

# BREXIT SURVIVAL GUIDE

The Ultimate Guide to Brexit  
Customs for Logistics and  
Supply Chain Managers

# WELCOME



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- 9** Trial runs of customs declarations to CHIEF for your shipments pre 1st January 2021
- 10** Freedom to take control of customs declarations for ALL your shipments
- 11** The most up-to-date Brexit customs advice from "Mr UK Brexit", Robert Hardy
- 12** Assistance in applying for deferment accounts, customs guarantees and more
- 13** Auditable reports to support traceability of your customs declarations to meet all HMRC legal requirements
- 14** Book a call with our Brexit lead, Tony Shally MD to discuss any specific customs query.

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# INTRODUCTION

## WHERE WE ARE NOW?

After leaving the EU on 31st January 2020, the UK is scheduled to leave the Customs Union and VAT regime on 31st December 2020. This is under the agreed Brexit Withdrawal Agreement (WA) between the EU and UK, which allows for an 11-month transition period.

## WHAT HAPPENS NOW AND ON 31ST DECEMBER 2020?

Until then, nothing changes. The UK and EU are currently negotiating a Free Trade Agreement (FTA) to cover the customs and other trade issues beyond 2020. Should a deal not be struck, then the UK will leave the Customs Union, Single Market and VAT regime on a “no-deal” basis. The deadline for an extension of the transition period to an implementation period came and went on 1st July 2020.

## SURVIVING BREXIT

This guide is a summary of almost everything that you need to know to ensure that your business is Brexit ready by 31st December. It will inform you of all the new customs requirements that need to be implemented to safeguard safe passage of your goods to and from Europe.

## BREXIT IS ABOUT DATA

- Lack of data stops trailers at Dover
- It stops drivers departing their loading point
- It stops trailers at customs offices
- It stops deliveries
- It stops everything

Accurate and timely data capture and transmission is vital. 99% of shipments will be standard goods requiring a standard export or import declaration and possibly a Transit document called a TAD (Transport Accompanying Document).

From our experience, issues arise not because a specific customs requirement has not been actioned. The majority of issues and subsequent shipment delays are due to inaccurate and late data provision.

Our Brexit customs solution has data as the fundamental driver for all the subsequent customs processes needed to get European shipments delivered on time.



**Geoff Yates**

**Commercial Manager / Consortium Lead**

Direct: 01543 412306

Mobile: 07936 956610

[GeoffYates@espaceglobalfreight.com](mailto:GeoffYates@espaceglobalfreight.com)

# NEW COMMERCIAL INVOICE FORMAT

Extra fields will need to be included on your commercial invoice. If you are importing from the EU, these changes will also need to be made to your EU supplier's invoice to you.

Commercial invoice number	ABC523412
Shipper Name	ABC Engineering Ltd
Shipper Address	1 High St
Line 1	
Town/City	Birmingham
Postcode	B1 1AA
Country of Origin of goods	GB
EORI Number (Shipper)	GB123456789000

See page 10 for rules of origin

Consignee Name	ABC France
Address	1 rue de l'Europe
Line 1	
Town/City	Paris
Postcode	75015
Country of Origin of goods	FR
EORI Number (Consignee)	FR987654321

Net weight is a required field for export declaration

Consignment Details	
Number of Packages	4
Packaging type	Pallets
Description of goods	Shock absorbers
Gross Weight	150 kg
Net Weight	136 kg
Volume (CBM)	1.2m <sup>3</sup>
Value (detailing Currency)	£1000
Incoterms	DAP Delivered at Place
CPC code	10 Permanent Export

INCO term will allocate responsibility either to the exporter or importer for freight movement, VAT and duty payments

See CPC information page 8

Commodity Codes & breakdown:

HS Code	Nos of pieces	Gross weight	Net weight	Value
87081000	2	100kg	92kg	£600
87081010	2	50kg	44kg	£400

An export customs entry has many fields that need populating. If one field is left blank the entry cannot be made. To-ing and fro-ing with the exporter to get this information will possibly cause a delay to the collection of the shipment.

**DON'T FORGET, BREXIT IS ABOUT DATA!**

# COMMODITY CODES

You will need an 8 digit commodity code to make your customs declaration when you bring goods in or send goods out of the UK or EU. This includes goods sent to you from abroad.

**If you classify your goods correctly, you'll know what rate of duty and import VAT you should pay, and if**

- The duty is suspended
- You need a licence to move your goods
- Your goods are covered by:
  - The Common Agricultural Policy
  - Anti-dumping duties
  - Tariff quotas

**It's therefore very important to make sure you and/or your EU supplier are using the correct commodity code for the goods being shipped.**

**Classifications can be found online at  
<https://www.gov.uk/trade-tariff>**

However, some goods are difficult to classify. HMRC has classified the below goods as problematic for classification purposes.

aircraft parts, audio and video equipment, ceramics, computers and software, edible fruits, nuts and peel, edible vegetables, roots and tubers, electric lamps, footwear, herbal medicines, supplements and tonics, iron and steel, leather, monitors, organic chemicals, pharmaceutical products, placebos and comparators, plastics, rice, textile apparel, tobacco, toys, games and sports equipment, vehicles, parts and accessories, wood

## GET HELP WITH A DIFFICULT CLASSIFICATION

You should first search the “EU Binding Tariff Information (EBTI) rulings” on the Europa.eu website to see if a decision has already been made on a similar product.

If you still cannot find the right commodity code for your goods, you can contact HMRC for advice or for a decision on your goods. You can do this in two ways.

### INFORMAL ADVICE

You can use HMRC's Tariff Classification Service to get non-legally binding classification advice. HMRC will respond to your email within 5 working days. Use this method for a quick and informal decision.

### FORMAL LEGALLY BINDING DECISION

You can apply for a Binding Tariff Information decision. This is a legally binding decision on the commodity code to use for your goods and can take between 30 and 60 days to be processed. Use this method if:

- your goods are hard to classify and informal advice is inappropriate for you or your business
- your goods are a new type
- you need a longer lasting and legally binding decision for your goods

# DUTY DEFERMENT ACCOUNT

**The presentation of an import entry will require the payment of VAT and duty (if applicable). We will look at how import VAT will be handled in 2021 on page 15.**

A duty deferment account lets you make one payment a month through Direct Debit instead of having to pay the duty on individual consignments as they arrive in the UK.

You can apply for a duty deferment account if you are an importer and have an authorised guarantee in place.

HMRC have intimated that a guarantee may not be needed from 1st January 2021. At the date of this publication no further guidance on this point has been made available by HMRC.

## DO I NEED A DUTY DEFERMENT ACCOUNT

No, but you will have to pay a fee to a logistics company to use theirs. The agent would typically ask for immediate payment or even payment in advance in some cases. They are likely to charge an admin fee (c.£15) and an advancement fee (c.2%). So additional costs, immediate payment and potential for delays. Having your own deferment account can avoid most of these.

Having your own deferment account means that you will have up to 45 days extended payment terms and the only costs you will incur are those from your bank.

## HOW DO I OBTAIN A DEFERMENT ACCOUNT

You apply to Customs. You will need to calculate your maximum duty liability in a given month, double it and organise a bank guarantee to cover that figure.

## HOW DOES IT WORK

When an import entry is made and the goods eventually arrive in the UK, the system will immediately look for the default payment method (deferment account most commonly). If there is insufficient credit balance in the account at that time the import entry will fail.

The entry will not clear unless and until you have increased your deferment limit or substituted for alternate means of payment e.g. cash or agent's deferment account.

It is therefore important to request a deferment large enough to cover your seasonal monthly peaks.

# TRANSIT

**CTC stands for the Common Transit Convention, which the UK has now joined in its own right. There are two types of transit; union and common. We will be explaining Common transit in this guide.**

From 1st January 2021, as shipments arrive in the EU, VAT and duty becomes immediately payable. The issuing of a TAD (Transport Accompanying Document) also known as a T1 will allow the suspension of this payment until the TAD is closed or expires in 9 days.

## **Let's look at a full load shipment from Birmingham to Italy from 1st January 2021.**

As soon as the driver enters the EU, in Calais for example, the Italian VAT and duty becomes payable. Fiscal representation in France by the Italian importer would be needed to make these payments to the French government. This is a costly and complicated procedure.

**The issuing of a TAD is one way that this can be avoided. The TAD has a transit guarantee number shown on the document. The essential components of transit are that the document is opened in the sending territory (office of departure), passes through offices of transit (borders) and arrives at its intended destination (office of destination) where the document is closed. The liability for the VAT and duty is then removed from the TAD issuer's guarantee, the goods can be brought into free circulation, customs clearance takes place and the driver can leave to deliver your goods.**

Groupage shipments will be consolidated by a logistics company onto a global TAD covering all shipments on the trailer. The consolidator will absorb this one-off cost.

The major issue with TADs is on dedicated loads. A TAD document will cost, subject to the value of the load, about £40-£50 to issue. The issuer could be guaranteeing 10,000s euros for VAT and duty for a fee of £50. Would you do this?

The issue we will all be facing in 2021 is that there won't be enough agents in the market willing to take this sort of risk. Also, those that currently offer this service, their combined transit guarantee will not be sufficient to cover the huge spike in demand for transit documents from 1st January.

If your haulier or forwarder do not have access to a substantial transit guarantee, you may find that your load will sit in your warehouse until their guarantee has sufficient headroom to cover the liability on your load.

Many providers could also ask for an indemnity or deposit which is refunded once the TAD has been discharged at the office of destination.

Offices of destination are normally EU customs offices or an Authorised Consignor site. The learning curve for us all will be steep. If the driver cannot collect the TAD at the UK loading point, he may have to collect it from a customs office at Dover or the Eurotunnel. This really is not advisable.

Transit is currently required for example for UK exports to Switzerland and Norway. However, shipment numbers are relatively small. Its use will very dramatically increase from 1st January 2021. The question is if the UK and EU logistics industry can cope.



# CPC (CUSTOMS PROCEDURE CODE)

**A CPC is a required field on a customs entry. Your customs agent cannot simply guess it if you fail to provide it. If they do, your shipment might be entered into the incorrect customs procedure, attracting a fine and unnecessary duty payments.**

The customs procedure codes (CPCs) identify the customs and/or excise regimes which goods are being entered into and removed from (where this applies).

The CPC is completed at export as well as import. It is based on a 2-digit community code which identifies a customs procedure, e.g. removal from warehouse, entry to free zone or export under Outward Processing Relief (OPR). The CPC is built up into a 7-digit code from this.

For example, if your shipment is a permanent export to the EU, the CPC will be 10. If however your export is a temporary one for return to the UK in an unaltered state, the CPC would be 23.

There are almost 30 CPCs. If your shipment is a permanent export or import your CPC code will remain the same each time. Any non-permanent export or import will require a specific code to place the shipment in the correct customs regime.

**Here is a link to view the current CPC codes**

**<https://www.gov.uk/government/publications/uk-trade-tariff-customs-procedure-codes/customs-procedure-codes-box-37>**

## CUSTOMS RELIEFS

**There are also customs reliefs that companies can apply for now. These reliefs are designed to allow companies to pay less or no duty on imports and exports from and to non-EU countries. Two that might be of particular interest are inward / outward processing and customs warehousing.**

Inward and outward processing allows companies to get relief from customs duty and import VAT on goods that are imported from outside the EU but then processed in the UK before being exported again and vice versa. The relief is available for everything from repacking or sorting goods to complex manufacturing processes.

Customs warehousing could also prove useful if companies need to start storing more parts and components during the manufacturing process. The relief allows traders to store goods with duty or import VAT delayed. Goods can be placed in a customs warehouse even if the final destination of the goods is not known at the time they are imported.

Each of these reliefs can be applied for now, so that the benefits can be applied to non-EU trade, with a view to extending the relief to EU consignments once the final trade deal outcome becomes clearer.

# INCOTERMS

Incoterms are not a customs issue but they have a bearing on how customs processes take place, what is applied and who is responsible for what.

Getting your Incoterms right is an essential step in your Brexit preparations and is, in fact, one of the most important initial steps. Conversations need to take place between buyers and sellers so that commercial agreements can be updated.

There are many different Incoterms and you should choose those most relevant to what you want to achieve (and what you want to agree). Most are still more suited to ocean freight but this does not mean that they cannot be applied successfully to road freight or even to short sea container traffic.

				Loading on Trucks	Carriage to Port	Off Truck Charges	Loading Charges	Freight to Port	Unloading Charges	On Truck Charges	Carriage to place	Import Customs	Import Duties	Import VAT
RULES FOR ANY MODE OR MODES OF TRANSPORT														
Ex Works	EXW	A	BUYER	BUYER	BUYER	BUYER	BUYER	BUYER	BUYER	BUYER	BUYER	BUYER	BUYER	BUYER
Free Carrier	FCA (a)	A	SELLER	SELLER	BUYER	BUYER	BUYER	BUYER	BUYER	BUYER	BUYER	BUYER	BUYER	BUYER
Carriage Paid to	CPT	K	SELLER	SELLER	SELLER	SELLER	SELLER	SELLER	SELLER	SELLER	SELLER	BUYER	BUYER	BUYER
Carriage Insurance Paid to	CIP	C	SELLER	SELLER	SELLER	SELLER	SELLER	SELLER	SELLER	SELLER	SELLER	BUYER	BUYER	BUYER
Delivered at Place	DAP	C	SELLER	SELLER	SELLER	SELLER	SELLER	SELLER	SELLER	SELLER	SELLER	BUYER	BUYER	BUYER
Delivered at Place Unloaded	DPU	C	SELLER	SELLER	SELLER	SELLER	SELLER	SELLER	SELLER	SELLER	SELLER	BUYER	BUYER	BUYER
Delivered Duty Paid	DDP(1)	E	SELLER	SELLER	SELLER	SELLER	SELLER	SELLER	SELLER	SELLER	SELLER	SELLER	SELLER	SELLER
Delivery Duty Paid	DDP(2)	E	SELLER	SELLER	SELLER	SELLER	SELLER	SELLER	SELLER	SELLER	SELLER	SELLER	SELLER	BUYER
RULES FOR SEA AND INLAND WATERWAY TRANSPORT														
Free alongside ship	FAS	A	SELLER	SELLER	SELLER	SELLER	BUYER	BUYER	BUYER	BUYER	BUYER	BUYER	BUYER	BUYER
Free onboard vessel	FOB	A	SELLER	SELLER	SELLER	SELLER	SELLER	BUYER	BUYER	BUYER	BUYER	BUYER	BUYER	BUYER
Cost & Freight	CFR	K	SELLER	SELLER	SELLER	SELLER	SELLER	SELLER	BUYER	BUYER	BUYER	BUYER	BUYER	BUYER
Cost insurance & Freight	CIF	B	SELLER	SELLER	SELLER	SELLER	SELLER	SELLER	SELLER	BUYER	BUYER	BUYER	BUYER	BUYER

## ONE PIECE OF ADVICE. AVOID DDP AND EX-WORKS.

DDP will make you both the UK exporter and EU importer and require you to obtain fiscal representation and pay EU VAT in the country of delivery. This is both expensive and complicated. We suggest DAP terms as an alternative. The EU importer becomes responsible for the EU VAT, duty and customs clearance.

Ex-Works takes the responsibility of making the UK export declaration away from the exporter. This is dangerous. If the EU importer does not get the UK export declaration done, no MRN will be generated and the goods should not be collected from the loading point. Also and more importantly, the export declaration is needed to prove the goods were exported, allowing you to zero-rate the UK VAT on your export commercial invoice. If the export declaration is not done and the goods are exported, you will be liable for the UK VAT element.

# RULES OF ORIGIN

Put simply, rules of origin are how customs authorities classify where an export has come from in international trade. The country of origin is a required field for the customs declaration and should be stated on the commercial invoice.

## How will rules of origin affect UK-EU trade post-Brexit?

There are two main ways:

- **Preferential rules of origin:** If the UK and the EU agree under a free trade agreement (FTA) to remove tariffs for each other's goods, this grants a preference not provided to others. UK goods seeking to enter the EU under this preference will have to prove that they are from the UK under particular rules agreed in an FTA. This prevents a country without a trade deal from accessing the EU market through the UK and vice versa.
- **Non-preferential rules of origin:** Outside a customs union, all UK exporters will still have to declare the origin of their goods when trading with the EU. This is used by importing countries to protect their producers and for other monitoring purposes. For instance, if the UK or EU felt that imports are unfairly damaging its own producers, it could apply a temporary tariff to the import. In this case, the EU or the UK would need to differentiate the origin of the import it wished to apply duty to so it did not apply tariffs to another country.

The 2013 Trade and Investment Balance of Competence Review stated that "British firms would be exposed to a combination of administrative and compliance costs linked to rules of origin, ranging (based on existing estimates) from 4 percent to perhaps 15 percent of the cost of goods sold." The complexity of supply chains can mean that proof of origin can be difficult for traders to supply and hard for authorities to assess.

## HOW IS THE ORIGIN OF GOODS DETERMINED?

The first need is to determine what good is being traded. The World Customs Organization has a list classifying every product traded under tariff headings. Each product has a unique code which is grouped into broader categories.

Once the good is classified, the next step is to establish its "economic nationality as opposed to simply the country it came from. This involves determining the good's value and where the contributions were made in adding value to the final product (see "sufficient value-added" below).

If all materials were obtained and processed in one state, it would be "wholly obtained in that country. That would apply, for example, to agricultural produce and natural resources.

## WHAT ABOUT FOR MORE COMPLEX MANUFACTURED GOODS?

A car has multiple components: bumpers, brakes, clutches, computer software, leather seats and rubber tyres, etc. These can be made in different countries and shipped as needed to be assembled into the final product. With multiple components adding value, it can be very difficult to determine origin for some products. In this case, the final product is determined by the location of the "last substantial transformation."

The precise rules are detailed and can change for each product depending on what is agreed in an FTA.

## AFTER BREXIT, WILL UK GOODS MEET THE ORIGIN THRESHOLD TO QUALIFY FOR PREFERENCES?

Typically, for preferential origin, around 50%+ of value has to be added to claim origin. Post-Brexit, what was once European value-added will have to be separated into UK and EU value-added. That will make it harder to reach the threshold to export to the EU without tariffs.

# EXPORTERS AUDIT



1	Have you got a UK EORI number?	<input type="checkbox"/>
2	Do all your European customers have an EU EORI number?	<input type="checkbox"/>
3	Do all your European customers have a preferred customs agent to make the EU import entry for them?	<input type="checkbox"/>
4	Do all your European customers have a deferment account?	<input type="checkbox"/>
5	Are you able to provide a copy of the export commercial invoice 24 hours prior to the collection date?	<input type="checkbox"/>
6	In the event of a No Deal / no Free Trade Agreement, do you know if your shipments will be levied with EU duty?	<input type="checkbox"/>
7	Do you have a company to make export declarations for you?	<input type="checkbox"/>
8	If so, have you authorised them in writing to act on your behalf with HMRC as a Direct Customs Representative?	<input type="checkbox"/>
9	Have you agreed INCO terms with all your EU customers?	<input type="checkbox"/>
10	Do you know the implications of INCO terms DDP and Ex-Works from 1st January 2021?	<input type="checkbox"/>
11	Have you identified the correct commodity codes for all your products?	<input type="checkbox"/>
12	Have you made the necessary changes to your export commercial invoices to allow an export declaration to be made?	<input type="checkbox"/>
13	Have you agreed fees for export declarations and T1 Transit documents?	<input type="checkbox"/>
14	Are your export pallets ISPM15 compliant?	<input type="checkbox"/>
15	Do you know what CPC (Customs Procedure Code) will be applied to your export shipment?	<input type="checkbox"/>
16	Does your haulage supplier have access to a Union Transit Guarantee to postpone the payment of EU VAT and duty as your shipment transits other EU countries enroute to the delivery country?	<input type="checkbox"/>
17	Do you know what GVMS, Smart Freight System and the Kent Access Permit are?	<input type="checkbox"/>
18	Have you thought about the repercussions for your business of potential gridlock at UK ports and surrounding areas from 1st January 2021?	<input type="checkbox"/>
19	Are you sure that your goods can be classed as being of UK origin?	<input type="checkbox"/>
20	Are you 100% sure that your goods will be classed as standard goods?	<input type="checkbox"/>

# IMPORTERS AUDIT



- 1 Are you aware that TSP (Transitional Simplified Procedure) was a No Deal easement and is currently not available? ☐
- 2 Have you got a UK EORI number? ☐
- 3 Do all your European suppliers have an EU EORI number? ☐
- 4 Do all your European suppliers have a preferred customs agent to make the EU export entry for them? ☐
- 5 Are they aware of the changes required to their commercial invoice to allow the EU export and UK import declaration to take place? ☐
- 6 Do you know if the goods you import from the EU are classed as standard or controlled? ☐
- 7 Do you have an agent to make UK import declarations for you? ☐
- 8 Do they have their own or access to CFSP for simplified frontier declarations? ☐
- 9 Have you agreed rates with them for CFSP, full and supplementary import declarations? ☐
- 10 Have you agreed INCO terms with your EU suppliers? ☐
- 11 Do you know the implications of INCO terms DDP and Ex-Works from 1st January 2021? ☐
- 12 Have you checked the commodity codes on your EU supplier's invoices? ☐
- 13 Do you know if their goods will attract duty when they arrive in the UK? ☐
- 14 Do you have a means to pay this duty? ☐
- 15 Do you know how to apply for a DAN (Deferment Account Number)? ☐
- 16 Do you know how the UK import VAT needs to be accounted for? ☐
- 17 Are you aware that you have till 1st July 2021 to finalise your UK import declaration and pay any duty? ☐
- 18 Do you know what CPC (Customs Procedure Code) will be applied to your import shipment? ☐
- 19 Are you aware of the different customs regimes to suspend or eliminate duty on your imports? ☐
- 20 Do you know what import duty reliefs are? ☐

# UK IMPORT TARIFFS

On Tuesday 19th May 2020 the UK's 'Global Tariff' was published. These are the tariffs that will apply to any products that the UK imports on a Most Favoured Nation (MFN) basis from 1st January 2021 when the UK is no longer bound by the EU's Common External Tariff.

**Under the new Global Tariff, 66% of tariff lines will see some degree of change.**

Tariffs on around 2000 products have been fully eliminated, almost doubling the number of tariff-free products compared to the existing EU MFN schedule. A further 40% of tariff lines have been 'simplified' meaning that they have either been rounded down to the nearest standardised band or have been converted from specific duties into simple percentages. And just under 10% of tariff lines have been converted from being expressed in € to being expressed in £ using an average exchange rate over the last 5 years. This conversion also entails some degree of simplification, as specific duties have been rounded down to the nearest £, and for two-part duties, which include both a percentage tariff and a fixed charge, the percentage component has been rounded down to standardised bands.

It's also important to remember that, under the WTO's "most favoured nation" rules, the UK couldn't lower tariffs just for the EU (or any specific country) without doing so for the rest of the world, unless it had agreed a trade deal, or as part of a transition to that deal.

**To check if your EU imports will be levied with a duty, enter the commodity code into the below website.**

**<https://www.gov.uk/check-tariffs-1-january-2021>**

## VERY IMPORTANT

The UK has announced that - with or without a deal - checks on EU goods coming into the UK will be phased in next year to give firms "time to adjust".

Traders will have an option till 1st July 2021 to make import declarations and pay any duties.

The EU has not announced anything similar on goods going in the other direction.

The possibility to postpone the lodging of import declarations and related duty payments for UK imports of standard goods in the first half of 2021 may be a good option for companies less prepared for the Brexit.

You should also consider the benefits of lodging a full import declaration, as it requires no follow-up or declaration filing after the arrival of the goods in the UK.

# EU TARIFFS AND WTO RULES

In the absence of a Free Trade Agreement between the UK and EU, UK exporters will have to trade with their EU customer on WTO terms. Some of our exports will be subject to duty.

## First, the basics. What is the WTO?

The WTO is the place where countries negotiate the rules of international trade - there are 164 members and, if they do not have free trade agreements with each other, they trade under "WTO rules".

## What are WTO rules?

Every WTO member has a list of tariffs (taxes on imports of goods) and quotas (limits on the number of goods) that they apply to other countries with which they do not have a deal. These are known as their WTO schedules.

The average EU tariff is pretty low (about 2.8% for non-agricultural products) - but, in some sectors, tariffs can be quite high. Under WTO rules, cars would be taxed at 10% when they crossed the UK-EU border after the end of the transition period. And agricultural tariffs would be even higher, rising to an average of more than 35% for dairy products.

## The impact of WTO rules on our trade with the EU

46% of all UK exports in 2018 went to the rest of the EU as part of the single market and the customs union. That is down from 55% in 2006, but the EU is still by far the largest UK export market.

So, going to WTO rules for trade with the EU - without any other deals in place - would be a huge change. And UK companies would be having to deal with that change at the same time as trying to recover from the impact of coronavirus.

It is not a catastrophe having to trade with the EU under WTO rules but it will impose a number of adjustments and those adjustments can be painful.

Also under the WTO's Trade Facilitation Agreement (TFA), which came into force in 2017, the EU is obliged to treat the UK fairly.

But the TFA is aimed primarily at less developed countries and it seeks to encourage transparency and streamline bureaucratic procedures.

It does mean the EU cannot discriminate against the UK, but it does not mean the UK can expect to be treated in the same way that it is now. The UK would be treated like any other third country - and in the absence of any agreement, that means tariffs, border checks and other barriers to trade.



# UK IMPORT VAT POSTPONED ACCOUNTING

The UK government will re-institute PVA, Postponed VAT Accounting from 1st January 2021. Instead of paying import VAT at the point of clearance/UK entry, businesses can declare their import VAT in their next return with a “reverse charge” offset.

This means that no cash payment has to be made to HMRC for UK VAT registered businesses. This scheme will also allow the postponement of import VAT for global freight movements. You do not need to be authorised to account for import VAT on your VAT Return and can start doing so from 1 January 2021.

## You can account for import VAT if:

- The goods you import are for use in your business
- You include your EORI number, which starts ‘GB’ on your customs declaration
- You include your VAT registration number on your customs declaration, where needed
- Where import VAT is included on your VAT returns, it should be done so as follows: -
  - Box 1 - Include the VAT due in this period on imports accounted for through postponed VAT accounting.
  - Box 4 - Include the VAT reclaimed in this period on imports accounted for through postponed VAT accounting.
  - Box 7 - Include the total value of all imports of goods included on your online monthly statement, excluding any VAT.

## IMPORT DUTY RELIEF

There are several situations where new customs charges due after 1st January 2021 may be reduced or have their payment delayed. You should check the procedures you are currently processing goods under as they may qualify for reliefs with some simple planning. The scenarios and related procedures include:

- **HMRC-approved customs warehouse**, where your goods may be held without clearing into free circulation in the UK and incurring import and VAT liabilities.
- **Inward processing of goods**, when goods are brought into the UK for local processing or finishing and then exported to another country.
- **Duty suspensions and tariff quotas** which give temporary duty suspension on raw materials, components and semi-finished products which cannot be located elsewhere in the UK.
- **Temporary Admission procedure** which covers samples, professional equipment or materials for exhibition and auction.



# AUTHORISED CONSIGNOR

If you're regularly moving goods using transit procedures ( see page 7), you can apply for authorised consignor status which will allow you to start the movement of goods under the Common Transit Convention or Union Transit at your own premises rather than at a customs office.

**You will need to get authorised consignor status to start the movement of your goods from your premises or an approved customs facility, like:**

- a warehouse
- a designated export place
- an enhanced remote transit shed
- a temporary storage facility

**As an authorised consignor you will be able to:**

- declare goods without presenting them at the customs office
- print the transit accompanying document and, the list of items at the consignor's premises
- remove goods under customs control directly from their authorised location

To apply for authorised consignor status you will need a Customs Comprehensive Guarantee (CCG) see below.

## CUSTOMS COMPREHENSIVE GUARANTEE

**You can use a Customs Comprehensive Guarantee (CCG) to cover multiple customs debts. To use a CCG you need to be authorised by HMRC.**

You will also need to get a guarantor to cover the CCG amount, normally your bank.  
You will need a CCG to:

- use a duty deferment account
- cover debts because you:
  - put goods into customs procedures (inward processing, temporary admission, or end use) more than 3 times a year
  - move goods more than 3 times a year under the Common Transit Convention or Union Transit
  - operate a temporary storage facility or customs warehouse

# AUTHORISED ECONOMIC OPERATOR

Authorised Economic Operator (AEO) status is an internationally recognised quality mark that shows your business's role in the international supply chain is secure and has customs control procedures that meet UK and EU standards.

## Types of AEO status

There are 2 types of the status:

- Authorised Economic Operator customs simplification (AEOC)
- Authorised Economic Operator security and safety (AEOS)

You can apply for either AEOC or AEOS or you can apply for both.

## AEOC (CUSTOMS SIMPLIFICATION)

If you hold this status, you could benefit from:

- a faster application process for customs simplifications and authorisations
- a reduction or waiver of comprehensive guarantees
- a 70% reduction in a business's deferment account guarantee
- a notification waiver when making entries into a declarant's records
- moving goods in temporary storage between different member states
- your consignments receiving priority treatment for customs controls
- a lower risk score which may reduce the number of checks customs carry out on your documents and goods

## AEOS (SECURITY AND SAFETY)

If you hold this status, you could benefit from:

- a lower risk score which may reduce the number of checks customs carry out on your documents and goods
- your consignments receiving priority treatment for customs controls
- reduced declaration requirements for entry and exit summary declarations for countries outside the UK and EU
- reciprocal arrangements and mutual recognition with countries outside the EU

# EHC, PHYTO, TRACES, IPAFFS, BCP

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## **EHC: Export Health Certificate**

Most products of animal origin (POAO) require an EHC. An EHC must be issued by the exporter and endorsed by an authorised vet prior to dispatch.

## **PHYTO: Phytosanitary Certificate**

If an EHC is for products of animal origin then consider Phyto as for products of plant origin. Again it should be issued by the exporter and endorsed by the appropriate authority.

## **TRACES: This is the online tracking and control system for EHC and Phyto movements.**

The export movement is registered and the BCP (Border Control Post) nominated.

## **IPAFFS: Import of products, animals, food and feed system into the UK must be registered in IPAFFS.**

Consider it the UK version of TRACES. So EU export will be in TRACES and UK import on IPAFFS.

## **BCP: Border Control Post.**

Goods covered by EHC or Phyto must be presented at the BCP when they first enter the customs territory. Be aware that there is a charge normally levied by the BCP of around 50 euros in the EU for each consignment checked.

## **CUSTOMS AUTHORISATION FORM**

**It is a legal requirement that a customs agent or anyone acting on a trader's behalf with regards to their customs matters must be authorised in writing to do so.**

Most companies will only want to act on the trader's behalf as a Direct Representative. The trader is the declarant and is obliged to meet all the obligations arising from the declaration. These include maintenance of records and provision of an audit trail.

# TSP REPLACEMENT FOR UK IMPORTS

**The UK is introducing an optional relaxation period for UK import customs entries and duty payments from 1st January to 30th June 2021.**

Importers of goods into the UK can choose to use the new HMRC Customs Freight Simplified Procedures, Entry in Declarants Records (CFSP EIDR) scheme. This will be available without the need for prior approval for most importers until 30 June 2021. In case you were not aware, CFSP is an electronic customs declaration system for efficient customs clearance away from the border.

**CFSP EIDR only applies on imports from the EU to Great Britain** (which is the UK excluding Northern Ireland). There are separate arrangements for Northern Ireland which effectively remains part of the EU Customs Union under the Brexit Withdrawal Agreement.

**CFSP EIDR replaces the 2019 No Brexit deal proposed measure of the Transitional Simplified Procedures (TSP)**, which allowed for 6-months delays on declarations and duty payments. Importers may have their freight agents, logistics provider or broker act as their representatives for imports – another difference from the TSP programme – however whoever is used to finalise declarations must have access to a CFSP approval in order to submit the delayed declarations.

**Unlike TSP, importers will not need to register for the CFSP EIDR** to make use of the scheme in the first instance, however you will need to decide if it is your preferred method of import processing and discuss this choice with your logistics provider. After 1 July 2021, the option of delaying the submission of import declarations will no longer be available. From 1 July 2021 importers wishing to continue to use CFSP need to operate under the normal rules of CFSP by applying for their own approval or have access to CFSP via their chosen customs / freight agent.

**Certain goods are not eligible for this scheme.** These include goods governed by the Common Agricultural Policy, licensed goods, goods controlled under certain simplified procedures e.g. customs warehousing, IPR, OPR and goods moving through the UK under community transit.

## WHAT ARE MY OPTIONS?

**There will be 3 ways to import goods into the UK between 1st January and 30th June 2021**

- Full import declaration. This ideally will be pre-lodged latest the day before the shipment enters the UK. You will need to appoint a customs broker to do this..
- CFSP is used to make a simplified frontier declaration (SFD) as goods cross the UK border. This electronic simplified frontier declaration contains very basic information at the time of import and then requires the completion of an electronic Supplementary declaration with full details before the 4th working day of the month following the date of acceptance.
- EIDR (Entry in Declarants Records). A temporary easement from Jan 1 to 30 June 2021 available to most importers allowing up to 6 months to finalise the details of the import. The importer keeps their own record of every import shipment as it arrives, for example on a spreadsheet or in their own IT system. They then make arrangements for a full electronic customs supplementary declaration to be sent to HMRC for every import. This declaration, which can be made anytime within 6 months of arrival, settles import duty and finalises the import process. Submission of supplementary declarations can only be provided by someone who holds a CFSP authorisation and has suitable IT systems and expertise. You should discuss this option in detail as soon as possible with a customs broker or logistics provider to ensure they can offer this service.

# VEHICLE AVAILABILITY AND PRICES

**One of our major concerns from 1st January 2021 will be trailer availability.**

**The UK export market is served predominantly by European hauliers looking for back loads to specific EU countries. They dominate the UK export market due to the size of their fleets and the reduced prices they offer due to cheaper running costs compared to UK hauliers with UK based drivers.**

Numerous trailer parks are under construction in the vicinity of the main UK ports. These will be used to hold drivers whose customs paperwork is incomplete. It is clear therefore that our UK government is expecting long delays for 1000s drivers to exit the UK starting in January.

The government are still developing a Smart Freight System (SMS). This is a system that will need to be used by every haulier involved in exporting goods to the EU. Details of the load being carried and customs information will need to be entered into this system to issue a Kent Access Permit to the driver. Without this Permit the driver will be fined £300.

**It is clear that the SMS will not be ready by November / December 2020 for adequate testing and staff training.**

**Smart Freight is one of eight IT systems which hauliers will need to use to move goods to and from Europe after 31 December 2020: these include four UK systems, and up to four other EU country IT systems, depending on their route and goods to be transported. Very few European hauliers are aware of these impending changes and will struggle to incorporate them.**

With complicated IT systems to navigate, driver fines and days lost parked up waiting for customs paperwork to be completed, it is evident that the UK market will become a lot less attractive for European hauliers.

This situation is exacerbated by the fact that hauliers entering the UK will be able to do so with no restrictions or delays. To ease the flow of inbound trailers to the UK, the government has relaxed many customs requirements for the first 6 months of 2021.

This will lead to a huge imbalance of trailers as they can enter the UK unhindered and face multiple challenges on their exit.

With reduced capacity and an imbalance of trailers, we foresee export and import full load rates increasing considerably. As hauliers reduce the number of vehicles they send to the UK each week, the supply of available equipment will drop.

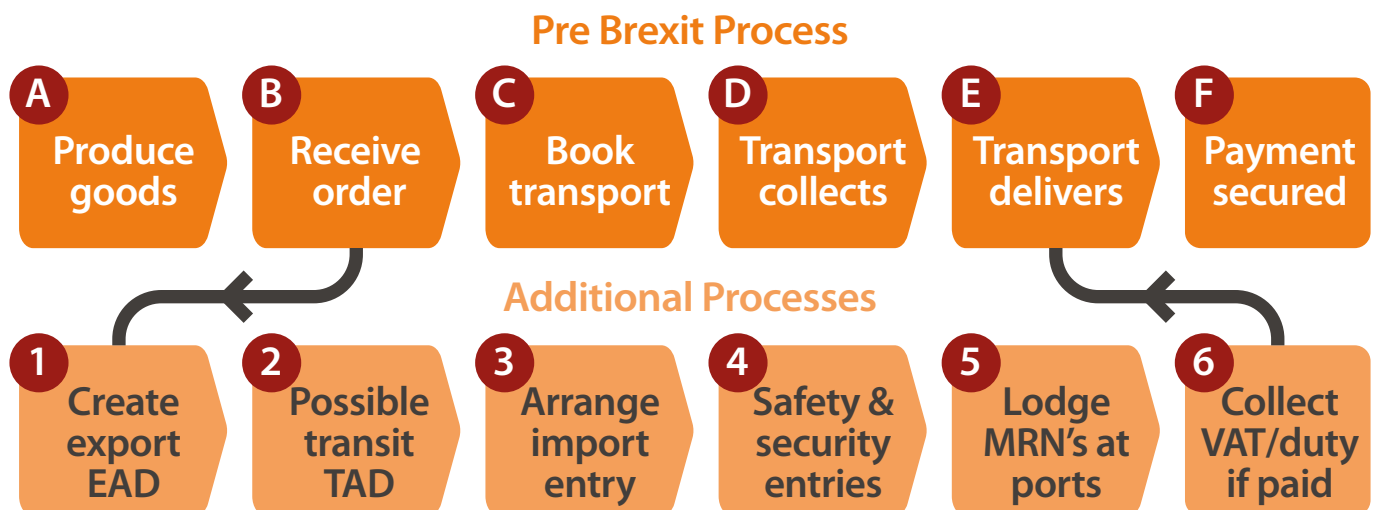
Our advice would be to make sure that your EU customers have adequate stocks of your goods by the end of 2020. Exporters may be faced with a few days wait before a trailer can be positioned at their premises. Drivers may face delays exiting the UK and clearing customs in the EU if they have a T1 transit document to discharge.

# DIFFERENCE BETWEEN A FORWARDER AND A HAULIER

A freight forwarder is an entity that takes care of the complexities of international transportation. including, but not limited to, negotiating borders and customs processes.

A haulier is a company that transports goods by road, often on behalf of freight forwarders.

Free flowing EU trade has made it easy for hauliers to work directly with traders because freight forwarding expertise has not been needed. This is about to change.



- A to F is the current “free-flow” movement of goods between UK and EU. 1-6 are the additional requirements brought about by Brexit.
- A good way to look at this is a haulier would look after D and E, whereas a freight forwarder would manage steps 1-6. They may be one in the same but you should not assume that your haulier is also a freight forwarder.
- The customs paperwork is the easy part of the process. The real art is the management, sequencing and administrative controls that make steps 1-6 work. The ability to handle this 24 hours a day needs to be considered.
- Working directly with hauliers may help traders to reduce their transport costs. A freight forwarder will always have to apply a small margin for the value they add. The value they add from 2021 and beyond will be immense.
- Make sure if you are working directly with a haulier that they have knowledgeable staff in place to manage steps 1-6. If they do not, the collection and delivery of your goods will be delayed.

# CUSTOMS INTERMEDIARY GRANT

**Customs charges will soon mount up with export / import declaration and T1 charges of £35-£50 each. You might want to consider bringing this in-house. It will give you full control and some considerable savings.**

HMRC has made funding of £50 million available to enhance its Customs Grant Scheme. Organisations can apply for funding to reimburse a number of costs associated with increasing their capacity and enhancing their ability to complete customs declarations, ahead of the new rules from January 2021.

Eligible organisations can apply for funding for recruitment, employee training and IT, in preparation for additional customs declarations. Eligible organisations include traders and customs intermediaries (such as customs brokers, fast parcel operators and freight forwarders) who make or intend to make customs declarations for their own goods or on behalf of others. Organisations which recruit, train and place apprentices into customs intermediaries or other organisations which undertake customs declarations activity are also eligible to apply.

All eligible organisations which are currently and have been based in, or with a branch in, the UK for at least a year can apply for all elements of the grant.

£12,000 is being offered to companies that employ a new person in a customs role or re-deploy an existing member of staff in this role. Up to £3000 will also be available to offset against any recruitment fees.

**More information can be found at  
[www.customsintermediarygrant.co.uk](http://www.customsintermediarygrant.co.uk)**

## NORTHERN IRELAND

The Northern Ireland Protocol was introduced to avoid a border on the island of Ireland and to allow free movement of goods between NI and ROI (and vice versa). To achieve this NI, although remaining in the UK customs territory, will operate to the EU customs code (UCC). Whilst this was originally designed to avoid any physical infrastructure on the island of Ireland it also means that NI has the same relationship with the rest of the EU (otherwise the EU will have annexed part of the Union).

### What does this mean on the ground?

Essentially NI is in the EU and the UK. This creates some very unusual customs requirements. Additionally, the whole of the UK will leave the EU's customs union but Northern Ireland will continue to enforce the EU's customs code at its ports. This will mean some new checks and processes for goods moving between Northern Ireland and other parts of the UK.

We would like to clarify in more detail how trade in both ways will be affected but the situation with the Northern Ireland Protocol is so fluid that anything we state now could be out of date within hours.

If you have trade with Northern Ireland, please get in touch with us in November 2020. We hope the situation will be clearer then.



**ESPACE  
CUSTOMS  
CONSORTIUM**



**Geoff Yates**

**Commercial Manager / Consortium Lead**

Direct: 01543 412306

Mobile: 07936 956610

[GeoffYates@espaceglobalfreight.com](mailto:GeoffYates@espaceglobalfreight.com)

[www.customsclearanceeurope.com](http://www.customsclearanceeurope.com)