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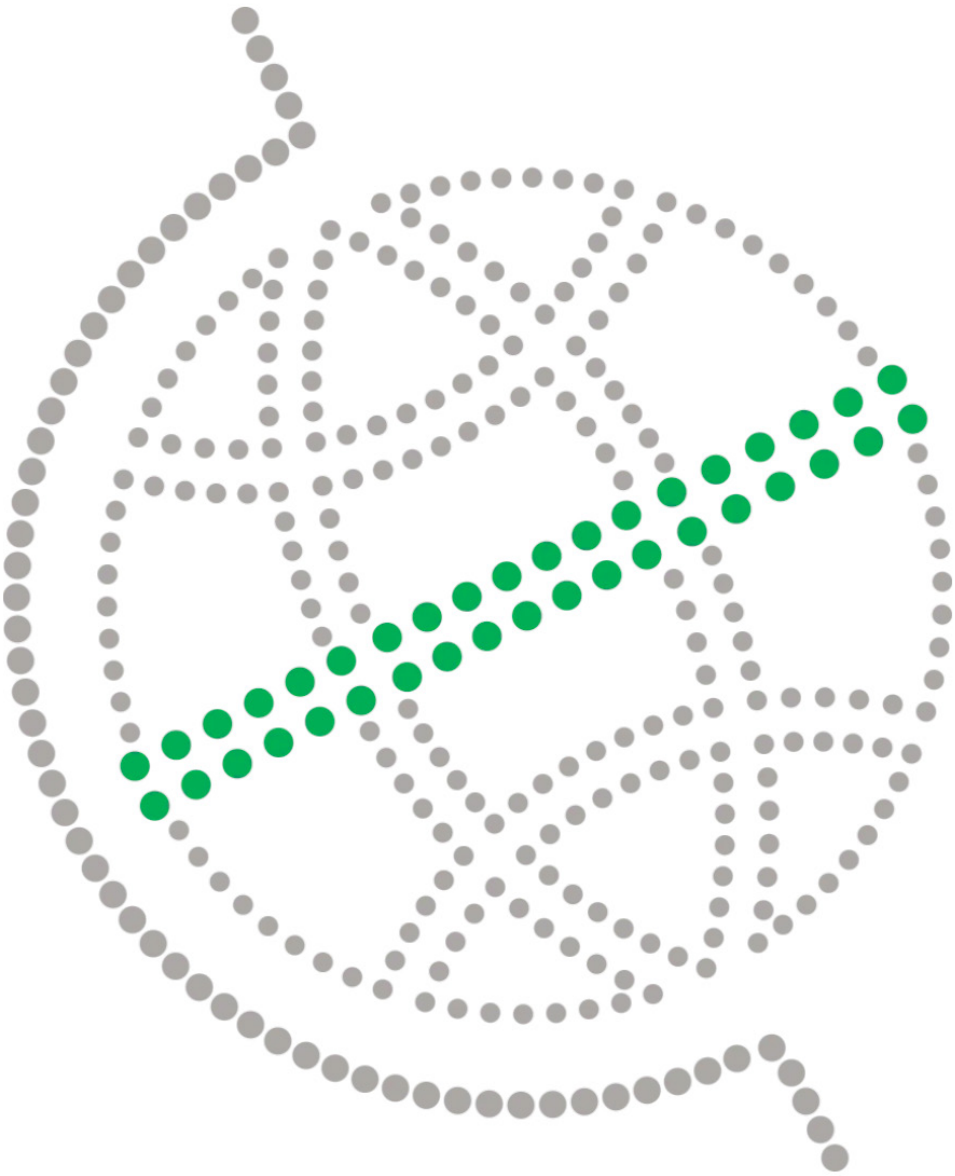


Global Trade Bureau – a guide to:

Importing into the UK at the end of the transition period

15 June 2020

When you're running an international business, the smooth transition of your goods into the UK couldn't be more important. Your goods not only need to arrive, they must arrive without delay, with the right amount of duty paid and, with the correct completion and filing of a customs declaration. At the end of the transition period, we expect to see a significant increase in the volume of customs declarations being processed per year. Moreover, existing supply-chain networks may not be equipped to ensure you're compliant. And, with a spotlight on corporate governance, it's more important than ever that you know your process inside out. Global Trade Bureau is a tech-enabled customs compliance solution that takes care of your customs calculations and declarations, filing and end-to-end process optimisation.

Importing goods into the UK from 1 January 2021

The UK's departure from the EU will herald the biggest change to the UK's customs landscape in a generation. Many businesses that have previously not needed to know about importing, exporting and tariffs will need to become specialists.

The UK Government announced on 12 June that in order to give businesses time to adjust to these changes, there will be a 6 month phased introduction of border controls on imports of goods from the EU into Great Britain.

- From 1 January 2021, businesses importing standard goods will need to meet minimum customs requirements, such as keeping sufficient customs records, but will have up to 6 months to submit customs declarations. Checks will be carried out on certain high risk categories of goods. Payment of any tariffs due can be deferred until the customs declaration is submitted.

- From 1 April 2021, businesses will need to pre-notify movements of products of animal origin and regulated plants and plant products and submit the necessary health documentation.

- From 1 July 2021: full border controls become effective. All traders will need to submit customs declarations, and pay any applicable tariffs, at the time of importation (subject to any customs authorisations in place).

Note, under the Protocol on Ireland / Northern Ireland specific rules will apply in respect of movements of goods to and from Northern Ireland.

The Basics!

Movements of goods from the EU to the UK become imports at the end of the transition period. If you have not imported goods into the UK before, here are the essential things that you need to know:

- When goods enter the UK, an import will take place. This means customs compliance obligations arise.

- If the goods are ordinarily subject to VAT in the UK then import VAT will be payable at the same rate.

- If the goods are subject to customs duty, then this will also be payable.

The key document that enables the import to take place is the customs declaration. This is the official document that gives details of the goods that are being imported. There are over 50 fields of data that need to be completed on the declaration. In order to submit a customs declaration you will need to appoint a customs compliance provider who will complete and submit the declaration on your behalf.

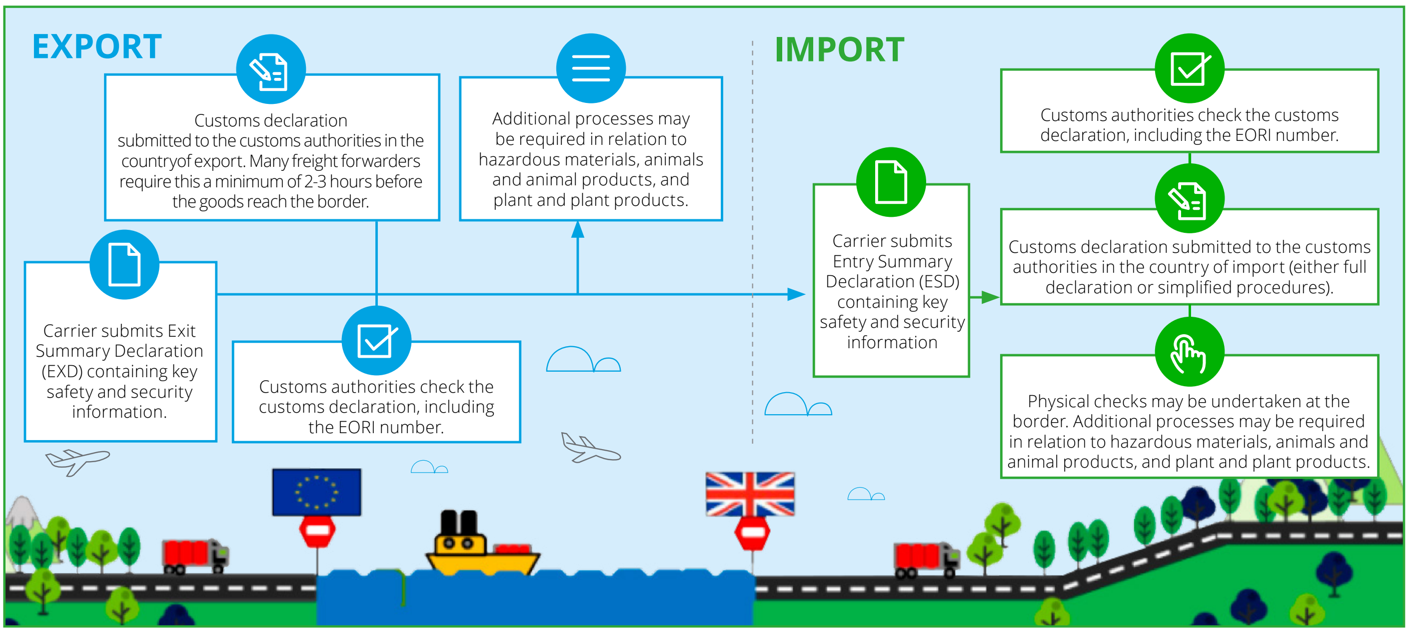
An HMRC impact assessment has estimated that there will be an additional 205 million customs declarations per year (for both imports and exports, of which a sizeable proportion will relate to imports), and it is estimated that an additional 50,000 people will be needed to process customs declarations.

Typically, the cost of submitting a declaration is between £15 and £55 per declaration – sometimes higher – which could represent significant additional costs for businesses.

HMRC estimates that an additional 180,000 traders will need to make customs declarations for the first time (on top of the c.141,000 businesses currently making customs declarations).

An overview of the clearance process

Quick import clearance into the UK starts before the goods even reach the border in the export country.



Key actions for businesses acting as importer of record into the UK

This checklist summarises the key actions for businesses importing goods into the UK. Whilst some measures will not be required immediately, early planning will help businesses to prepare for full border controls.

Crucial customs set up	
Obtain a UK Economic Operator Registration and Identification (EORI) number	■
Establish capability to obtain all information needed to complete customs declarations (all 54 boxes) – including data on product classification, value and origin	■
Determine who will act as declarant. Non-established entities will need to appoint an indirect representative.	■
Apply for Customs Freight Simplified Procedures (CFSP) in order to simplify the declaration process at the border	■
Check requirements for a Duty Deferment Account and Customs Comprehensive Guarantee	■
Appoint a customs compliance provider to deal with border formalities on your behalf	■
Review contract terms and Incoterms to be clear on where risk and obligations lie	■
Customs duties and customs regimes	
Quantify the amount of customs duty payable	■
Quantify the costs of managing the additional customs compliance requirements	■
Review rules of origin in FTAs to determine whether the business will qualify for preferential arrangements	■
Consider whether any customs regimes and simplifications are relevant e.g transit, inward processing, customs warehousing	■
Review economic impact of existing trade remedies on current supply chains (e.g. anti-dumping duties, countervailing duties and safeguards)	■
Related requirements	
Review import VAT accounting and payment, including potential UK VAT registration requirement for EU businesses previously relying on EU VAT simplifications	■
Review excise compliance requirements if the business imports excise goods into the UK or EU.	■
Ensure compliance with sanitary and phyto-sanitary (SPS) regulations for animal and plant products where relevant, including advanced notification, health certificates and veterinary checks, and import via a border control post	■
Check compliance requirements for product standards where the business acts as importer for regulatory purposes	■
Customs governance	
Set up customs compliance provider governance, operating procedures and instructions.	■
Review, enhance and create an internal infrastructure: a. Customs skills b. In-house or out-source customs compliance c. System capabilities and changes d. Internal processes and controls	■

What steps can businesses take to simplify customs border processes?

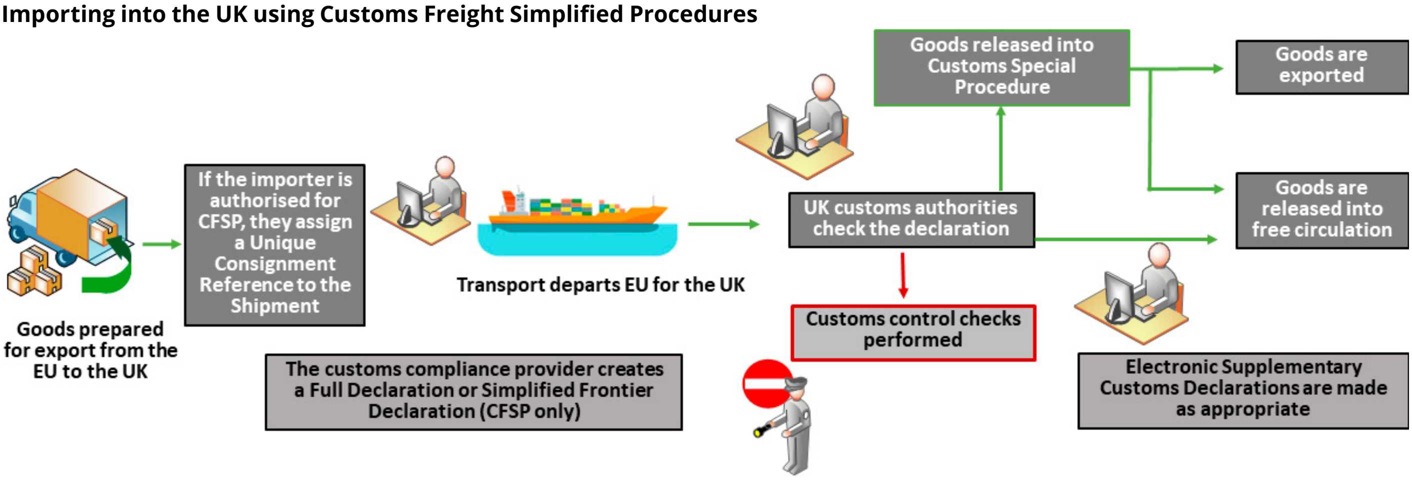
Full border controls will be introduced in three phases, and become fully effective from 1 July 2021. At this point, importers of goods into the UK will by default have to make full frontier declarations at the UK border, and pay any duties that are payable, before goods are released to free circulation. This "at the border" compliance will add additional time to the customs clearance process.

Using simplified customs arrangements can streamline this process, helping to get goods through the border with maximum speed and to maximise cash flow.

Customs Freight Simplified Procedures

Customs Freight Simplified Procedures (CFSP) allow importers to import goods into the UK with minimal administration at the border. Using CFSP, your customs compliance provider submits a simplified customs declaration at the border to clear the goods, with payment of duties deferred. A more detailed customs declaration (a Supplementary Declaration) is submitted by the 4th working day of the month following import, along with the payment of import duties.

Importing into the UK using Customs Freight Simplified Procedures



The authorisation process for CFSP can take up to 5 months

A number of conditions must be met in order to use CFSP, including:

- The business must be established in the UK;
- Applicant suitability: good compliance history, financially solvent and capable of operating CFSP; and
- A financial guarantee must be in place.

Early engagement with freight forwarders is key

Freight forwarders transport goods from one destination to another. Where customs declarations are required, freight forwarders may work with a separate customs compliance provider. GTB offers seamless integration with existing freight forwarders. Have you reviewed your existing logistics arrangements to understand:

- How many freight forwarders do you use? Would appointing a single customs compliance provider helps you streamline processes and reduce costs?
- Do your freight forwarders have the resource and systems capability to handle additional customs declarations?
- Are you confident in the governance arrangements in place between the business and the freight forwarders/customs compliance provider[s] to help you stay compliant?

Authorised Economic Operator

If volumes of UK/EU trade are significant, businesses may also want to assess the benefits of applying to HMRC in order to be treated as an Authorised Economic Operator (AEO). Businesses with approved AEO status benefit from reduced levels of checks on imported goods, priority clearance when their goods are selected for examination at the border and reductions in some financial guarantees that are required of importers.

In order to become an AEO, businesses are required to demonstrate to HMRC that they have good processes and controls in place. AEO can be granted for Customs Simplifications (AEOC) or for Security and Safety (AEOS), both of which have slightly different requirements. The approval process takes up to 5 months to complete.

Who is responsible for customs formalities?

Responsibility for meeting customs obligations at import falls on the importer of record. Incoterms – international commercial terms used for cross-border movements of goods – establish the obligations of the seller and the buyer, including which party is responsible for import.

For example, under Ex Works (EXW), the buyer is responsible for everything from export clearance at the start of the journey to import clearance and payment of customs duties at the end of the journey. At the other end of the spectrum, all obligations are placed on the seller under Delivered Duty Paid (DDP).

The importer of record will need customs data, systems, and resource in place to manage the associated compliance responsibilities.

Customs special procedures

Sometimes goods enter the UK which are not immediately destined for the UK market e.g. where they are being moved through the UK on the way to the final consumer, or for processing and repair before being sold overseas. Businesses may also store goods for a period of time before selling them in the UK.

In these circumstances, using customs special procedures, could reduce, postpone or negate the duty and import VAT payable and, in the process, have a positive impact on business cash flow. Global Trade Bureau/your customs compliance provider can manage the use of special procedures on your behalf.

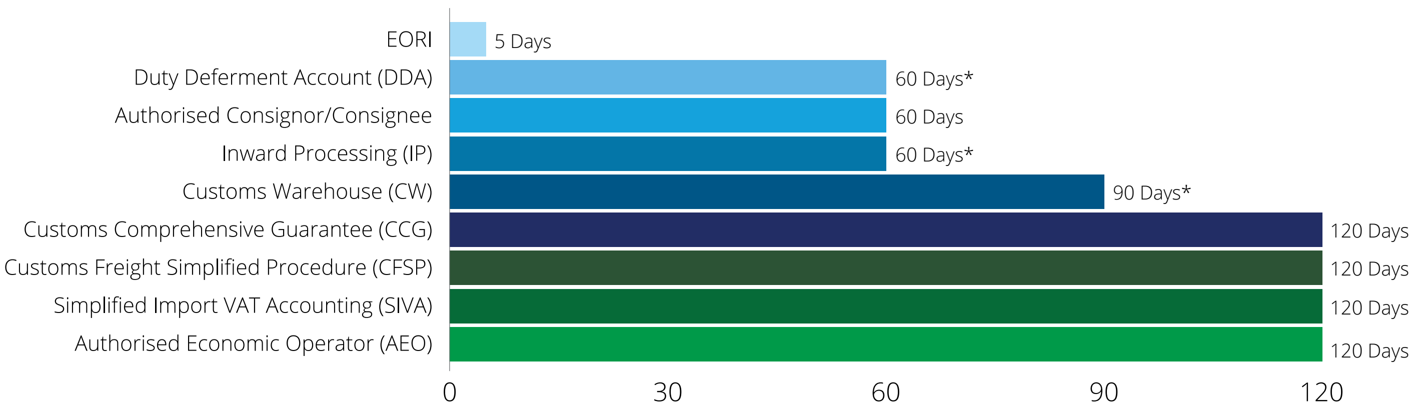
Transit
The UK has adopted the Common Transit Convention (CTC). This allows for customs clearance formalities (including payment of duty) to take place at the destination of the goods rather than at the point of entry into a customs territory. For example, goods could move from France to Ireland via the UK and would not need to be customs cleared on import to or export from the UK. However, where goods are unloaded, the CTC cannot be used unless the goods are transferred to a customs procedure such as customs warehousing or temporary storage.

Inward Processing
If you're importing goods into the UK for processing, Inward Processing relief can be used to suspend the payment of duty. Once processed, the goods either need to be (1) exported back outside the UK – in which case no UK duty applies – or (2) released into free circulation within the UK, at which point customs duty, import VAT and excise will typically be payable. Duty can be paid at a lower rate if the processed goods are subject to a lower rate of customs duty than the raw materials originally imported.

Customs Warehousing
If you're not planning on accessing or altering your goods (except for essential maintenance work), they can be stored in customs warehouses supervised by HMRC until they are required. Under this procedure, you won't pay duty or import VAT until the goods are removed from the warehouse.

Timely submission of applications for customs regimes will help pave the way for adapting to the post-Brexit trading environment.
Most customs regimes require a business to have a Customs Comprehensive Guarantee (CCG), which is a financial guarantee provided to HMRC that covers customs debts. A CCG may take longer to obtain than the approval for the customs special procedure in question. HMRC is considering whether or not to relax this requirement at the end of the transition period (but applications made during the transition period will still require a CCG, where applicable).

Time taken for HMRC to approve customs procedures



*Subject to an increased lead time where a CCG is required (this can be applied for simultaneously to a customs special procedure application).

Timeframes are based on length of time once an application is accepted by HMRC (an initial 30 day period). The estimates do not take into account time taken to draft applications or closing any gaps to meet application criteria (during which time the approval timeline may be paused) as indicated in HMRC guidance.

Calculating the duty amount

There are three core components needed to quantify the amount of duty payable:

Tariff classification. This describes the goods being imported and is used to determine the rate of customs duty that will be charged to the importer. The UK recently published its Global Tariff, which will apply to all goods imported into the UK that do not benefit from a preferential trade arrangement.

Customs value. This determines the basis on which duty is calculated. Valuation of goods is usually based on the price paid for the goods, subject to various adjustments being made for freight charges, insurance costs and royalties etc. For intercompany sales, the customs value may not be the same as the transfer price.

Origin of goods. Rules of origin essentially establish the customs 'nationality' of the product. In order to benefit from Free Trade Agreements, goods will need to meet origin requirements. So even if an EU/UK Free Trade Agreement is reached that will not mean that all goods moving between the EU and UK will qualify for zero tariffs.

Businesses will need to ensure that information on product classification, value and origin is easily accessible within their systems, which can prove challenging in practice. Early action to review data quality and systems set up will therefore be important for customs compliance and accurate payment of duty at the end of the transition period.

Under the phased approach announced by the Government, where duties are payable from 1 January 2021, businesses will be able to defer payment until the customs declaration has been made.

Related considerations

Businesses importing goods into the UK will also need to consider a number of related impacts. These include:

Payment and recovery of import VAT

From 1 January 2021, HMRC plan to introduce a system under which both payment and recovery of import VAT will be actioned through VAT returns. VAT registered businesses will both pay import VAT and, if they are entitled to, recover the import VAT on their VAT return. The new system, referred to as postponed import VAT accounting should be a significant cash flow benefit for businesses as the payment and recovery of import VAT on the same VAT return will cause no cash flow impact.

Importing goods subject to excise duty

Excise goods (such as oil, alcohol and tobacco) are subject to strict controls. The UK will establish its own Excise Movement and Control System (EMCS). When excise goods arrive at the UK border, excise duty will need to be paid unless the goods are moved under EMCS to a UK excise warehouse – where the goods will remain under duty suspension until they are released.

Importing animal and plant products

Sanitary and phyto-sanitary measures (SPS) protect human, animal or plant life from the risk of infection and disease through checks undertaken before goods can enter a country. This means specific checks and certification requirements apply to certain animals, plants and associated products e.g. those with high milk or egg content. Imports of such products may require advance notification and to pass through a border inspection post. Pre-notification and health documentation requirements for products of animal origin and regulated plants and plant products will be required from 1 April 2021.

Product regulations

Regulated products – such as chemicals, cosmetics and automotive parts – placed on the UK market will need to meet UK regulatory requirements. There will be separate UK and EU regulators, with the potential for divergence over the longer term. Businesses that were previously distributors for the purposes of product regulations may now become importers, meaning they need to meet additional obligations.

How Deloitte can help

Our **market-leading Global Trade Advisory team** – drawn from both ex-HMRC officers and industry experts – works with businesses to provide a suite of advisory services. Our team works with your business to identify opportunities to simplify supply chains, introduce simplifications and identify cash-saving opportunities for the business.

Deloitte's **Global Trade Bureau** is a tech-enabled customs compliance solution that takes care of your customs calculations and declarations, filing and end-to-end process optimisation. And, with a dashboard delivering analytics and reporting, not only can you keep your business moving, you can stay one step ahead.

Our **Global Brexit Insights** team provides up to date insights, benchmarking and guidance on best practice to prepare businesses for the post-Brexit trading environment. We combine Brexit insights, industry knowledge and technical expertise from across our network of member firms to support our clients with their Brexit readiness.

Services

We provide a range of trade and indirect tax advisory services to help businesses prepare for the changes that will arise at the end of the transition period, including:

- **Manage customs compliance.** Our Global Trade Bureau combines deep global trade expertise with technology to offer a differentiated solution for managing customs compliance.
- **Identify the indirect tax impacts.** Prioritize focus based on business structure, supply chains, operating model, location.
- **Map existing and proposed supply chains** and analyze the resulting customs and tax obligations and mitigations, including potential systems updates.
- **Identify the customs** and related registrations and authorisations necessary for the business' post-Brexit operations.
- **Consider available duty reliefs** and how these may assist the business in not only reducing its customs duty bill, but also whether these can add efficiency within the supply chain.
- **Engage with tax authorities** on post-Brexit customs and tax policy.

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