January 1, 2021



VAT and the B2C sale of goods in case of a no deal Brexit:

- Distance selling regime will no longer apply if goods are sent to the UK, same for new VAT regulation for e-commerce of July 1, 2021.
- All supplies of goods coming from the UK to the EU will be an export in the UK and an import in the EU.
- Payment of the import VAT and import duties: your company or the consumer?
- Pricing on the website accurate, inc. responsibility for import in the EU country?


A vertical image on the left side of the slide showing an underwater scene. The water is dark blue with some light rays filtering down. At the bottom, there is a rocky seabed with a concrete structure, possibly a dam or a pier, extending from the left towards the center.

January 1, 2021



VAT and the B2C sale of goods:

- New rules for overseas Sellers – Low Value Bulking is being abolished.
- Applies to sales below £135. Usually the customer would be the importer and the VAT and Duty charged back to the Seller.
- New rules mean that Seller needs to account for VAT at the time of sale and be registered for VAT in the UK
- Designed to prevent wide spread under valuation fraud.
- Sellers selling via OMP – the OMP will be liable for the VAT. Expect pressure to be registered in order to trade.


A vertical image on the left side of the slide showing an underwater scene. The water is dark blue with some light rays filtering down. At the bottom, there is a rocky seabed with a concrete structure, possibly a part of a dam or a bridge pier, extending from the left towards the center.

No longer
applicable for the
UK:



VAT simplification rules no longer applicable for the UK in case of a no deal Brexit:

- Triangular transactions, including the simplified triangular scheme
- Call-Off stock simplification
- Installation of goods
- Distance selling rules (B2C e-commerce)
- MOSS registration for digital services (media, apps, online books, etc) no longer available in the UK. UK service providers must register in one of the EU countries to apply MOSS.

An underwater photograph showing a concrete structure, possibly a dam or a large pipe, extending from a rocky seabed towards the surface. The water is dark blue and slightly murky, with some light reflecting off the rocks and the structure.

No longer
applicable for the
UK:



VAT simplification rules no longer applicable for the UK in case of a no deal Brexit:

- VAT refund claims submitted by UK companies in the EU or by EU companies in the UK: companies can still use the EU VAT refund system to claim VAT on expenses incurred before January 1, 2021, until 11pm on March 31, 2021.
- The EU VAT refund system will not be available to claim refund of VAT incurred on or after January 1, 2021.
 - ☐ UK business must check the procedure per EU country
 - ☐ EU businesses must check the procedure for the UK



Checklist



Relevant
checks for
VAT

**Analyse your
supply chain
and pricing**

**Check your customs
and logistics partners**

**Check the contracts
closed with all parties
relevant for your
supply chain**

**Arrange all
formalities**



Any questions?



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