

Global Trade Bureau – a guide to:
**Exporting from the UK at the
end of the transition period**

29 June 2020

When you're running an international business, the smooth transition of your goods to and from 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.

Exporting goods from the UK to the EU 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 Basics!

UK businesses exporting goods to the EU will now need to meet certain customs compliance obligations. Here are the essential things you need to know:

- The exporter of record must be established in the UK for customs purposes. If the business intending to export does not meet this condition, it is possible for an agent or third party to act as exporter of record.
- The exporter must complete an export declaration.
- The exporter must provide key documents to their freight forwarder e.g. the road consignment note, copies of export licences and the Movement Reference Number from the export declaration.

According to a recent House of Commons Library Briefing Paper, in 2019 46% of goods and 40% of services exported from the UK were supplied to the EU.

The top 3 UK exports to the EU by value during 2019 were:

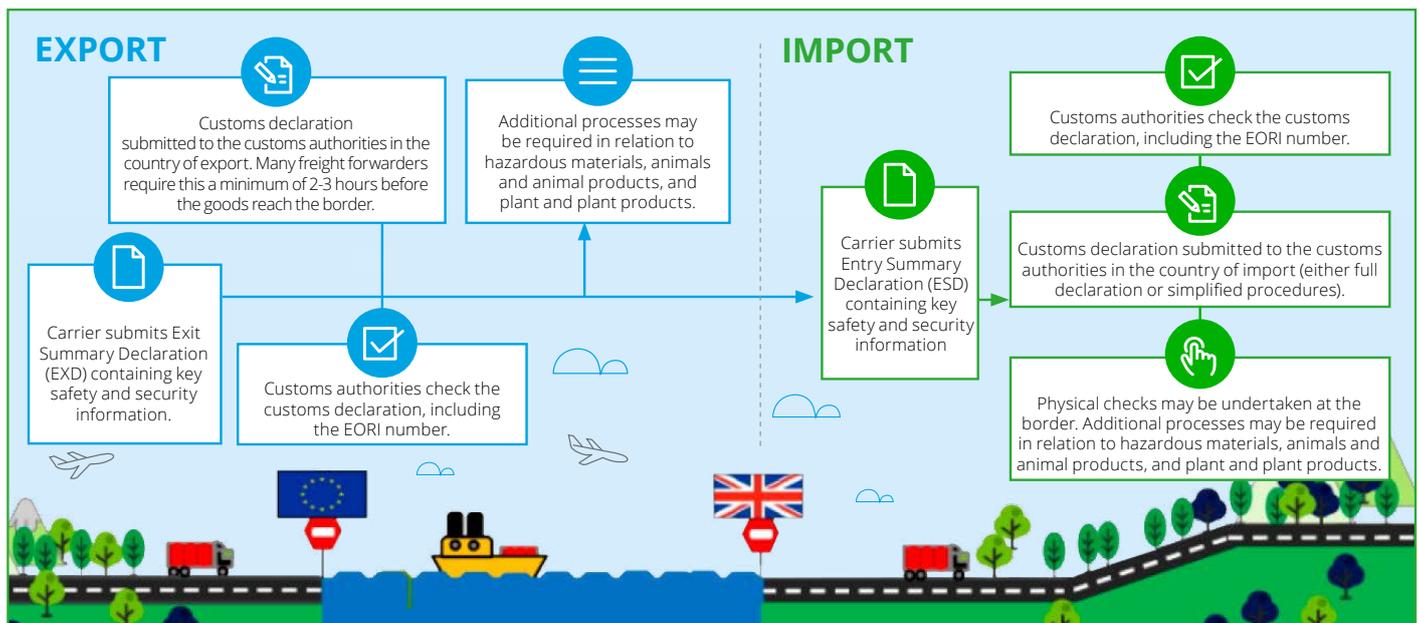
- Petroleum and petroleum products (£20bn)
- Road vehicles (£17.3bn)
- Other transport equipment (£9.9bn)

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

Note, separate considerations apply for movements of goods in or through Northern Ireland.

An overview of the clearance process

The diagram below summarises the key steps of the clearance process in order to export, and then import, goods.



Key actions for businesses acting as exporter of record from the UK

This checklist summarises the key actions for businesses exporting goods from the UK. Some businesses may also be responsible for importing goods into the EU, in which case additional obligations will apply.

Key actions for businesses acting as exporter of record from the UK:	
Crucial customs set up	
Obtain a UK Economic Operator Registration and Identification (EORI) number and obtain an EU EORI number if the business is also importing into the EU	
Establish capability to complete customs declarations, including data on product classification, value and origin	
Determine who will act as exporter, meeting the necessary establishment requirements	
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 in destination country (where the supplier is also responsible for importing the goods into the EU)	
Quantify the costs of managing the additional customs compliance requirements	
Review rules of origin in FTAs to determine whether the goods will qualify for preferential arrangements on import	
Consider whether any customs regimes and simplifications are relevant e.g. transit or outward processing	
Review economic impact of existing trade remedies on current supply chains (e.g. anti-dumping duties, countervailing duties and safeguards)	
Related requirements	
Review excise compliance requirements if the business exports excise goods (e.g. alcohol and tobacco) from the UK into the EU (excise duty applies in addition to any customs duty)	
Ensure compliance with SPS regulations where relevant, (e.g. for animals, certain plants, and some animal and plant products) including advanced notification, health certificates and veterinary checks, and import via a border inspection post	
Check compliance requirements for product standards and packaging requirements where the business acts as importer for regulatory purposes	
Check the business meets the conditions to zero rate the export of goods for VAT purposes, and consider VAT obligations if the business also imports into the EU	
Customs governance	
Set-up customs compliance provider governance, operating procedures and instruction	
Review, enhance and create an internal infrastructure: <ul style="list-style-type: none"> a. Customs skills b. In-house or out-source customs compliance c. System capabilities and changes d. Internal processes and controls 	

What are the key customs considerations for businesses exporting from the UK?

At the end of the transition period, businesses supplying goods from the UK to the EU will need to consider export requirements for the first time. These include:

Establishment requirements

Under the UK's new customs legislation, the exporter of record must be established in the UK. This means that the exporter must have its registered office in the UK, or have a permanent place of business in the UK from which activities are carried out that the business is constituted to perform. The exporter of record doesn't necessarily need to be the owner of the goods at the time of export e.g. the business could appoint a UK-established customs agent to act as an indirect representative could be an agent. Businesses should check their role in the supply chain and ensure the split of responsibilities between counterparties is clear. It is expected that additional guidance to clarify the establishment rules will be published in due course.

Export licences

Certain goods are "controlled" goods and required a licence to export e.g. dual use civil and military goods. Whilst the overall framework of controls relating to such goods is not expected to change, some changes to licencing requirements are expected. In other cases, additional requirements apply e.g. for animals and animal products, which may require a health certificate and notification through the TRACES system in order to enter the EU.

Document requirements

Exporters will need to provide key documents to their freight forwarder, such as any relevant export licences, the road consignment note, the Movement Reference Number (MRN) from the export declaration, preference documents where applicable, and other relevant documents where customs regimes such as Transit are used. The commercial invoice is issued by the exporter and evidences the sale from the exporter to the importer – and also forms the basis of the customs value when the goods are imported into the EU.

Classification of goods (for the EU market)

Classification of goods informs the amount of duty payable upon import into the EU. Therefore, reviewing classification ensures that the correct amount of duties are payable and reduces the risk of customs enquiries. It is possible that in future UK customs classifications may diverge from the existing EU classifications; two sets of commodity codes may therefore need to be held.

Customs duty

If the UK exporter is also responsible for importing goods into the EU, it will be responsible for import formalities and payment of customs duty (if the goods are subject to duty). Knowing the expected amount of duties that your goods will be subject to helps the business to manage its margins and profitability, and to price the goods accordingly. Additionally, where a FTA is in place, the business will need to gather the necessary supporting documents to corroborate a claim to preferential duty status as a result of an FTA.

Record keeping

HMRC requires that customs records are kept for at least four years. Failure to produce customs records upon request may lead to the business being subject to enforcement action, potential assessments and penalties.

Customs special procedures

Customs special procedures relating to exports of goods are more limited than those relating to imports of goods. If goods are being exported from a special procedure in the UK, there are specific information requirements that must be included in the customs declaration. Depending on your supply chain, the following may simplify customs administration or reduce the duty cost:

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 rather than at the point of entry into a customs territory. The exporter will need to make an export declaration as normal, and will also need to make a transit declaration to place the goods in transit and provide the transit accompanying document to the carrier.

Outward Processing

This procedure will allow for relief from customs duty when exporting goods from the UK for processing or repair. When goods are re-imported, a full or partial duty relief can be claimed. In order to apply for this procedure, the goods must (1) originate in the UK or, (2) have been imported into free circulation within the UK with all customs formalities completed and charges paid.

Early engagement with compliance providers 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. Have you reviewed your existing logistics arrangements to understand:

- How many freight forwarders do you use? Would appointing a single customs compliance provider help 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 its freight forwarders/customs compliance provider[s] to help you stay compliant?
- Does your existing freight forwarder have the capability to operate in the EU at the end of the transition period? There may be additional driving licence and permit requirements depending on the outcome of the FTA negotiations in the area of road haulage.

What do UK businesses importing into the EU need to consider?

Where UK businesses exporting from the UK are also acting as importer of record into the EU will need to check they meet the relevant customs compliance requirements, including:

- Obtaining an EU EORI number;
- Appointing an indirect representative to act as declarant on the customs declaration if they do not have an EU establishment;
- Paying any applicable customs duty at the time of import subject to any deferment arrangements or simplified procedures.

In order to benefit from simplified procedures in the EU, a business must have an EU establishment. Simplified procedures could include, for example:

- Using simplified procedures at the border to clear the goods more quickly and delay the payment of duty (i.e. the EU equivalent of the UK's Customs Freight Simplified Procedures, or CFSP).
- Using simplified procedures in conjunction with special procedures such as customs warehousing or inward processing to streamline customs processes and defer (or in some instances negate) the payment of duties.

As an alternative, a non-established business can use a customs compliance provider that has an authorisation to use simplified procedures, but this is likely to entail additional costs.

What steps are EU countries taking to prepare for border changes at the end of the transition period?

Whilst the UK Government has laid out a phased introduction of import measures for goods entering Great Britain from the EU, the EU is not expected to provide any reciprocal arrangements. We are seeing EU countries take steps to prepare for changes at the border at the end of the transition period i.e. from 1 January 2021, particularly those with significant traffic to and from the UK, for example:

Ireland

The Irish customs administration has recruited almost 600 staff to Brexit-related roles, specifically trained for customs facilitation and checks. Additional infrastructure has been put in place at Dublin Port, Rosslare Europort and Dublin Airport, including new inspection bays, documentary check facilities, office facilities and additional parking for heavy goods vehicles, to meet increased capacity requirements at the end of the transition period. Moreover, the customs administration is developing IT solutions including an app which will provide routing information and have a 'check in' facility to allow drivers to check in at ports. This is intended to be used for roll-on roll-off freight or unaccompanied trailers using the trailer ID or cab registration number.

France

The French customs administration is developing a "smart border" with a view to accelerating the movement of trucks through busy Channel ports. This would involve a pre-declaration at the port of departure, allowing time for the declaration to be processed and trucks to be selected for control checks in advance of their arrival at the port of arrival. Operators will complete customs formalities before loading and will assign a bar code associated with the vehicle and transit documentation, which will be used to determine whether additional checks are required. These arrangements would apply to movements of goods from the UK to France and from France to the UK.

Netherlands

The Dutch customs administration has recruited an additional 930 Officers to manage the anticipated increase in customs activity at the end of the transition period. Improvements have also been made to the IT systems in order to ensure the smooth operation of customs formalities at ferry terminals. The Netherlands has not implemented any specific simplifications or facilitations as a result of Brexit. However, traders may be able to apply for authorisation to use postponed import VAT accounting for import into the Netherlands (in line with existing rules for all non-EU imports into the country).

Related considerations

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

VAT

Exports of goods can be zero rated for VAT purposes. Where UK businesses currently rely on EU VAT simplifications to minimise their EU reporting obligations, they may need to register for VAT in the EU. UK businesses making B2C supplies to EU customers will need to consider the new e-commerce rules.



Exporting 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 into the EU may require advance notification and to pass through a border inspection post.



Export controls

Additional compliance requirements apply to controlled goods, for example licences are required for 'dual use' goods that can be used for both civilian and military purposes. Exporters also need to be aware of other restrictions that apply to people, organisations and transactions, e.g. sanctions and denied party screening.



Product regulations

Regulated products – such as chemicals, cosmetics and automotive parts – placed on the EU market will need to meet EU 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 mitigations 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 customs and VAT 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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