

# Planning for Brexit

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# Brexit

## Current Position

- UK is leaving the EU Customs Union & is leaving the Single Market on 29<sup>th</sup> March 2019
- What will a post Brexit Agreement Look Like?
  - A) A Free Trade Agreement as Frictionless and Tariff Free as possible (UK)
  - B) A Customs Partnership?
  - C) WTO?
- Options at present :
  - Canadian FTA
  - Norway/Switzerland EEA/EFTA
- Transition Agreement agreed in Principle to 31 December 2020.....



# Where does Irish Business Stand?

- 65% of Irish businesses surveyed have not reviewed their supply chain to identify current business relationships that might be negatively impacted by Brexit
- Businesses believed that 38% of suppliers were prepared for the impact of Brexit, with only 24% citing themselves as Brexit-ready, and 8% saying they do not believe they are prepared at all.
- <http://www.bdo.ie/en-gb/insights/2018/bdo-optimism-index-q1-2018>

# Issues Facing Business

- Dependency on UK Market
- Uncertainty about Sterling
- Increase Competition internally
- People
- **Strategic Sourcing Issues**
  - Border Delays
  - Cost of Import
- Customs Capability and Understanding

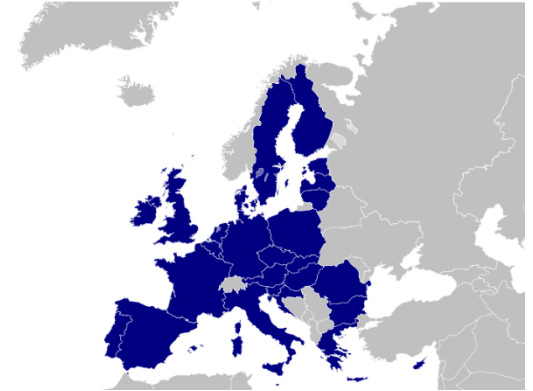
<https://www.prepareforbrexit.com/insights/prepare-for-brexit-business-strategy/>

# Brexit & Customs Typical Questions



- What does leaving the EU mean (in terms of trade) ?
- What is a Hard Brexit? What is a Soft Brexit?
- What is the cost of Tariffs if no Trade Agreement?
- What would be the impact of a Trade Agreement?
- Are Customs Declarations required if there is a Trade Agreement?
- Does a Trade Agreement mean 0% duty?
- What are the Documentation and Compliance Costs?

# What is the Single Market and Customs Union?



- Common External Tariff
- Once goods are customs cleared then they can move freely throughout the EU
- Assumption of Free Circulation status
- Negotiates global trade agreements on behalf of all member states

# WHAT IS THE SINGLE MARKET?

- The EU Single Market (or Common Market) is founded on the basis of the four freedoms
  1. Free Movement of Goods
  2. Free Movement of Capital
  3. Free Movement of People
  4. Freedom to establish and provide services
- Cooperation between the EU's 28 Member States is supported by core institutions:
  - the European Council (EU Prime Ministers and Presidents)
  - the European Parliament
  - the Council of the EU (ministers representing each Member State),
  - the Court of Justice of the EU
  - the European Commission
- Requires common regulatory standards

# BREXIT

- What does a ‘Hard Brexit’ mean?
  - The UK will leave the Customs Union and Single Market. Therefore trade with the UK will be the same as trading with any other non-EU country.
  - In a “Hard Brexit” there will be **no Free Trade Agreement** and the UK will trade with the EU in the same way as any other 3rd Country.
  - This will ultimately lead to increased Border Controls and Tariffs.
- What does a ‘Soft Brexit’ mean?
  - The UK will leave the Customs Union and Single Market.
  - However the UK and EU **agree a Free Trade Agreement** or “unique trading relationship”.
  - In this case it is to be expected that Tariffs will be reduced or eliminated - if goods qualify as “originating” under specific rules of origin.
  - Border Controls will be implemented
  - But what about regulatory requirements?



# Brexit Impact for Trade with UK



- Customs Duties on import to EU (and vice versa)
  - CAP Charges?
  - Transit requirements?

Hard Brexit

- Vat on Import
- Customs Controls on Import/Export
- Import Documents, Export Documents
- Non-tariff barriers
- Regulatory Alignment?
- Transit requirements?

Soft Brexit?

# What do companies need to prepare for?

1. Introduction of Tariffs?

- Preferential?
- WTO?

2. Introduction of Import and Export Documentation (SAD/C88)

3. Border Controls

4. Import VAT



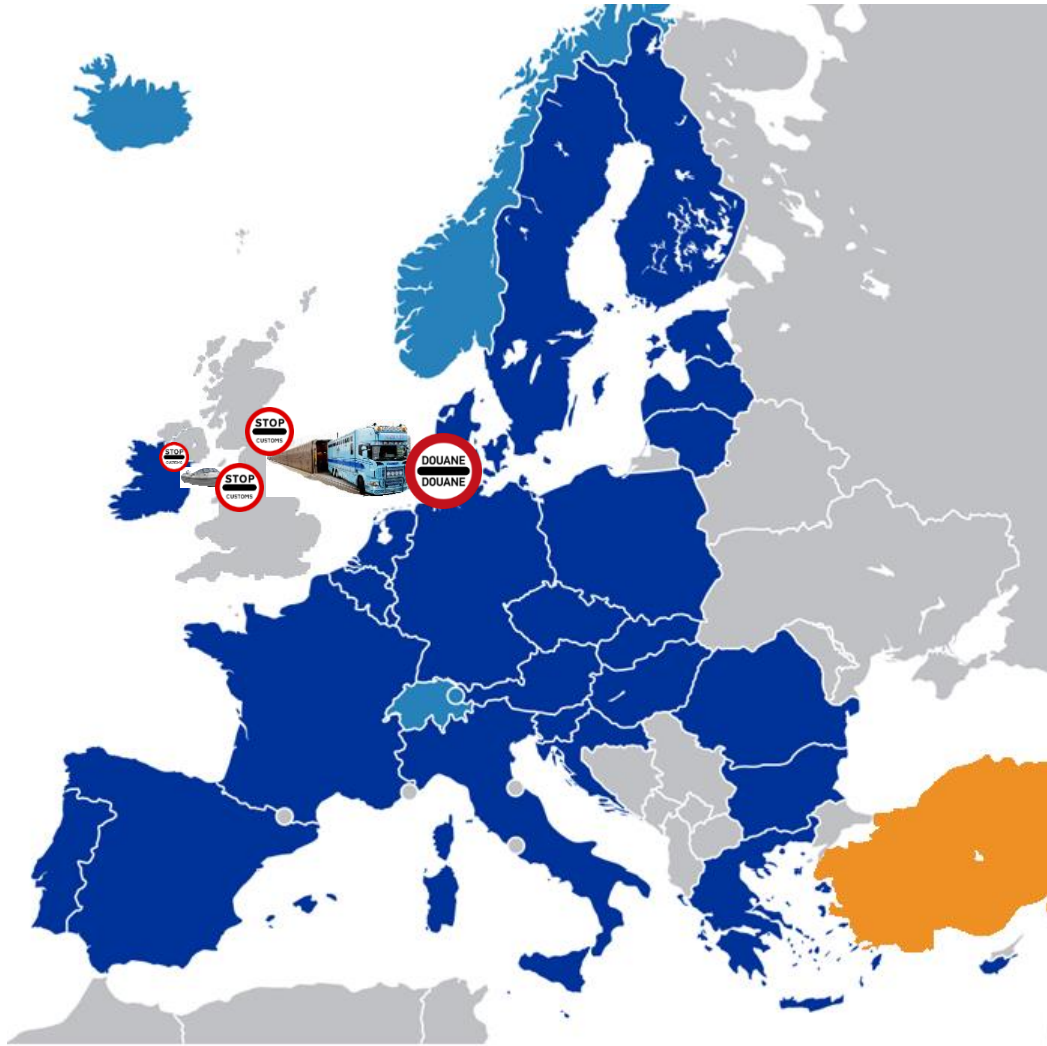
# Tariffs

➤ Machinery and Transport	2.7%
➤ Miscellaneous manufactured items	2.7%-5%
➤ Chemicals	6.5%
➤ Consumer Electronics	0%- 14%
➤ Clothing	12%
➤ Food	8%-50%

# Goods Movement



# Future Goods Movement



# Custom Documentation - SAD sample

Consignee and consignor details

INCOTERMS - Box 20

*Repeated inaccuracies can lead to customs audit !*

EUROPEAN COMMUNITY				DECLARATION		OFFICE OF DEPARTURE	
1	1	1	1	1	1	1	1
1 Consignee				1 Name	1 Loading place		
2 Consignor				2 Name	2 Transportages	2 Reference number	
3 Consignee				3 Amount payable for financial correction			
4 Consignor				4 Country of origin			
5 Country of origin				5 Country of destination			
6 Identity and nationality of means of transport at departure				6 Identity name			
7 Identity and nationality of all means of transport crossing the border				7 Country and amount involved			
8 Mode of transport				8 Exchange rate			
9 Mode of transport				9 Transaction			
10 Mode of transport				10 Commodity Code			
11 Mode of transport				11 Country of origin Code			
12 Mode of transport				12 Origin Code			
13 Mode of transport				13 Supplementary Code			
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Commodity Code - Box 33

Country of origin code - Box 34

Customs Procedure Code - Box 37

# Support Documentation Required for Customs

1. *Invoice* - The commercial invoice contains the basic information on the transaction and is always required for customs clearance. Provided by the supplier to the customer and the Clearance Agent (CA).
2. *Airway Bill/MAWB* - B/L issued by the Shipping Agent (SA) to the freight forwarder, confirming that the goods have been received on board. The B/L serves as proof of receipt of the goods by the carrier, obliging them to deliver the goods to the consignee
3. *Certificate of Origin* - Issued by Chambers of Commerce to Suppliers/Manufacturers Confirms that the goods in a particular shipment have been wholly obtained, produced, manufactured or processed in a particular country.
4. *Packing List* - The Packing list is an inventory of the incoming cargo required for customs clearance and accompanying the commercial invoice and the transport documents. (No specific form is required).



# Import VAT

1. Import VAT on import into ROI
2. Import VAT on import to UK
3. Reclaim of UK VAT incurred by any business not registered in UK
4. Distance sales to UK consumers no longer treated as such



# All leading to....Cash Flow Considerations

- Import Duties payable on arrival
- Or on Direct Debit system with Revenue

But:

- Application must be made to Revenue
- Requires the lodgement of a guarantee
- Value Limited by guarantee amount

# BREXIT - In Summary

## Issues facing Exporters

01

Increased controls on Cross Border Trade

02

Controls on Exports and Imports through Sea and Air Ports

03

Import/Export Declaration requirements

04

Risk of tariffs - dependent on the type of trade agreement (if any) the UK negotiate with the EU

05

Introduction of non-Tariff Barriers

06

Payment of Import VAT (as opposed to intra- EU VAT rules)

07

Deferred Payment Requirements and Comprehensive Guarantees

- All leading to:
  - Cash flow impact
  - Increased costs
  - Delays
  - Difficulties in accessing supplies

# Planning Ahead

# PLANNING AHEAD

- 12 Month Window
- Review Supply Chain
- Assess Cost of duties
- Identify Tariff Headings
- Use current information resources
- Assess requirement for duty savings procedures
- Assess need for new VAT Registration, Tax Registration, Company Set Up
- Determine need for Authorised Economic Operator Status (Trusted Trader Status)
- Project manage and allow sufficient time

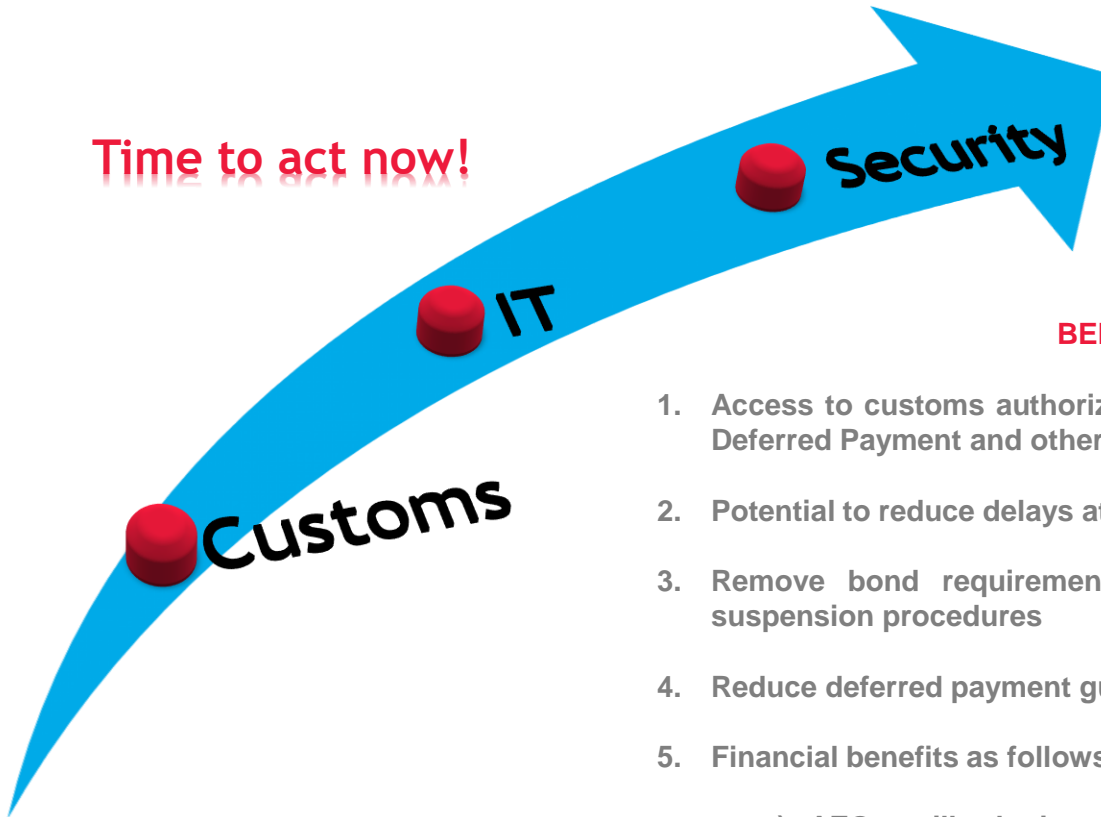


# TRUSTED TRADER STATUS



Authorised Economic  
Operator

Time to act now!




## BENEFITS

1. Access to customs authorizations such as Inward Processing, Deferred Payment and other simplifications
2. Potential to reduce delays at border
3. Remove bond requirement for processing and warehouse suspension procedures
4. Reduce deferred payment guarantee requirements
5. Financial benefits as follows:
  - a) AEOs will obtain a reduction of 30% on the bond guarantee for obtaining a deferred payment authorization
  - b) AEO holders will be entitled to operate customs procedure such a Warehousing and IPR without a bond

# BDO IRELAND SERVICES



<http://www.bdo.ie/en-gb/industries/bdo-brexit-taskforce>



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