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Welcome to the EV Cargo Brexit Broadcast: Post Transition

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Agenda

- Post Transition – What Next?
- Reminder of the Changes
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- Free Trade and Preferential Tariffs
- Origin of Goods
- UK Global Customs Tariff and Duty Rates
- VAT Changes - Postponed VAT Accounting (PVA)
- Northern Ireland Protocol
- Incoterms
- Customs Invoice Valuation
- Market Update
- Check List



Post Transition – What Next?

We have a deal; the **Trade and Cooperation Agreement** (TCA) which include a commitment to continue on talking, given that there are 'loose ends' which need resolving.

The Partnership Council

It will oversee the attainment of the objectives of this Agreement and any supplementing agreement. It shall supervise and facilitate the implementation and application of this Agreement and of any supplementing agreement

Trade Partnership Committees

- ✦ Customs Cooperation and Rules of Origin
- ✦ Sanitary and Phytosanitary Measures
- ✦ Technical Barriers to Trade
- ✦ Administrative Cooperation in VAT and Recovery of Taxes and Duties

Working Groups

To discuss subjects such as organic products, which will work under the supervision of the Trade Specialised Committee on technical barriers to trade

Reminder of the Changes

- 🚚 Customs Declarations
- 🚚 New UK Global Customs Tariff and Duty Rates
- 🚚 VAT Changes
- 🚚 Duty Deferment
- 🚚 Free Trade and Preferential Tariffs
- 🚚 Common Transit Requirements
- 🚚 Safety and Security Declarations
- 🚚 Goods Vehicle Movement Service
- 🚚 Check an HGV is Ready to Cross the Border Service (Kent Access Pass)
- 🚚 Food Health Controls
- 🚚 Northern Ireland Protocol
- 🚚 Intrastats
- 🚚 Consignments of value below £135
- 🚚 Wood Packing Requirements

Reminder of the Changes

Customs Declarations – These are now required for all goods moving to and from the UK

Unless you have opted to use the delayed declaration arrangement for imports, you must ensure you have arrangements in place to ensure your goods are correctly declared to Customs. It is recommended that you instigate procedures to ensure all goods are correctly declared, including DDP (delivered duty paid imports) where your EORI number has been used to bring goods into the country, even though you expect your supplier to arrange customs clearance.

Remind DDP suppliers of their obligations to arrange UK customs clearance.

Reminder of the Changes

Process (excludes controlled goods)	1st January	1st April	1st July
Ability to delay import declarations	√	√	X
Import declarations compulsory prior to release of cargo	X	X	√
Export declarations cleared prior to despatch	√	√	X
Export declarations cleared at point of export	X	X	√
Import Safety and Security Declarations	X	X	√
Export Safety and Security Declarations	√	√	√
Goods Vehicle Movement Service - Import Transit Movements	√	√	√
Goods Vehicle Movement Service - All RoRo movements	X	X	√
EU Border IT Systems	√	√	√
Food Health Controls - EU	√	√	√
Food Health Controls - UK animal origin and regulated products	X	√	√
Food Health Controls - All products requiring SPS checks	X	X	√
Kent Access Pass	√	√	√

Inventory ports may have slightly different arrangements, for example, arriving export declarations

Free Trade and Preferential Tariffs

Free Trade Agreements

The UK has reproduced most of the existing EU agreements enjoyed prior to 1st January 2021. The current state of play with negotiations can be found by following this [link](#).

Generalised System of Preference (GSP) Arrangements

The UK Government has replicated the previous arrangements in the main with the same countries as the EU's GSP system. Further information can be found [here](#). A valid proof of origin in future will be:

- ✦ A GSP Form A which does not need to be stamped and signed by a designated authority: you can submit a copy
- ✦ An origin declaration to include information to enable the identification of an originating good
- ✦ A REX statement dated no later than 31st December 2020

Origin of Goods

- ✦ The free trade deal with the European Union only applies to goods with an origin of the EU or UK
- ✦ Goods imported into the EU from Japan and then re-exported to the UK will not benefit from the UK – Japan free trade agreement unless the goods remain under customs control in the EU
- ✦ The Agreement allows for cumulation between EU and UK goods which is good news, however, it seems that the Agreement may not extend to EU goods imported into the UK for onward delivery to another EU member state such as Ireland, which does not seem right
- ✦ There are product specific rules, so the origin criteria for one product can be different to another

Origin of Goods

There are four types of rule that a product may be required to meet (on their own or in combination) in order to confer origin:-

- ✦ Wholly obtained – (a consignment of Welsh lamb)
- ✦ Change of tariff code - (a yacht made from imported wood, marine chandlery, etc.)
- ✦ Value added or percentage rule, weight – (a garment made from imported cloth)
- ✦ Specified processes – (chemical reactions)

Once a product has gained originating status, it is considered 100% originating

Further guidance can be found [here](#).

Origin of Goods

Trade Agreement	From	Via	Customs Regime	Destination	Destination Preference
FTA	South Korea	United Kingdom	UK cleared	France	No
GSP	Bangladesh	United Kingdom	UK cleared	France	No
GSP	Bangladesh	France	FR cleared	United Kingdom	No
FTA	Italy	United Kingdom	UK cleared	Ireland	No
FTA	Turkey	Netherlands	NL Temporary Storage	United Kingdom	Yes
FTA	Turkey	Netherlands	NL Clearance	United Kingdom	No

Origin of Goods – Options for Clients

- ✈ Customs warehousing – Suspends UK customs dues
- ✈ Direct shipment from origin
- ✈ Status quo

Do check duty rates and compare the costs of the various options



Statements of Origin

- ❏ **Statement of origin** provided by an exporter on a commercial invoice or packing list. This can cover a single shipment, or multiple shipments of identical product.
- ❏ Importers knowledge – You must hold evidence to be presented to Customs on demand, for example, **suppliers declaration**, audit visits

Exporters will usually be identified on the statement on origin by their Exporter Reference Number which will be a REX number for EU suppliers and the UK EORI number for UK exporters. Where an Exporter's Reference Number has not been assigned, the exporter may indicate its full address under the part 'Place and date'.

Records must be held for four years and can be stored in an electronic format.

Postponed VAT Accounting (PVA)

- ✦ Import VAT can now be accounted for on a traders VAT return, irrespective of whether or not goods are imported from EU or non EU countries
- ✦ Non VAT registered traders must pay VAT at the time of the customs declaration
- ✦ This arrangement does not apply to goods covered by the Northern Ireland Protocol
- ✦ The payment code on the customs declaration is set to the PVA option and instead of the VAT being taken from a deferment account on the 15th of the month following import, you account for it on your periodic VAT return

This is how it works:-

A shipment arriving today, using a duty deferment account; you would physically pay the VAT on the 15th February, but under PVA, if you account for VAT quarterly, you would off set your import VAT against the VAT charged out to your clients in your next quarterly VAT return.

Customs duty if applicable, is still be deferred as normal.

Postponed VAT Accounting (PVA)

- ❏ Importers opting to use PVA will also need to subscribe to Customs Declaration Service (CDS) in order to receive their online VAT statement using this [link](#)
- ❏ Contact your forwarder(s) or Customs Agent(s) to confirm how they should be authorised to apply PVA on your behalf
- ❏ VAT Statements will only be available for six months, so should be downloaded
- ❏ Further information can be found [here](#)



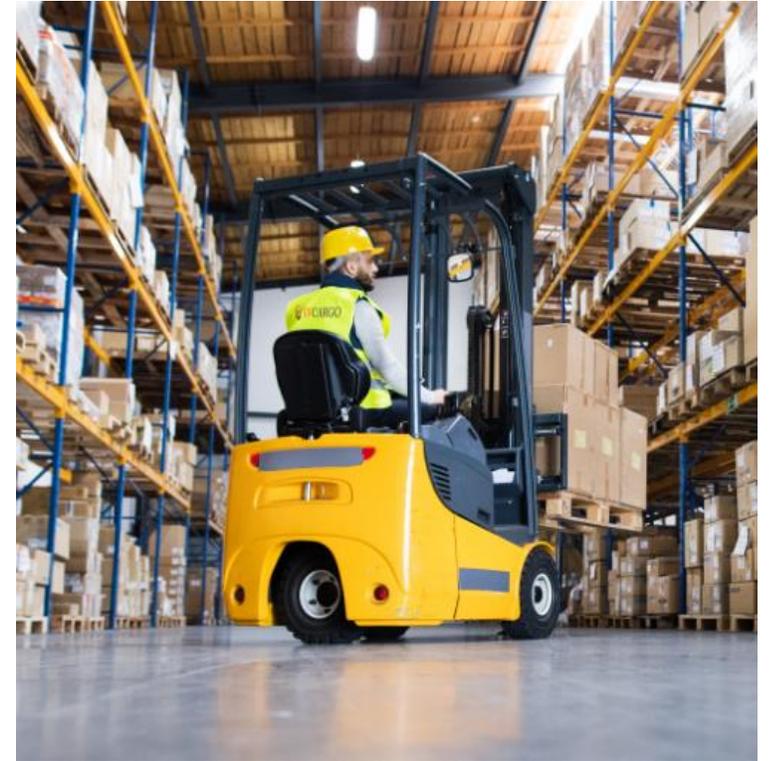
VAT Changes – Northern Ireland

- ❖ VAT will continue to be accounted for as now for goods sold between Great Britain and Northern Ireland, although technically, this will be import VAT in line with the NI Protocol. The VAT charged will be accounted for as output VAT on ones VAT return in the same box as it is now
- ❖ Where the NI customer receives a VAT invoice from the seller, it may use this as evidence in order to reclaim the VAT as input VAT, subject to the normal rules
- ❖ Where the goods in question are moved under special procedures such as inward or outward processing, the NI trader will account for the VAT on their UK VAT return
- ❖ Where goods are supplied by members of a VAT group and those goods move from Great Britain to Northern Ireland, VAT will be due in the same way as when a business moves its own goods
- ❖ From 1 January 2021 you'll need an EORI number with a XI prefix to:
 - ❖ Move goods between Northern Ireland and non-EU countries
 - ❖ Make a declaration in Northern Ireland
 - ❖ Get a customs decision in Northern Ireland
- ❖ Further information about the VAT arrangements for Northern Ireland can be found [here](#)

Northern Ireland Protocol

No export formalities for goods moving from Northern Ireland to Great Britain unless moving under special customs procedures such as:-

- ❖ Inward Processing
- ❖ Outward Processing
- ❖ Customs Warehousing
- ❖ Transit
- ❖ Placed under the export procedure within the Union



Northern Ireland Protocol

- ✦ The practicalities of the Northern Ireland Protocol is still very much work in progress with many easements in place
- ✦ There is still some ambiguity as to goods at risk, for example, retailers operating stores in border areas such as Strabane, where many consumers will be from the Irish Republic
- ✦ If it is found that the arrangements are not working as they should, there is an 'emergency brake' mechanism in 2024 in the event of significant diversion of trade, or fraud or other illegal activities
- ✦ Authorised traders, such as supermarkets and their trusted suppliers, will benefit from a grace period, through to 1 April 2021, from official certification for products of animal origin, composite products, food and feed of non-animal origin and plants and plant products. EU rules will be followed during this period
- ✦ Chilled meats can still be delivered to NI for first half of the year
- ✦ UK Government will support the reasonable costs of vets who oversee much of the health documentation process for food of animal origin – includes products containing milk, eggs, honey, etc.
- ✦ Medicines can continue to be imported during 2021
- ✦ Parcels – This sector has proven difficult to deal with so how to deal with the new requirements is being re evaluated with controls being delayed by three months until the end of March

Further information can be found [here](#).

Incoterms

EU traffic traditionally works on the basis that the shipper arranges all the transport arrangements under delivered duty paid terms (DDP), or the buyer makes all the arrangements under ex works terms (EXW). Business which continue with such terms need to be aware of the implications of keeping the status quo and the associated costs and responsibilities.

If you are the seller:

DDP suppliers will be responsible for customs clearance at destination including any duty costs. Some buyers might insist that the supplier takes on the local supply of goods, paying local VAT and invoicing out using a local VAT registration. Changing terms to the less onerous Delivered at Place (DAP), may be beneficial, but clients need to be mindful of the terms their competitors may be selling at, which could be less burdensome to the buyer.

An EXW buyer will be responsible for export customs clearance in the UK and may have to assume other pre shipment arrangements which can be avoided by amending terms to Free Carrier (FCA). This will be helpful for your client.

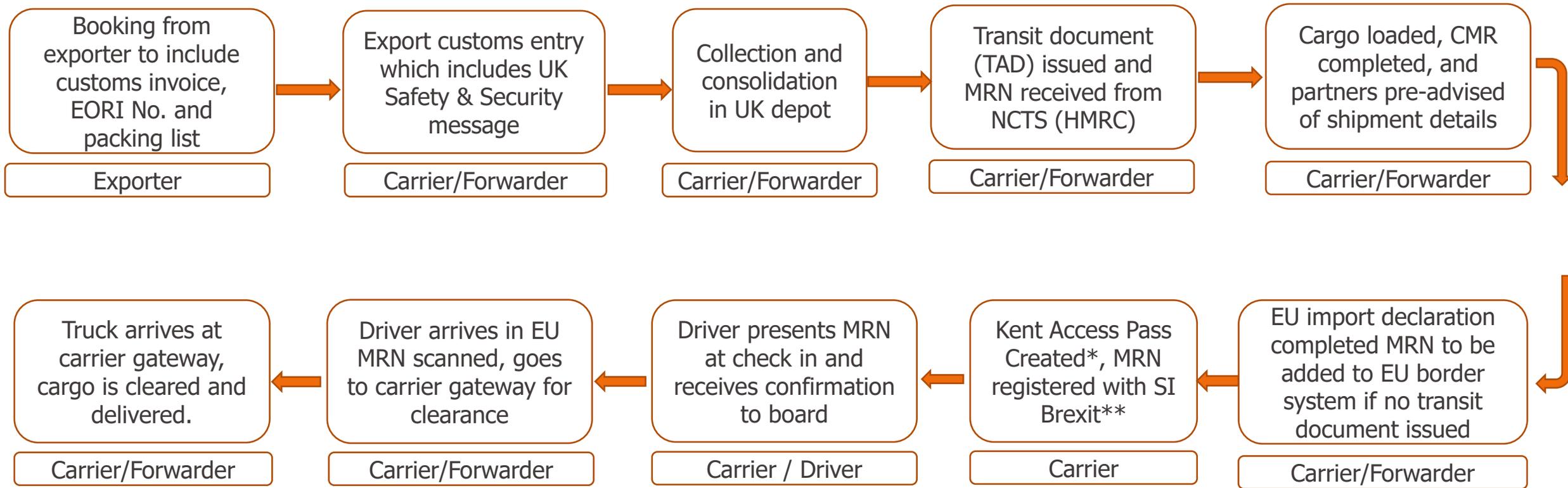
If you are the buyer:

DDP suppliers will have the responsibility to arrange the UK customs clearance, however, you might offer to be the importer of record and account for the VAT, saving the need for the supplier to apply for a UK VAT registration.

EXW purchases will require you to arrange and pay for the export declaration at origin, you may prefer to change terms to FCA.

Do consult with all parties in the supply chain to ensure they are aware of any new obligations EU Exit will bring.

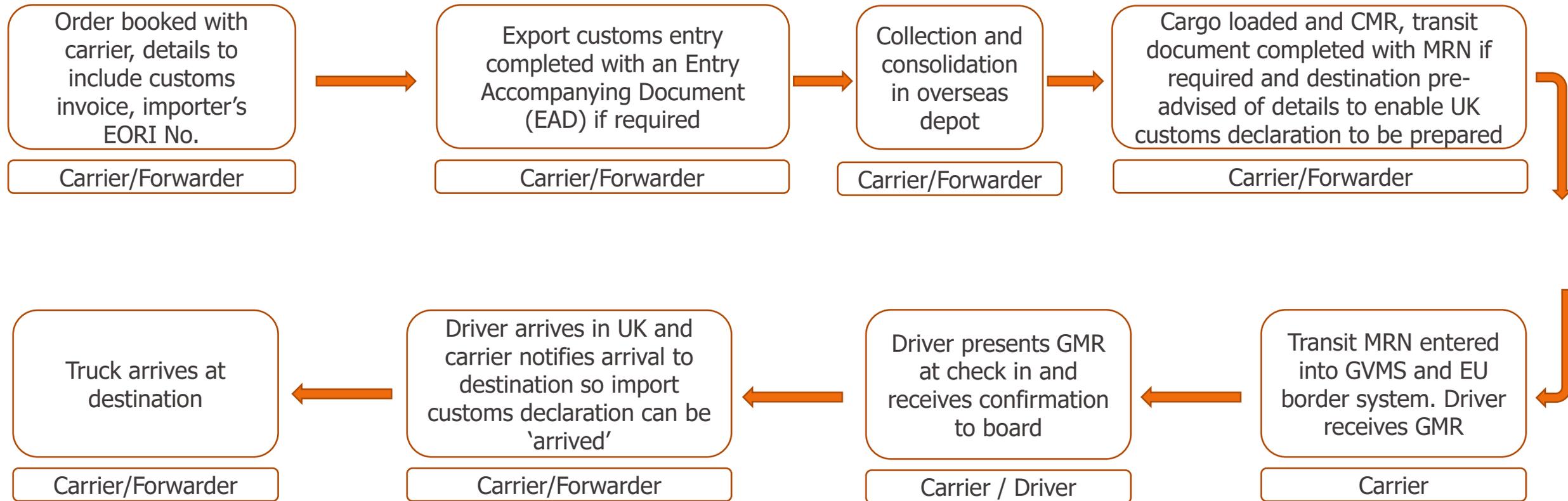
Typical Export Process Flow



* Check and HGV is Ready to Cross the Border

** SI Brexit for France / RX Seaport for Belgium / Portbase in Netherlands

Typical Import Process Flow



* Goods Vehicle Movement Service only used up to 1st July 2021 if a transit document is issued

Customs Invoice Valuation

Ensure the customs value is provided to your customs brokers. This is the value of the goods and the time of import, which may be different to the actual invoice value

- ✦ Normally the sales invoice
- ✦ Required at the time the goods are shipped and when they are imported.
- ✦ Covers the value of the goods being shipped irrespective of when or if payment is made
- ✦ Goods supplied FOC still need to be declared at their realistic value
- ✦ Goods to be invoiced over a period of time must be declared at their full value at the time of export and import
- ✦ Customs may ask to see the audit trail between a customs declaration of the flow of monies
- ✦ Invoices should state
 - ✦ Payment terms
 - ✦ Incoterms
 - ✦ Customs tariff headings
 - ✦ Clearly state the nature of the goods in clear language
 - ✦ Origin of goods

Market Update

Volumes 2020 – 2021

- ❏ Traffic flow through Dover around 15% of normal levels (Institute of Export)
- ❏ Usually around 7000 trucks per day through Dover only just over 1000 currently (Port of Dover Authority)



How border posts are coping

- ❏ According to DGDDI - SI Brexit operating at 20% capacity
- ❏ Sevington not open until March, currently used for marshalling vehicles prior to attending the Waterbrook site
- ❏ Waterbrook currently oversubscribed at 100% capacity (RHA)
- ❏ EU border authorities increasing border checks

Market Update

Lead Times

- ❏ HMRC advise current waiting time at Waterbrook is 65 minutes
- ❏ RHA advise current waiting time at Waterbrook is 6 Hours
- ❏ Over 80 % COVID-19 test taking place at Sevington (BIFA)

Freight Rates

- ❏ December 2020 Freight rates were in excess of 6 Euro per Km
- ❏ Currently between £2.00 - £3.00 per km, average is £1.50 approx. 60% Higher than normal
- ❏ Over 70% of Polish trucks going back to EU empty to avoid potential customs issues in UK

Market Update

- ❖ EU volumes currently low through the short sea ports and terminals, but the inland border facilities are very busy as staff get used to the new arrangements. Volumes expected to increase in the coming weeks
- ❖ Inland Border posts full, more capacity urgently needed. Sevington to open March 2021
- ❖ Delays at Inland Border Facilities responsible for extended transit times
- ❖ Traditional border locations such as at Dover are coping better
- ❖ Reduced capacity and reluctance for hauliers to come to the UK resulting in rise in freight rates

Check List

- ✓ **Incoterms** – Check suppliers and clients accept their responsibilities
- ✓ **Customs Declarations** – **Have systems in place to ensure that your goods are declared to HMRC**
- ✓ **Transit** – Check your that your carriers can comply with any transit requirements such as having a sufficient guarantee to cover customs dues
- ✓ **Duty deferment** – Is this sufficient for your EU Exit requirements? Non UK companies are not permitted to operate a duty deferment account with HMRC; they will be reliant on UK entities deferment facilities
- ✓ **Lead times** – Do you need to allow more time for customs arrangements to take place?
- ✓ **Shipping procedures** – You may need to adapt certain procedures, for example, preparing commercial invoices 1-2 days prior to despatch
- ✓ **Confirm responsibilities** with suppliers and clients; do not take things for granted
- ✓ When buying non UK goods from UK suppliers, **check your supplier is prepared**
- ✓ **Be prepared to pay duty** on goods supplied by EU suppliers which are of not of EU or UK origin

Footnote

This presentation represents EV Cargo's understanding of the general current requirements of the new border arrangements with the European Union.

The Government has published full guidance which can be found by following the link below:

<https://www.gov.uk/government/publications/the-border-operating-model>

This guidance is subject to change and we understand that this version is to be updated from time to time.





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