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Towards the new normal

Brexit and beyond

The final round of Brexit trade talks is taking place and political deadlock means that a no-deal is becoming most likely. The deadlock centres on the UK being required to sign up to EU rules in exchange for tariff free access.

If there is to be an extension to the transitional period, which many commentators insist is the common-sense approach due to the global health crisis, this needs to be legally agreed at the European Council summit by mid-June in time for 30th June deadline.

The UK has been clear in saying that whatever the outcome of these talks we will be leaving Europe on 31st December.

German officials have been reported as saying that EU leaders will intervene in Autumn in order to strike a compromise deal.

Until then, we think that getting to grips with Customs and International Trade issues is vital in preparing for the new normal in 2021. Once VAT and duty free intra-EU trading arrangements disappear there will be new ways of trading.

Key issues are outlined below:

Commodity codes –the Government announced the UK's new UK Global Tariff (UKGT) which will replace the European Union's (EU) Common External Tariff on 1 January 2021. The UK Government states that the new Tariff is simpler and will benefit UK businesses by reducing tariffs and making it easier to understand. It abolishes tariffs on products currently at a 2% rate.

The new tariff has a raft of changes within the Agri-food sector which provide a number of "liberalised" instances resulting in complete removal of customs duty rates.

However, one major area of the UK economy which has not been subject to change is the Automotive Sector. Customs duty rates are confirmed as 10% for all imported cars and commercial vehicles.

Businesses should review their products and establish the commodity codes for goods being imported from the EU. This is vital in understanding the true cost and therefore the profit margin for the business.

Check UK imports here https://www.check-future-uk-trade-tariffs.service.gov.uk/tariff

Duty Deferment Account – In a no-deal scenario a business will be exposed to customs duty. To minimise disruption and cashflow, consider a deferment account to avoid paying customs duties at the time of importation. It speeds up import clearance, with payment collected by HMRC the following month. Commercially, it means you do not pay a premium to use your agent's account.

Import VAT is likely to be replaced with postponed import VAT accounting. Great news for cashflow, as it allows the business to deal with import VAT via the VAT return rather than paying out 20% VAT and recovering it several months later.

Authorised Economic Operator (AEO) – Certification for AEO is recognised around the world and is an important factor in the UK/EU trade negotiations. On leaving the EU, the UK will continue to have its own AEO program.

The benefits include - easier access to HMRC customs approvals, guarantee reductions and priority clearance at the borders.

The application process is complicated and intensive and can take up to 6 months to secure certification and should be considered now.

Customs Duty Regimes – There are various regimes such as **Customs Warehousing, Inward Processing** and **Temporary Admission** that can be used by a business to reduce its customs duty liabilities and avoid the Double Duty hit if goods are imported into the UK before being distributed to the EU. Planning is essential to ensure the right regimes are used and that staff have sufficient training to meet HMRC's requirements.

Customs Comprehensive Guarantee (CCG) – With any HMRC duty relief, a CCG will be required to cover any actual or potential duty liabilities. A guarantee must be held with a UK bank or insurance company.

Origin of goods –The UK will lose its EU status post Brexit and has been working to ratify trade deals with a number of countries and regions. This means that UK originating goods can continue to be imported into those countries under a reduced (0%) duty rate.

To ensure your customers can claim the reduced duty rate a certificate or declaration of origin will be required. Application for **Approved Exporter Status** may be beneficial if large volumes of UK origin goods are exported from the UK as it will reduce administrative burden and costs.

Export licences –Businesses may have potential licencing requirements on dual-use goods.

Customs brokers/freight agents – There will be a need to make a customs declaration for both imports or exports. Recent predictions are that along with current limited capacity in the freight sector there is a shortage of up to 50,000 customs agents to deal with the additional workload. Speak to us for further guidance.

Contracts – Review all contracts with overseas companies to ensure that the Incoterms reflect the changes imposed by Brexit.

Training - Our **Coping with Customs** program aims to provide your business with onsite training to ensure it can meet the demands imposed on it by Brexit and identifies ways to ease this burden by reviewing your supply chains and product range to identify potential customs reliefs.

EU VAT registration

A common misconception is that a business is obliged to set up a subsidiary or a new entity to be able to trade goods in the EU. This is generally not the case, unless there are reasons such as CE markings or REACH regulations to satisfy.

The starting point when selling goods is always:

- Who will be the importer of record? This is usually dictated by the Incoterms, so if you are obliged to deliver the goods to the client premises then you will be the importer of record.
- If you are the importer of record your business may need to register for VAT in that country or appoint a fiscal representative.
- Post Brexit, a UK business cannot rely on its UK EORI number to clear goods through Customs in an EU country. It will need to be registered for VAT and get an EU EORI number.
- If you trade in multiple jurisdictions, consider using the Netherlands as an EU hub and moving goods via there. By having a VAT registration in NL this will allow you to continue the seamless intra-EU trade from that jurisdiction.

Speak to our highly experienced team to find out more.

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