



## Brexit Readiness Update

11 September 2020

### In this update:

[New UK Internal Market bill \(re\)fuels 'no-deal' Brexit](#)

[EU communication highlights changes regardless of negotiations' outcome](#)

[EU draft text on road haulage](#)

[UK Border Operating Model](#)

[Northern Ireland: VAT Directive amendment proposed by EU](#)

[The UK's other trade negotiations](#)

[Upcoming webinars](#)

## New UK Internal Market bill (re)fuels 'no-deal' Brexit

Negotiations on the future economic relationship between the UK and the EU have continued during the past few months, covering areas such as trade in goods and services, level playing field, etc. These negotiations will define the nature of the relationship between the two blocs as of 1 January 2021 (the option to extend the transition period under the Withdrawal Agreement was not taken up).

With EU and UK positions diverging on several points, particularly on the so-called 'level playing field', a

breakthrough in negotiations is a very distant possibility. The likelihood of a deal was further diminished by the UK government's [new UK Internal Market bill](#), issued on 9 September, which would "break international law in a very specific and limited way". The bill proposes no new checks on goods moving from Northern Ireland to Great Britain. It gives UK ministers powers to modify or "disapply" rules relating to the movement of goods that will come into force from 1 January, if the UK and EU are unable to strike a trade deal. The EU responded with an ultimatum, asking the UK to retract elements in the new bill that contradict the Withdrawal Agreement, by the end of September. The UK rejected the EU's request, arguing that the bill is needed "to protect the integrity of the UK and the peace process in Northern Ireland". Nevertheless, it is expected that the trade talks will continue, albeit with diminishing time and trust.

## **EU communication highlights changes regardless of negotiations' outcome**

The EU Commission [published a communication](#) in July 2020, setting out the essential points to be implemented for optimal readiness after the transition period. This document highlights the changes that will happen regardless of the outcome of trade negotiations between the EU and the UK. The chapters of this communication concern several sectors such as trade in goods, trade in services, energy, mobility and social security coordination, Data, digital and intellectual property rights, etc. Processes regarding trade in goods, customs formalities, verifications and controls will be implemented as of 1 January 2021 in respect of goods moving between the UK and the EU. In addition, authorisations and certifications (such as AEO, sanitary and phytosanitary certificates, marking and packaging certifications, etc.) issued by the UK will no longer be valid for the EU market.

Customs and excise duties and VAT will also need to be calculated and paid on goods imported from the UK (and vice versa).

European companies must be prepared to treat any British content in their products as "non-originating", when determining whether these products can still benefit from the preferential treatment of the EU's free trade agreements. Likewise, UK content incorporated into products from countries with which the EU has preferential agreements, and imported into the EU, will also need to be considered as "non-originating" when determining their origin status.

It will be important for transport companies to check that they have the necessary permits and licences, and also to meet requirements relating to the conditions of entry and stay of drivers, the affixing of stamps on passports and, if applicable, visas.

# EU draft text on road haulage

The EU published its [draft legal text on road transport requirements](#). It sets out requirements in relation to the level playing field for road haulage (i.e. driving times, breaks and rest periods, mobile workers' working time, drivers' use of tachographs, truck weight and dimensions, etc.).

The level of market access for road haulage, including arrangements in respect of cabotage, are part of the ongoing negotiations.

## UK Border Operating Model

On 13 July, the UK government published its border operating model, '[The Border with the European Union: importing and exporting goods](#)'. This 206 page document outlines how the EU / Great Britain (GB) border will operate at the end of the transition period. It does not cover arrangements relating to Northern Ireland.

The UK government will introduce full border control measures for imports of goods from the EU into Great Britain in phases for standard goods.

From January 2021, importers of standard goods will need to prepare for basic customs requirements, but will have up to six months to submit full declarations and pay associated duty.

From April 2021, certain goods subject to sanitary and phytosanitary controls will face additional requirements. From 1 July 2021, the full model will come into force.

At this point, the UK's new Goods Vehicle Movement Service (GVMS) will be operational to allow the pre-lodgement of declarations, including for goods moving via roll-on roll-off (RoRo) ports. The guidance also provides an outline of some of the key measures in place at EU RoRo ports.

Transit procedures will not be introduced in phases and will apply from 1 January 2021, which is likely to be relevant for goods moving between Ireland and other EU member states through the UK land bridge.

Changes that will affect movements of all goods are referred to as the 'Core Model'. The core process includes the following:

- Customs declarations for exports and imports
- Customs duties for imports
- VAT on imports
- Safety and security declarations for exports and imports

There are also additional requirements for certain goods, such as foodstuffs (including certifications and checks), controlled goods and prohibited goods.

## Preparing for the future

The [Border Operating Model](#) notes that all businesses should take the following actions in order to continue their business between the EU and the UK, as needs occur:

- Apply for a GB EORI number
- Get a Customs intermediary
- Apply for a Duty Deferment Account
- Apply for a UK or EU VAT registration number where required
- Prepare to pay or account for VAT on imported goods
- Ensure drivers have correct international driving permits
- Additional actions for customs, VAT and excise processes
- Consider commercial arrangements

## Importing

The Core Model consists of: Import preparations, customs declarations, duties and import VAT. There are a number of import facilitations available, including Simplified Declarations for Importers. Postponed import VAT accounting is being introduced.

## Exporting

The Core Model consists of: Export preparations, customs declarations, and safety and security declarations. There are a number of export facilitations available. To fulfil the export process, businesses will need to ensure they have an EORI number and access to the Safety and Security (S&S) system and CHIEF. Certain goods may require additional processes, or be subject to restrictions, such as endangered species and strategic exports.

It should be noted that the EU will implement full border control measures from 1 January 2021. Businesses exporting goods from Great Britain to the EU will need to meet all relevant export requirements.

## **Northern Ireland: VAT Directive amendment proposed by EU**

The EU Commission [proposed an amendment](#) to the VAT Directive introducing a special identification number for businesses in Northern Ireland, so that EU VAT provisions can be properly applied to goods, in line with the Protocol on Ireland and Northern Ireland.

## **The UK's other trade negotiations**

The UK has already negotiated continuity agreements with certain signatory countries benefiting from EU agreements. Note that agreements with the European Free Trade Association countries (except Switzerland) negotiated in 2019, to cover a possible "no-deal", will not come into force. Therefore, the UK is renegotiating its future economic relations with Norway, Iceland and Liechtenstein.

The UK is also negotiating free trade agreements with many other countries: e.g. Turkey, Japan (agreement almost reached based on the EU-Japan FTA), Canada, Australia, New Zealand, the US, etc.

In addition, the UK also expressed its interest in joining the Trans-Pacific Partnership Agreement (TPP) comprising Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New-Zealand, Peru, Singapore and Vietnam.

The UK's ambitious goal is to secure FTAs with countries covering 80% of its trade by 2022.

## Upcoming webinars

Brexit: trade negotiations update

**Tuesday 15 September 2020, 12.00 CEST**

Host: Amanda Tickel

Presenters: Raoul Ruparel, Lord Jonathan Hill, Frans van Daele

[Read more and register](#)

Brexit: Tax Readiness

**Thursday 17 September 2020, 13.00 CEST**

Host: Amanda Tickel

Presenters: Dan Barlow, Richard Williams, Michael Eckes, Caroline Barraclough

[Read more and register](#)

UK Borders After Brexit

**Wednesday 23 September 2020, 13.00 CEST**

Host: Amanda Tickel

Presenters: Dan Barlow, TBC

[Read more and register](#)

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## Brexit Help Centre

Find the assistance needed for your Brexit readiness

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