



Welcome to:
Post Brexit Update & Discussion Webinar

with..



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Brexit

The outcome



The UK has left the EU with a Free Trade Agreement. This means that UK originating goods sold to the EU will be tariff free.

Great news and welcomed by all UK and EU businesses. The impact of tariffs would have serious consequences on profit margins.

We are looking today at what the reality of the Deal means for us all.

What doesn't change is that from 1st January 2021 all movements of goods between the UK and EU become exports and imports. This means that the Customs declaration processes still have to be navigated and are a cost to businesses. In addition there is the hidden danger of the VAT issues which Jonathan and Marisa will be dealing with. Getting that wrong means a major impact to margins.

The areas of key change, complexity and concern are:

- The origin of goods; and
- The Northern Ireland Protocol

Andrew will be taking us through the complex maze of Origin and we are joined by Angela, who will be discussing the rules relating to trading between GB and Northern Ireland.

Customs and import changes



UK Customs Tariff

- www.trade-tariff.service.gov.uk
- Two tariffs. The Online Trade Tariff and The Northern Ireland (EU) Trade Tariff.
- Separate tariff for goods to Northern Ireland which are at risk of onward movement to the EU.
- UK businesses selling to the EU and ROW should use the Online Trade Tariff.
- EU operates the current EU Common External Tariff (CET)
- The main differences to the CET are:
 - Simplification into bandings 2% -20% (e.g. 6.5% > 6%)
 - Scrapping of “nuisance” tariffs under 2%
 - Removal of complicated calculations on agricultural goods

Customs and import changes



Postponed Import VAT accounting

- Change to declaration which means no import VAT is charged at the time
- Cash flow benefit to all UK VAT registered traders
- Need to formally instruct your agent to declare the goods to PVA
- No requirement to be authorised or apply to use PVA
- Need to log in and register to receive the monthly PVA statements (MPIVS). This is your evidence to recover the self-assessed import VAT.
- This is via your Government Gateway Account.

Duty Deferment Accounts

- Do you still need one? If yes review the bank guarantee levels as this will decrease with PVA.
- Apply for the Guarantee waiver. (PSF1 form)
- New forms from 1/1/21 no longer apply using a CCG1 form.

Incoterms



Incoterms – remain very important and the fundamental starting point

- This determines who will be the importer and responsible for Duty and VAT
- DDP means the Seller is the importer – VAT registration consequences
- EXW, FCA and DAP means the Buyer is the importer

Customs Obligations



Importer

Customs Import declaration

Common Veterinary Entry Document (CVED)*

Import Licence*



Exporter

Customs Export declaration

Commercial Invoice

Packing List

Export Licence*


Origin evidence*

* Depends on goods





**Trade & Cooperation
Agreement:
Origin of goods**



Origin of Goods



Important Points:

1. No requirement for an EUR1 Preference Certificate
2. No monetary limit on Invoice Declarations
3. Full Bilateral Cumulation applied
4. Requirement to retain satisfactory evidence of origin
5. Allows for FTA with Turkey

Origin of Goods



Origin

- The agreement allows both the UK and EU to count inputs from the other party when assessing the origin of goods (Bilateral Cumulation).
- It is the exporter's responsibility to confirm origin.
- Determined using the Rules of Origin.

Origin of Goods



Determining Origin

1. Use the 6-digit Tariff Heading
2. Refer to the relevant part of ANNEX ORIG-1: Introductory Notes To Product-specific Rules Of Origin



[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/948119/EU-UK Trade and Cooperation Agreement 24.12.2020.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/948119/EU-UK_Trade_and_Cooperation_Agreement_24.12.2020.pdf)

Origin of
Goods

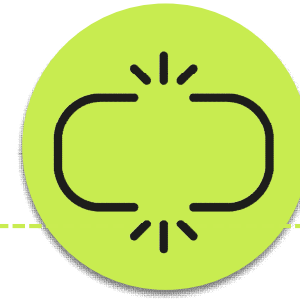


Rules of Origin

There are two conditions that determine origin:



Wholly Produced



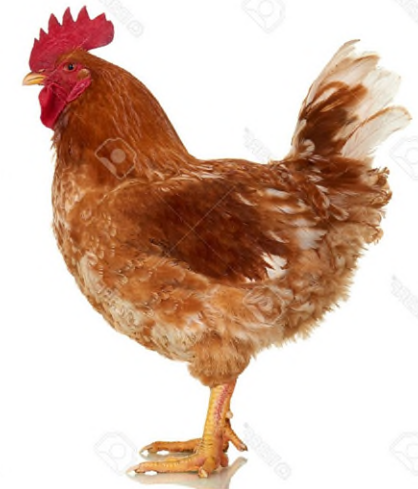
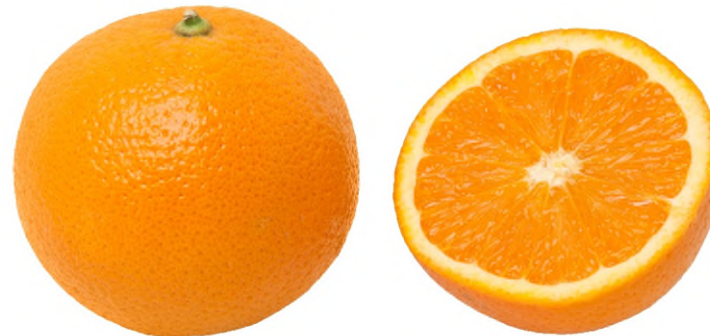
**Sufficient
Production**

Origin of Goods



Wholly Produced

- Products are wholly produced (or obtained) in a member state of the EU.
- The term applies mainly to products which occur naturally and to goods made entirely from them.



Origin of Goods



Sufficient Production

Usually, a finished product is classified in a different 4-digit tariff heading.

However, there are exceptions to this rule.

- *Some rules impose additional conditions, e.g. setting a maximum limit on the value of non-originating materials*
- *Some tariff headings allow a qualifying process, even though some or all of the parts have not changed tariff heading.*

Origin of Goods



Sufficient Production

Minimal processes cannot be used, such as:

- a) preserving operations to make sure that the products remain in good condition during transport and storage.
- b) breaking-up and assembly of packages.
- c) washing, cleaning, removal of dust, oxide, oil, paint or other coverings.
- d) ironing or pressing of textiles.
- e) simple painting and polishing operations.
- f) operations to colour sugar or form sugar lumps.

Origin of Goods



Sufficient Production

For example:

- Fruit Smoothie produced in the UK using fresh fruit from around the world (seasonally sourced)
 - HS Code: 2009
 - Origin Rule: CTH, provided that the total weight of non-originating materials of headings 17.01 and 17.02 used does not exceed 40% of the weight of the product.
- Rule requires all non-originating raw materials to change Tariff Heading.
- However, any non-originating sugar content must not exceed 40% of the weight.
- If the above is met then the finished product is a UK originating product.



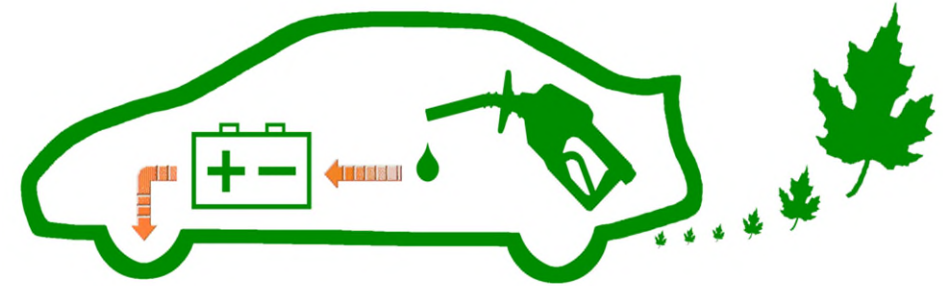
Origin of Goods



Sufficient Production

For example:

- Hybrid motor vehicle manufactured in the UK
 - HS Codes: 8702 to 8704
 - Origin Rule: MaxNOM 45% (EXW) and battery packs of heading 85.07 of a kind used as the primary source of electrical power for propulsion of the vehicle must be originating.
- Rule requires a maximum of 45% (by value) of non-originating materials to be used and battery packs must be originating.
- Cumulation allows EU originating goods to be imported for use in the UK calculation if used in/assembled onto the finished vehicle.





Origin of Goods

Evidence of Origin

- **Evidence for origin is different to the other UK trade deals. The two options are:**
 - Statement of Origin by exporter, or
 - Importers Knowledge - allows an importer to claim a preferential duty rate based on their own knowledge about the originating status of imported products.
- UK exporters should state their EORI Number
- EU Exporters require registration for REX (Registered Exporter status).

The exporter of the products covered by this document (Exporter Reference No ... ⁽²⁾) declares that, except where otherwise clearly indicated, these products are of ... ⁽³⁾ preferential origin.

.....⁽⁴⁾

(Place and date)

.....

(Name of the exporter)

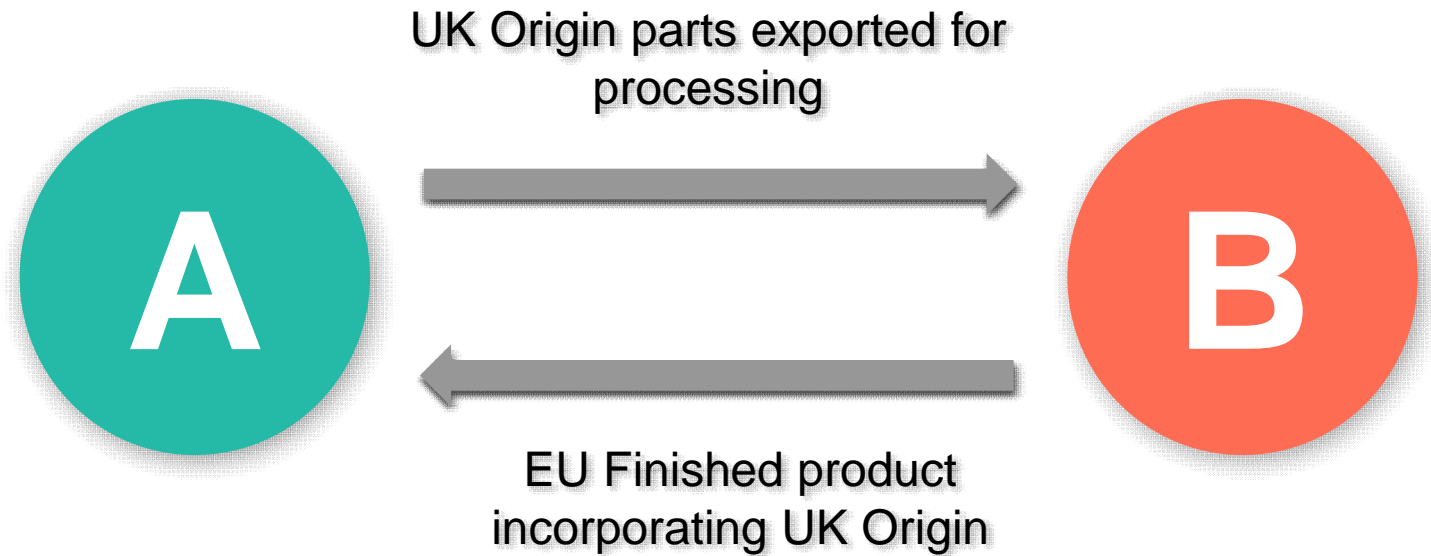
Origin of
Goods



Cumulation

Under the UK/EU Trade agreement Bilateral Cumulation has been accepted.

This means:



Origin of Goods



Full Bilateral Cumulation

- The TCA allows for an exporter to use both:
 - originating materials or products, and
 - processing or production carried out on non-originating materials
- It means that even if an EU intermediate product is not itself deemed as originating from the EU, UK firms can count the EU value-added in that product when using the input in a final good being exported back to the EU.
- All operations carried out in the UK or EU are taken into account when determining origin.
- Processing must be more than the processes listed in the Insufficient Processing Article (Article ORIG.7)

Origin of Goods



Bilateral Cumulation

For example:

- Tin of Chopped Tomatoes processed in the UK
 - HS Code: 2002.90
 - Origin Rule: Production in which all the materials of Chapter 7 used are **Wholly Obtained**.
- Rule requires tomatoes to be produced in the UK.
- However, with **cumulation**, a UK producer can import EU tomatoes and process them into chopped tomatoes.
- The finished product can be re-exported back to the EU as a UK originating product.



Origin of Goods



Bilateral Cumulation

For example:

- Diesel Engine Manufactured in the UK
 - HS code: 8408
 - Product: Diesel engine
 - Rule: 50% MaxNOM
- Maximum 50% non-originating content (parts)
- However, with **cumulation**, EU content can be counted as ‘originating’.
- If less than 50% of the ex-works price is of non-UK or EU materials then it will qualify as UK origin.
- The finished product can be exported to the EU as a UK originating product.



Origin of Goods



Tolerances

The TCA allows a tolerance of:

- 15% by weight of the final product for agri-food goods
- 10% by value of the value the final product for manufactured goods (except clothing and textiles).

Textile and clothing products classified under HS50-63 are subject to specific tolerance thresholds, which are detailed in Notes 7 and 8 of Annex ORIG-1

Origin of Goods



Tolerances

For example:

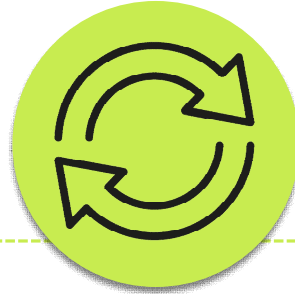
- Mixtures of dried fruit and nuts produced in the UK
 - HS code: 0813.50
 - Rule: Production in which:
 - I. all the materials of Chapter 8 used are wholly obtained, and
 - II. the total weight of non-originating materials of headings 17.01 and 17.02 does not exceed 20% of the weight of the product.
- Rule requires the nuts and fruit to be grown in the UK.
- The tolerance rule permits the use of non-originating ingredients.
- Total weight of the non-originating fruit or nuts cannot exceed 15% of the net weight of the finished product.



Origin of Goods



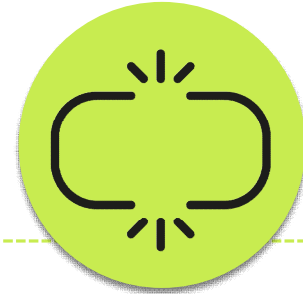
Evidence of Origin



Wholly Produced Goods:

Evidence of where grown/reared, such as a statement of origin

For fish, the vessel used is registered in the beneficiary country and is sailing under its flag (or an EU Member State)



Sufficient Transformation:

Bill of materials/production records

Supplier's declaration – for goods sourced within the EU

UK-Turkey Trade Agreement: Origin



Origin of Goods



Trade deal with Turkey

- No requirement for an ATR1 – Statement on invoice only.
- Goods in ‘free circulation’ in Turkey were accepted as originating for preferential purposes – no longer the case.
- Imports from Turkey must meet the rules of origin as per the trade agreement. These differ from the EU rules in numerous instances.
- Cumulation applies to manufactured goods from a number of countries (See Annex 4 of the agreement).

Origin of Goods



Further Reading:

Full CTA text:

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/948119/EU-UK Trade and Cooperation Agreement 24.12.2020.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/948119/EU-UK_Trade_and_Cooperation_Agreement_24.12.2020.pdf)

HMRC Rules of Origin Guidance:

<https://www.gov.uk/government/publications/rules-of-origin-for-goods-moving-between-the-uk-and-eu>

Full UK-Turkey Free Trade Agreement:

<https://www.gov.uk/government/collections/uk-turkey-trade-agreement>

Customs regimes



Customs Regimes –



Customs warehousing – Avoids Double Duty hit. Beneficial for UK companies who import goods into the UK for onward dispatch to EU – duty only once when goods finally imported into the EU. Still important for ROW imports that don't meet Origin rules.



Inward Processing Relief – UK Businesses to review if they deal only in UK and EU origin goods as it may not be required. Avoids Double Duty hit. Companies who import materials/components for processing only pay duties on processed goods retained in the UK. The items imported into EU Duty paid there. Without it Duty charged into the UK and then into the EU.



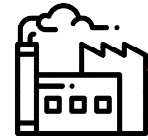
CFSP – Allows companies to submit their own customs declarations – useful for businesses with large volumes or a customs warehouse.



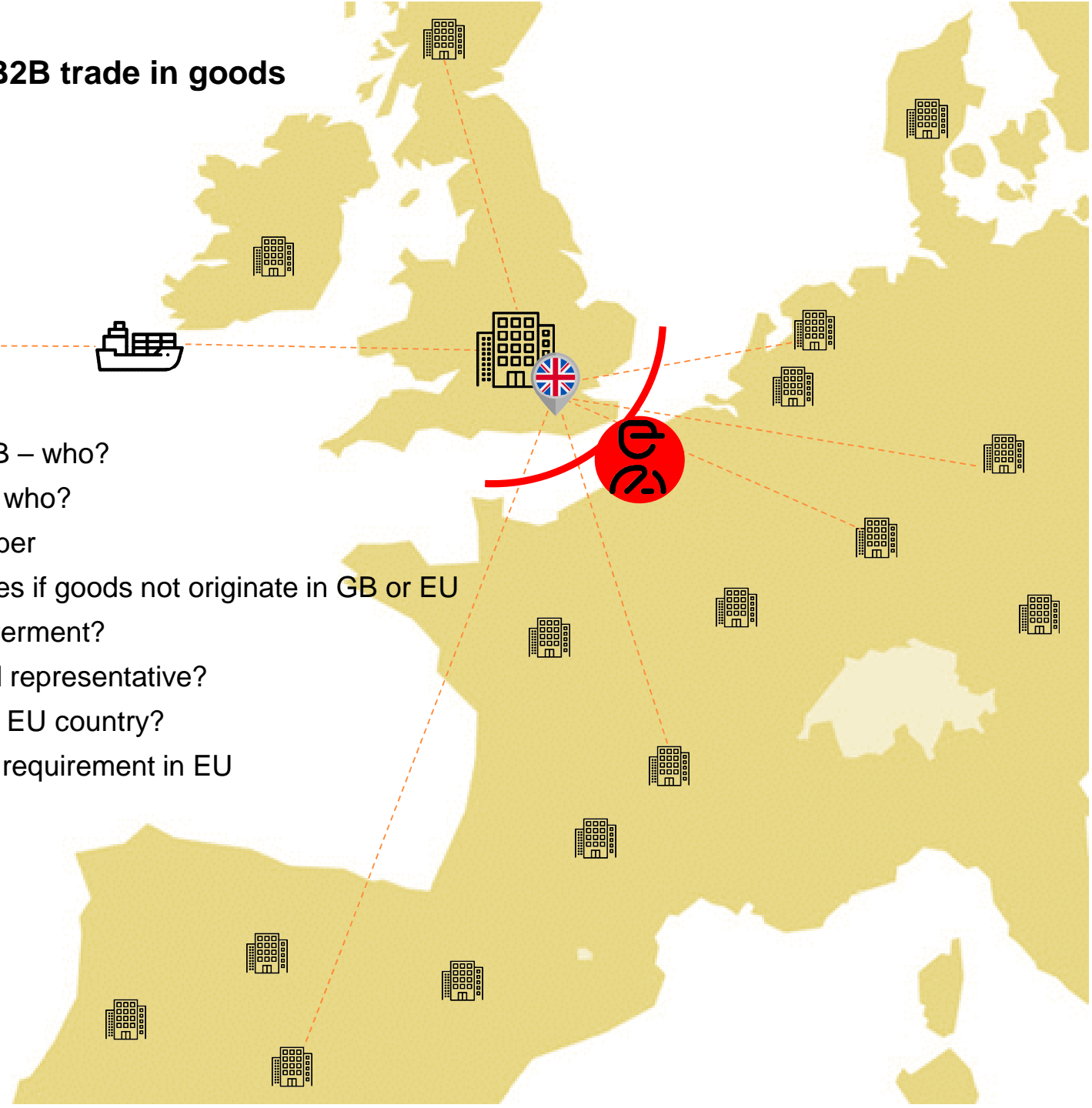
AEO – Authorised Economic Operator. Announced that UK AEO status will have mutual recognition with the EU and USA.

How does Brexit
impact **GB**
businesses
trading with the
EU?

VAT and the B2B trade in goods



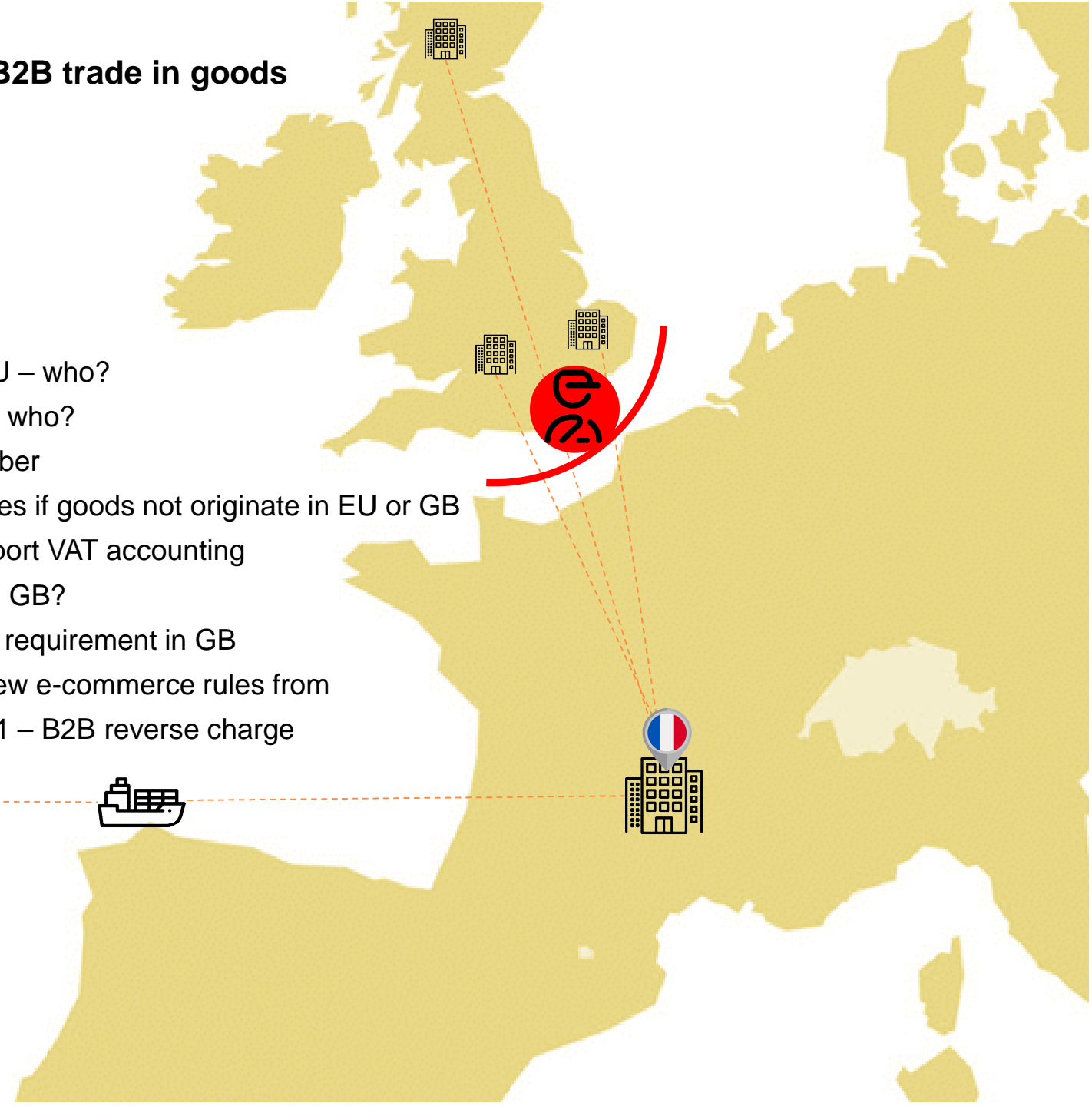
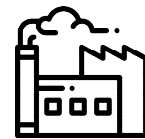
- Export from GB – who?
- Import in EU – who?
- EU EORI number
- EU import duties if goods not originate in GB or EU
- Import VAT deferment?
- Required fiscal representative?
- VAT number in EU country?
- No legal entity requirement in EU



How does Brexit
impact **EU**
businesses
trading with the
GB?

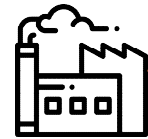
VAT and the B2B trade in goods

- Export from EU – who?
- Import in GB – who?
- GB EORI number
- UK import duties if goods not originate in EU or GB
- Postponed import VAT accounting
- VAT number in GB?
- No legal entity requirement in GB
- Be aware of new e-commerce rules from 1 January 2021 – B2B reverse charge



How does Brexit
impact **GB**
businesses
trading with the
EU?

VAT and the B2C sale of goods

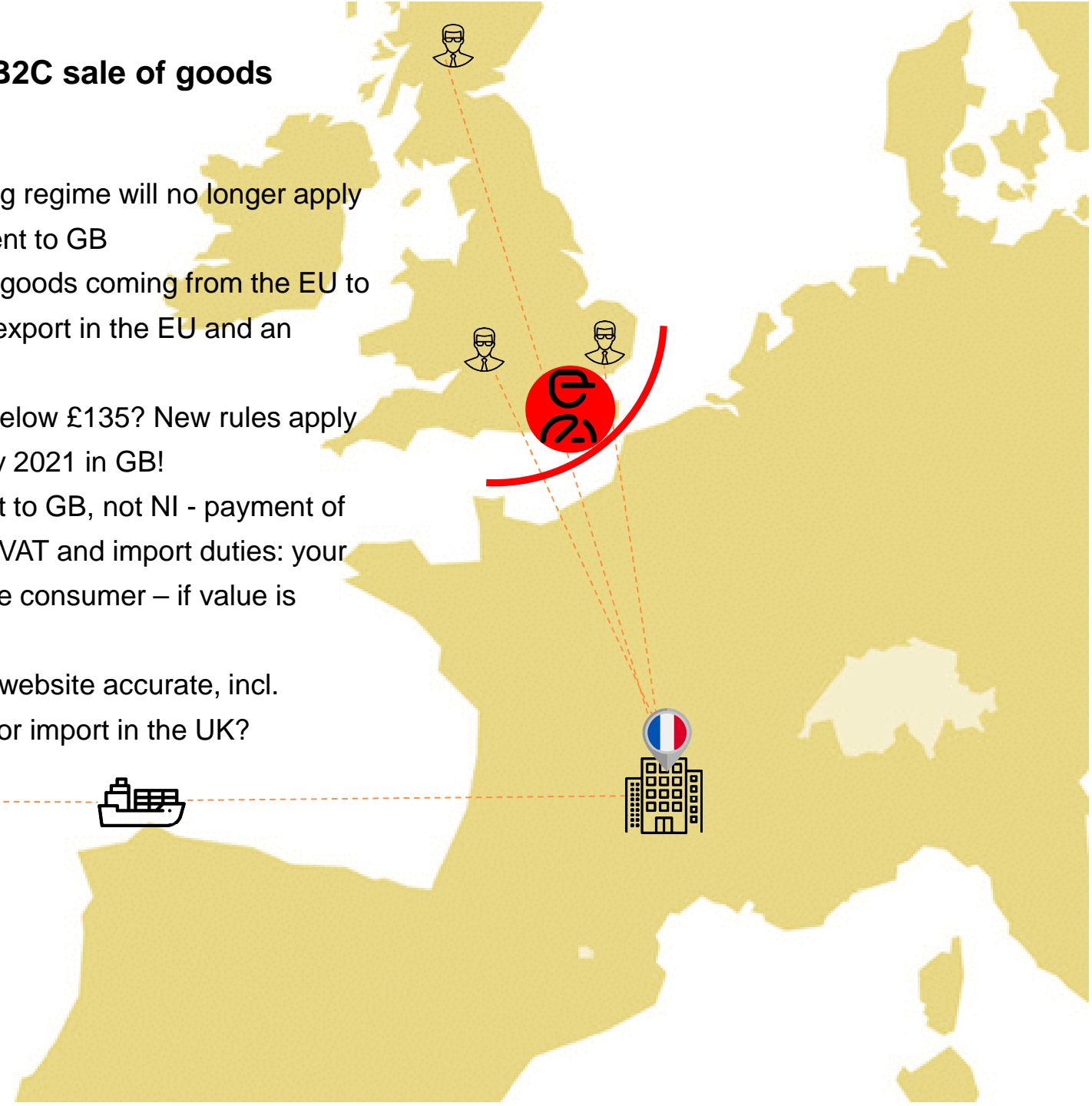


- Distance selling regime will no longer apply if goods are sent to the EU
- All supplies of goods coming from GB to the EU will be an export from GB and an import in the EU
- Payment of the EU import VAT and import duties: your company or the consumer?
- Pricing on the website accurate, incl. responsibility for import in the EU country?
- New EU VAT regulation for e-commerce of July 1, 2021 applicable in EU

How does Brexit impact EU businesses trading with the GB?

VAT and the B2C sale of goods

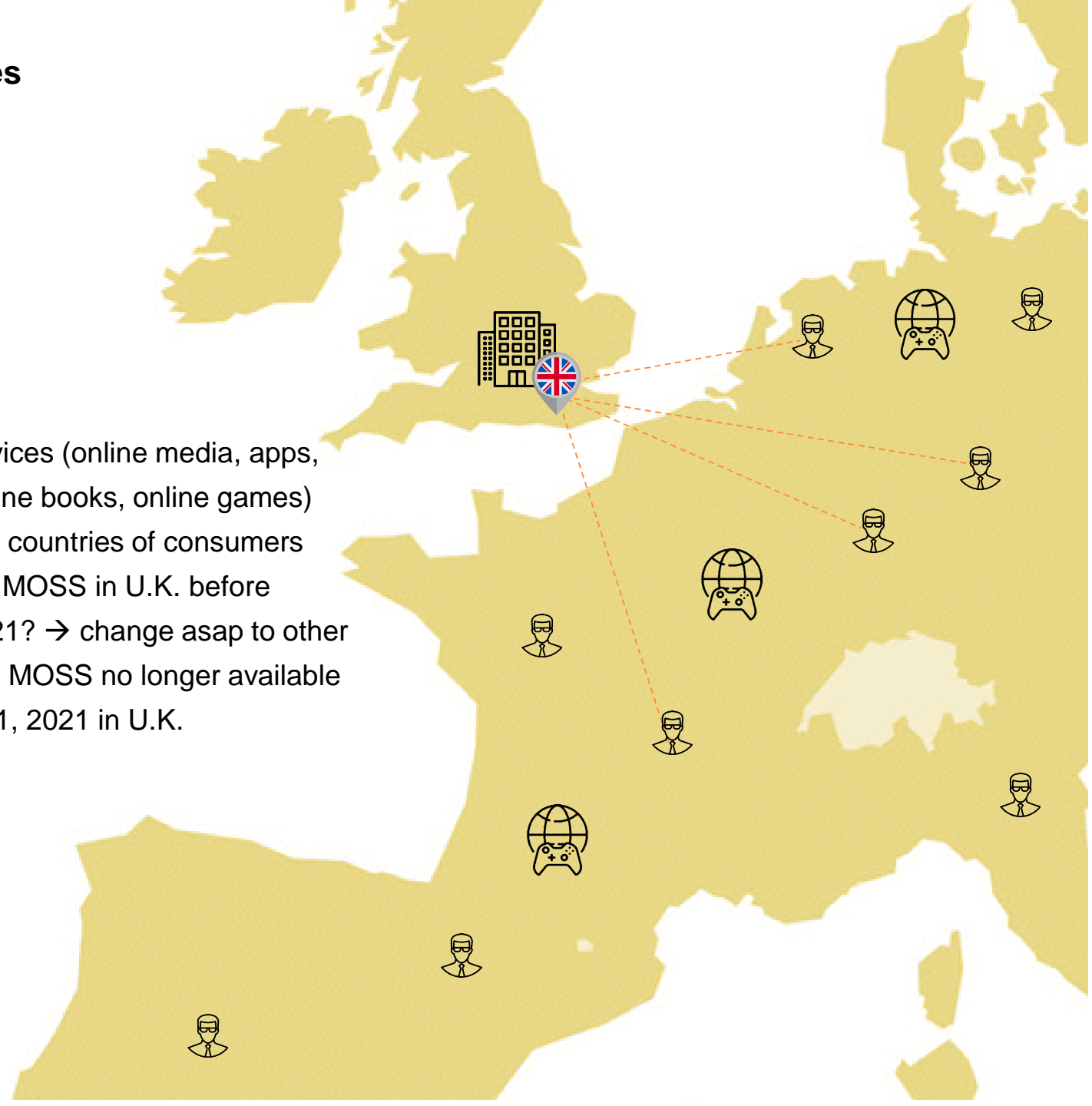
- Distance selling regime will no longer apply if goods are sent to GB
- All supplies of goods coming from the EU to GB will be an export in the EU and an import in GB.
- Is the supply below £135? New rules apply from 1 January 2021 in GB!
- For goods sent to GB, not NI - payment of the UK import VAT and import duties: your company or the consumer – if value is above £135
- Pricing on the website accurate, incl. responsibility for import in the UK?



How does Brexit
impact **UK**
businesses
trading with the
EU?

B2C e-services

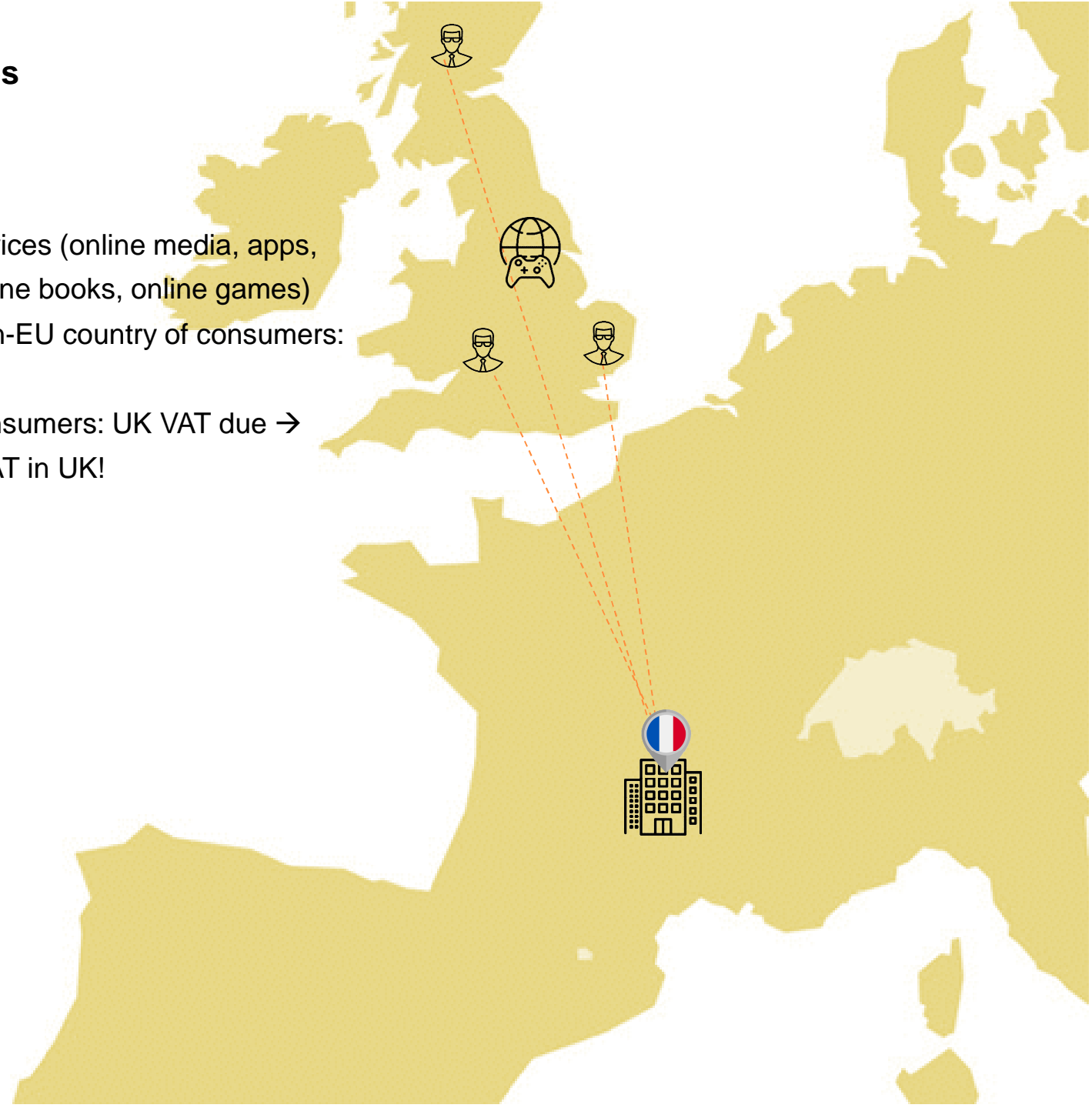
- Electronic services (online media, apps, streaming, online books, online games)
- VAT due in EU countries of consumers
- Registered for MOSS in U.K. before January 1, 2021? → change asap to other EU country, as MOSS no longer available as of January 1, 2021 in U.K.



How does Brexit
impact **EU**
businesses
trading with the
UK?

B2C e-services

- Electronic services (online media, apps, streaming, online books, online games)
- VAT due in non-EU country of consumers:
UK
- B2C to UK consumers: UK VAT due →
Register for VAT in UK!



Other VAT
issues?



VAT simplification rules no longer applicable for GB

- Triangular transactions, including the simplified triangular scheme, in case GB is country of dispatch or receipt of the goods
- Call-off stock simplification for goods sent from the EU to GB (or vice versa)
- Installation of goods in GB
- Distance selling rules (B2C e-commerce)

Other VAT
issues?



VAT simplification rules no longer applicable for the UK

- VAT refund claims submitted by UK companies in the EU or by EU companies in the UK: companies can still use the EU VAT refund system to claim VAT on expenses incurred before January 1, 2021, until 11PM on March 31, 2021.
- The EU VAT refund system will not be available to claim refund of VAT incurred on or after January 1, 2021.

→ UK businesses must check the procedure in each EU country for refunds to non-EU businesses

→ EU businesses are entitled to recover UK VAT unless their home country has a system for refunding VAT and refuses to extend refunds to UK businesses

Northern Ireland



NI Protocol applies to trade with NI post 31/Dec.

- Withdrawal Agreement – October 2019 , designed to protect the Good Friday agreement/ Free Trade Island of Ireland.
- NI benefit from any UK Trade deals
- NI is part of EU Single Market follows EU regulations on goods - whilst remaining part of UK
- NI is part of EU and UK Customs Union – two Customs Systems
- Irish Sea Border.

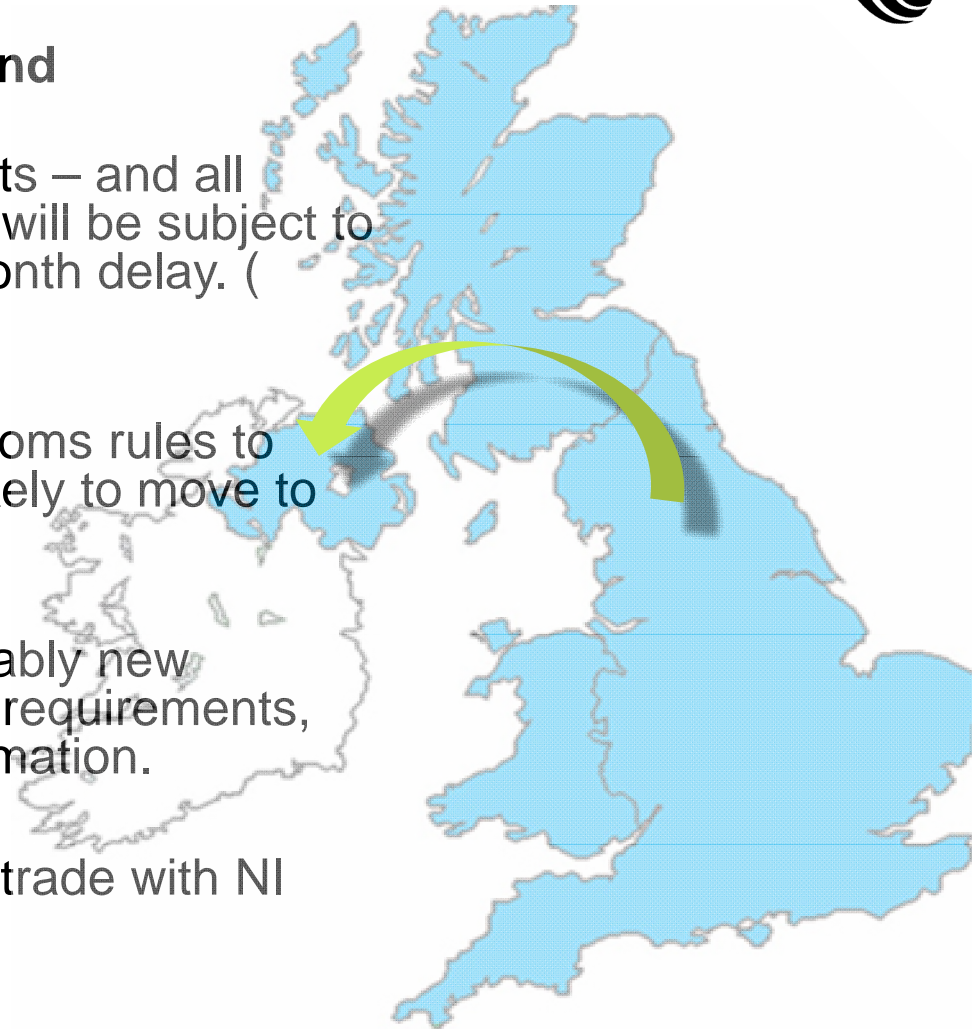


Northern Ireland



Great Britain to Northern Ireland

- Food and agricultural products – and all sanitary and phytosanitary – will be subject to specified processes – 3-6 month delay. (Authorised Traders)
- UK authorities apply EU customs rules to goods entering NI that are likely to move to EU.
- New process for traders, notably new electronic import declaration requirements, and safety and security information.
- Need an XI EORI number to trade with NI
- Trader Support Service (TSS) will undertake digital processes on behalf of traders – compete declarations on your behalf.



Northern
Ireland



Great Britain to Northern Ireland

- UK Trader Scheme-Eligible businesses can register,
- No Tariff's on goods sold to or provided for final use by end consumers in NI/ UK
- Tariff only due on "at risk " goods
- Claim a Waiver for duty on goods ("at risk") - de minimis aid - €200K over 3 years.
- Sending Parcels GB to NI



Northern Ireland



Northern Ireland to Great Britain

No Exit Declarations required on qualifying goods.

2021- Qualifying Traders

Anti-avoidance provisions re EU goods routed through NI to avoid UK Customs,

Northern Ireland / EU

No new paperwork; no tariffs, quotas or checks on rules of origin; nor any barriers to movement within the EU Single Market for goods in free circulation in Northern Ireland.

No EU Member State will be able to apply any tariff or related barriers to goods from Northern Ireland.

Northern Ireland / Rest of World

Import Tariffs will depend on whether the product is "at risk"

EU Common Tariff/ UK Global Tariff – depend on tariff differential.





Northern Ireland - Vat on Goods

Vat on Goods B2B and B2C



NI/GB

- Continue to account for all sales across the UK through your UK single VAT return.
- VAT accounted for as is now on sales to GB continue to charge VAT and show on invoice etc.
- Moving own goods GB to NI only – account for VAT on movement.
- UK VAT group – goods moving GB to NI will have to be accounted for re movement of goods.
- Margin Scheme – will not usually apply for sales in NI where stock is purchased in GB.

NI/EU

- NI Businesses – B2B, Need to be identified as operating under the NI Protocol to avail of reverse charge with EU (and tell HMRC that is the case) – XI prefix at start of VAT Number. Intrastat returns required.
- NI Business - B2C, UK Vat/ Distance Selling Rules.



Checklist



ANALYZE YOUR SUPPLY CHAIN AND PRICING – STILL UP TO DATE POST BREXIT?



CHECK YOUR PARTNERS IN CUSTOMS, LOGISTICS AND TAX REPS – ALL SET? ANY CHANGES REQUIRED?



CHECK THE CONTRACTS CLOSED WITH ALL PARTIES RELEVANT FOR YOUR BUSINESS



ARRANGE ALL FORMALITIES – ADJUST FORMALITIES IF REQUIRED

... KEEP CHECKING WHETHER ANY IMPROVEMENTS ARE REQUIRED OR DESIRABLE FOR YOUR BUSINESS!!



Post Brexit - Implementation

How to implement Brexit

We are here to support you – Post Brexit Check. Looking at supply chains, systems, paperwork required, VAT registrations, PVA and invoicing.

EU VAT registrations and EU VAT compliance.

Customs support – Navigating the Origin rules and implementing Customs regimes.

Customs training – Grant funding available. £1,000 per organisation or £1,500 per person if you are doing your own declarations.

Contact us



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