

# Brexit



## A Guide to Brexit

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On the 1<sup>st</sup> January 2021 the transition period with the European Union (EU) will end, and the United Kingdom (UK) will operate a full external border as a sovereign nation. This means that controls will be placed on the movement of goods between Great Britain (GB) and the EU.

This landmark change in the relationship with our most important trading partner has created a great deal of uncertainty. Indeed, there is still a great deal to be decided and negotiations are on-going. We would urge all importers and exporters to pay close attention to developments as they may have a very real and direct effect on their businesses.

Many of you will no doubt be aware that, even in the event of securing a free trade agreement with our European partners, customs clearance (both import and export) will be required for all goods travelling to and from Europe.

This guide is designed to bring a degree of clarity to proceedings, and enable businesses to become better aware of the new arrangements and enable them to take steps in preparation for the new procedures.

As the subject of Brexit and its potential outcomes are uncertain, we must state that the information contained within this guide is our current understanding and opinion only. We accept no responsibility or liability for any actions taken based on the content. However, please be assured we remain on hand to provide our customers with any help or support they may require in regards to this complex issue.

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## How to Prepare

### The Basics

#### **EORI number**

Please ensure you have an EORI number. This is required for all businesses importing or exporting goods to or from the United Kingdom. Most businesses will already have an EORI number, but it may be worth checking to ensure that you have one.

#### **Commercial invoices**

A commercial invoice will be required for all international shipments, including those to and from the EU. At a minimum the invoice should identify the value, Incoterm, origin, gross weight, nett weight and commodity codes.

#### **Nominate a customs broker**

You will need to appoint a customs broker to undertake customs clearance declarations on your behalf. You may choose to appoint a single broker for all your customs requirements, or appoint a broker on a case by case basis. With our in house expertise, combined with our network of partners based at all major UK ports and airports, please be assured that we are on hand to assist with all aspects of your customs requirements.

#### **Customs duty and VAT**

From the 1<sup>st</sup> of January 2021, goods being imported from the EU will now be subject to import duty (unless a trade agreement is reached with the EU) and VAT, in a similar manner to goods currently being imported from the rest of the world. More details of the new procedures are provided later in this guide.

#### **Duty deferment account**

Importers may wish to establish a duty deferment account to facilitate smooth movement of goods through customs.

#### **Incoterms**

It is recommended that traders should review their trading terms (Incoterms) with their European partners. An exporter selling under free delivered terms will incur substantially more cost if they continue to trade under the same terms. Conversely, a UK importer may find their European counterpart changes trading terms in order to pass additional costs to the importer.

**Useful links relating to the above topics can be found at the end of this guide.**





## Importing goods

As of the first of January 2021 import customs declarations will be required for all goods imported from the EU.

### **Import Duty - Future arrangements with the Rest of the World (ROW) and the EU**

From the 1<sup>st</sup> Jan 2021, the United Kingdom will begin to trade with the rest of the world under the new tariff regime; the UK Global Tariff (UKGT). All products will be liable for import duty, however most products (around 87%) will be rated at 0%, which means there will be no duty to pay. Of course this means that for the remaining 13% of goods, duty will be liable. Should the UK secure a free trade agreement with the EU, then almost all goods moving between these parties will be duty free. Duty rates are under constant revision and importers should be continuously mindful of this and alert to changes.

### **Imports from the European Union (EU) - Customs clearance and VAT arrangements**

For imports from the EU, from the 1<sup>st</sup> January to 30<sup>th</sup> June 2021, you will have two choices as to how you arrange for the goods to be cleared through UK customs;

You may either:

Option A) Submit a customs declaration - either pre lodged prior to the movement of goods, or prior to the arrival of the goods at the UK border (depending on circumstances and the port of arrival)

Option B) Defer the declaration and any duty for up to six months from the point of import.

The rate of VAT remains unchanged from the current usual rate of 20%. However, the method of accounting will change to 'postponed VAT'. This means there will be no VAT payable at the time of import, and the VAT will be accounted for through the traders usual VAT returns. Duty will become payable at the time the full entry is declared.

From the 1<sup>st</sup> July 2021, a full declaration must be submitted at the time of entry.

### **Importing goods from the rest of the world**

From the 1<sup>st</sup> Jan 2021, to align procedures between the UK and the EU, and the UK and the rest of the world, import VAT will now not be payable at the time of importation, but aligned with the traders VAT returns.





## Exporting goods

As of the first of January 2021 export customs declarations will be required for all goods exported to the EU.

You will need to prepare an export invoice, complete with value, commodity codes, origin of goods, gross weight, nett weight (of each commodity) and incoterms.

An export customs entry will be required, similar to that when shipping to rest of world destinations.

The customs entry will usually be undertaken by the haulier or an appointed agent and there will, in all likelihood, be a charge for this service. Jonen Shipping can provide a full service in this regard and attend to any export entries should you require.

On arrival at their destination, the goods will require import customs clearance and, under normal circumstances, duties and taxes paid by the importer.

## Useful links

To apply for an EORI number [click here](#).

For more information on duty deferment accounts [click here](#).

For the UK Global Tariff [click here](#).

For the British International Freight Association (BIFA) website, [click here](#).

For more information on Incoterms, [click here](#).

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