GET YOUR BUSINESS

BREXIT READY.





INTERNATIONAL TRADE
PREPARATION
ESSENTIALS GUIDE

In association with Strong & Herd LLP and Worcestershire Business Central







INTERNATIONAL TRADE PREPARATION ESSENTIALS GUIDE

Preparing for Brexit

Leaving the European Union has a very significant effect on the way we trade with other EU countries, and to a lesser extent with several other countries outside of the EU. This guide will help you to meet the new compliances and requirements.

The changes cover a wide range of business activities, which means there is a lot to think about and do. But the prospect should not be overwhelming. Start to act right away, by identifying the issues that affect your business and the actions you need to take.

The impact of Brexit is different for every business. It's not possible to cover every detail in this guide, or to describe every step of each process, and because the government's preparations for Brexit include some temporary arrangements, the requirements will inevitably change over time. Help is available to keep up to date with future changes.

Please refer to the contact points on the last page.



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nternational	Trade	Preparation	Essential

•	What does Brexit mean for international trade?	Page 4
•	Trading in the European Union	Page 4
•	The Customs Union	Page 4
•	The Single Market	Page 4
•	The World Trade Organisation	Page 5
•	What happens after Brexit?	Page 5
•	What do I need to do now? EORI number	Page 5
•	What happens next? How to get the information you need for an export declaration	Page 6
•	Transitional Simplified Procedures - a step-by-step guide	Page 7
•	Temporary Tariff Suspension	Page 7
•	VAT Postponed Accounting	Page 8
•	Charges on your exports	Page 8
•	Clearance on your exports in the country of arrival	Page 9
•	Your terms of business	Page 9
•	Authorised Economic Operator	Page 9
•	Documentation	Page 9
•	Product standards	Page 10
•	Trading with countries outside the EU	Page 11-12
•	Merchandise in Baggage	Page 12
•	Temporary movement of goods	Page 13
•	Buying and selling services	Page 13
•	Working and travelling in other EU countries	Page 14
•	Employing EU citizens in the EU after Brexit	Page 14
•	General Data Protection Regulations (GDPR)	Page 15
•	Intellectual Property Rights	Page 15
•	Export Controls	Page 15



Brexit - what does it mean for international trade?

Brexit will have a sudden and immediate effect on the way UK businesses trade with the EU and several other countries. The changes will be significant whether the UK leaves with a deal or not and will require companies who do business with people in other countries to adopt new procedures straight away.

The most profound changes will affect trade with the other 27 countries of the EU. Because we are in a single market, buying, selling and just moving goods around within the EU is usually very straightforward compared to trading with the rest of the world. Most goods can move freely from one EU country to another without controls, advance declarations or charges.

Businesses that only trade with other EU countries need to take steps urgently to be ready for these changes. This applies even if the goods are not being bought or sold, for example if you are taking part in an exhibition in another EU country or sending free goods for a customer trial or to replace or repair goods previously supplied.

This guide explains, step-by-step, how you prepare for these changes. Don't leave it until the last minute. Many of the most important actions are simple and involve no cost but will delay your goods if you don't act soon.



Trading in the Single European Market

Most goods can move freely around the EU without the need for customs declarations, the payment of duties and taxes or special licences. There are exceptions such as excise goods (tobacco, alcohol, fuels) and military goods and these are known as controlled goods. But for most businesses, the requirements are quite minimal. The customer's VAT number is needed. otherwise the supplier must charge VAT in their own country. The information is reported on an EC Sales List, and if the business exceeds certain thresholds (£250,000 for exports and/or £1.5 million for imports) then a monthly Intrastat report is required.

The UK has been a part of the Single Market for more than 25 years, and in that time, many businesses have begun to take the simplicity of trading arrangements for granted.

The Customs Union

The EU countries form a Customs Union. This means that all EU countries use the same external import tariffs applicable on goods imported from outside the EU. Tariffs are not charged on supplies from other member countries even if they were originally imported if all duties were paid on arrival, this is free circulation of goods. EU movements don't require export or import declarations, which means the goods can move quickly between countries.

The Single European Market

They are also members of a Single Market, which means that there are common rules about product safety standards etc. This removes the need to check that goods comply with local regulations on safety and health.

Taken together, the Customs Union and Single Market mean that businesses in different EU countries can trade in a way that is free of most restrictions.



World Trade Organisation

If we leave the EU without a deal, we will trade with most countries on World Trade Organisation Terms. What does this mean in practice?

According to their website, WTO is "an organisation for liberalising trade. It's a forum for governments to negotiate trade agreements." It's a place for countries to settle trade disputes. It operates a system of trade rules.

The first principal of the WTO is Trade Without Discrimination. This means that the 164 member countries must treat each other the same. Crucially, WTO rules require every member to publish its tariff rates applicable to imports from all member states (known as Most Favoured Nation tariffs, or MFN). Members can only charge lower rates if they have agreed a formal free trade arrangement, and they can also grant lower import tariffs to developing countries. Apart from that, they cannot show favour or penalise imports from countries (although they can act against dumping or very low-priced imports that threaten local industry).

This means that, outside of the EU, the UK is free to set its own tariff rates, applicable to imports from other countries including from the EU27 members. The EU Tariff is in place with the WTO and cannot be changed so this means that we know what tariffs the EU will charge on UK goods after a no-deal Brexit. They're the same tariffs charged on imports from other countries under the EU MFN published tariff rates that the UK currently use as a member of the EU.

What Happens After Brexit?

When the UK leaves the EU, whether this is with or without a deal, all trade between the UK and EU countries will be subject to export and import controls that didn't apply before. This means that we will trade with the other EU 27 countries on WTO terms, which is how we trade with most other countries.

If you are sending or delivering goods to an EU country, these will need to be declared in advance to Customs (HMRC). When they arrive in the recipient's country, an import declaration will have to be completed, and any duties and taxes paid.

If you are receiving goods from an EU country, the process works in reverse. The UK Government has prepared some initiatives called easements intended to reduce the chances of delays and minimise costs when goods arrive from the EU. These arrivals will be imports so subject to customs duties and taxes.

What do I need to do now?

To complete these declarations, your business must have a GB EORI number. If you already trade with countries outside of the EU, you will already have this number. The government is issuing EORI numbers to companies that are VAT registered. If you don't already have an EORI number and haven't received a notification that one has been issued to you, you can apply online at the link below. The process is quick and easy to complete. Your number may be issued immediately, or there may be a short delay of a few days if any checks are needed. You need to be a registered business in the UK, and you must have a UK VAT number to apply.

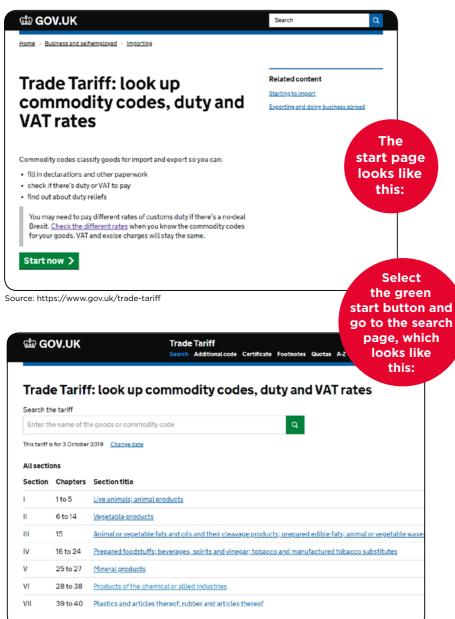
https://www.gov.uk/eori

The EORI number will be used in the export and import declarations that are completed by you, or on your behalf, after Brexit and will identify your company as the exporter or importer of record.

WHAT HAPPENS NEXT?

When the UK leaves the EU, export and import declarations will be required on goods sent to and received from EU countries. If you are using a third party such as a freight forwarder to move the goods, they would usually complete the declaration on your behalf, but they will be acting on your instruction. They will need your EORI number (and Transitional Simplified Procedures (TSP) number if you are using the simplified import procedures. See TSP section below). They will also need information from you about the type of goods, their weight and value. This information needs to be provided in the form of an invoice.

You need to identify the goods for customs by use of a tariff number (or HS number). It's your responsibility to ensure you are using the right commodity code number, but HMRC can help you with this if you are unsure. The tariff number will allow you to find out what restrictions (if any) there are on exporting and importing these goods, and how much import duty and VAT will be charged.



You can find the tariff number for your goods, or check the details here: https://www.gov.uk/tradetariff

If you know your tariff number, you can enter it in the search box. If not, you can do a word search, or investigate the chapter headings.

If you are not sure what tariff number is right for your product, there is help available. This page gives guidance for some hard to classify goods and also guides you to sources of help... https://www.gov.uk/guidance/finding-commodity-codes-for-imports-or-exports#contents

Source: https://www.trade-tariff.service.gov.uk/sections

TRANSITIONAL SIMPLIFIED PROCEDURES (TSP) - TEMPORARY SYSTEMS FOR IMPORTS

The UK government is introducing a transitional scheme to help avoid delays in importing goods from the EU. By registering for Transitional Simplified Procedures (TSP), you will not need to make a full declaration when the goods arrive.

If you import goods from other EU countries, you can register for TSP here: https://www.gov.uk/guidance/register-for-simplified-import-procedures-if-the-uk-leaves-the-eu-without-a-deal

You must be a registered business in the UK, and must have an EORI number starting with GB. HMRC are auto enrolling 95,000 businesses with an EORI to ensure freight moves smoothly into the EU. You may already have received your letter.

TSP A STEP BY STEP GUIDE

There are two processes for using TSP, one for standard goods and one for controlled goods.

The procedure for controlled goods covers military goods, excise goods, controlled drugs, endangered species, fish, nuclear materials and ozone depleting substances. You can see a full list of controlled goods here: https://www.gov.uk/guidance/list-of-controlled-goods-for-transitional-simplified-procedures

Most imports will fall under the **standard goods** definition:

When importing goods under the standard TSP arrangement, the importer will:

- Make a declaration directly in their commercial records prior to goods arriving at the LIK Border
- Update records with date and approximate time goods arrive in UK.
- Submit a supplementary declaration by the fourth working day of the following month.

Importers of controlled goods will:

- Submit a simplified frontier declaration.
- Ensure all necessary certificates and licences are available.
- Submit a supplementary declaration by the fourth working day of the month
- Companies required to make Intrastat reports for arrivals from the EU will still need to make a monthly statistical declaration similar to Intrastat.

TEMPORARY TARIFF SCHEDULE

The UK government has issued details of temporary tariff suspensions that will apply if we leave the EU without a trade agreement (known as a no-deal Brexit). 87% of imports will enter the UK duty free. The main exceptions are ceramics, some foodstuffs, textiles and cars. This applies to all imports from WTO countries, not just from the EU.

You can check whether any duty will be charged on your imports here: https://www.gov.uk/guidance/check-temporary-rates-of-customs-duty-on-imports-after-eu-exit

POSTPONED ACCOUNTING

In the event of a no-deal Brexit, the government will introduce a new system for VAT payments called VAT postponed accounting. This will apply to all imports, not just those from the EU. The system will allow duty payments to be suspended and declared on your regular VAT returns rather than having to pay them on arrival.

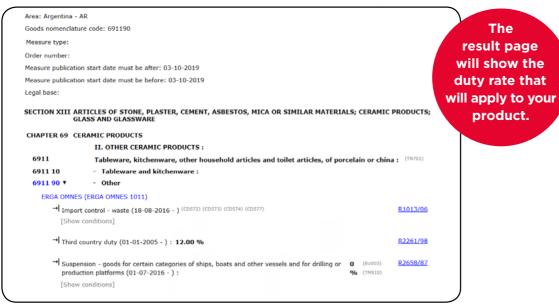
CHARGES ON YOUR EXPORTS

Import duties will be charged on your goods when they arrive in your customer's country. The import tariffs charged by the EU on imports from non-EU countries are published online. You can find the details of these charges here. You will need to know the tariff numbers of your goods (see p.6).

https://ec.europa.eu/taxation_customs/business/calculation-customs-duties/what-is-common-customs-tariff/taric_en



Before we leave the EU, this website won't show any tariff rates for imports from the United Kingdom. But we can see the rates that will apply by selecting a country that currently trades with the EU on WTO MFN terms, such as Argentina. Select the country and enter the tariff number for your product under Goods Code.



Source: https://ec.europa.eu/taxation_customs/business/calculation-customs-duties/what-is-common-customs-tariff/taric_en

CLEARANCE OF YOUR EXPORTS IN THE EU COUNTRY OF ARRIVAL

Your customer will need an EU EORI number and a VAT registration number in their country in order to complete the import declaration. If your customer is not already trading with non-EU countries, they might not have this, and may not be aware that they are going to need it. Duty and VAT charges will be levied on the importer in their country. VAT arrangements may differ from how they are applied for trade within the EU. In some countries, VAT may be charged on arrival and the local system could see that payment being held for a year or more.

YOUR TERMS OF BUSINESS

Because trading with the EU is going to become more complicated, it's important to review your terms of business. Brexit means that there are processes and costs involved in transactions, which didn't apply before, and you need to clarify with your customers and suppliers which of you is responsible.

In international trade, the terms of business are widely agreed using INCOTERMS ® Rules. These are three-letter acronyms that determine whether the buyer or the seller is responsible for a range of actions such as packing the goods, arranging freight, complete export formalities, arranging insurance, completing import clearance and paying local taxes and duties. These details may not be specified in your current contracts as many of them don't apply while we are in the EU. Understanding INCOTERMS ® Rules and agreeing the right term with your customer or supplier will provide clarity in who will carry out the additional procedures and who will pay the costs.

AUTHORISED ECONOMIC OPERATOR (AEO)

AEO is an official accreditation that can enable a company to benefit from simpler border checks and customs procedures. The actual benefits of AEO are limited at present and will only reduce clearance times if the UK negotiates mutual recognition agreements with other countries.

Applying for AEO is a big commitment, that requires a lot of time and expense. AEO is not a quick fix for dealing with Brexit, but can have long-term benefits for some businesses, for example if their trading partners or freight companies are AEO qualified.

IMPORT AND EXPORT DOCUMENTATION

Some goods will require additional documentation to clear import or export procedures in the UK. By checking against the tariff number(s) for your goods, you can find details of any requirements from the UK tariff schedule https://www.gov.uk/trade-tariff



PRODUCT STANDARDS

Rules for goods that must comply with EU product standards will change after Brexit.

Businesses placing goods on the EU market that carry the CE mark need to act.

If the CE mark is a self-declaration, the requirements don't change, except that if the authorised representative or authorised person is a UK resident, you will need to appoint a new representative who is resident in an EU country.

If the product was assessed by a UK based conformity assessment body, this will need to be transferred to an equivalent body in the EU. There are three ways to do this:

- 1. Get your products reassessed by an EU-recognised notified body before placing them on the EU market. You can find a list of EU-recognised bodies on the NANDO database https://ec.europa.eu/growth/tools-databases/nando/
- 2. Arrange for the files to be transferred to an EU notified body before the UK leaves the EU.
- 3. Check whether your UK notified body is taking steps of its own, so that you can continue to export to the EU without needing to find a new notified body yourself.

There are numerous other standards for products, some that are common across the EU, some that are vary but are mutually recognised. If you are introducing a product to the EU market, or importing a product from the EU, the rules about standards may change.

Most goods that are introduced to the UK market carrying the CE mark will continue to be allowed on the market for a limited time. These products will have to carry the new UKCA mark after a limited time. For some products, this requirement will come into force immediately.

Check the government website for more information:

https://www.gov.uk/guidance/prepare-to-use-the-ukca-mark-after-brexit



Products will have to carry the UKCA mark going forward

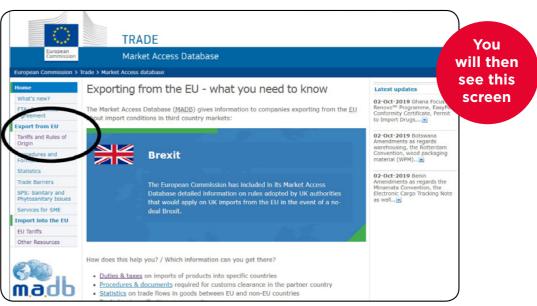
Source: https://www.gov.uk/guidance/prepare-to-use-the-ukca-mark-after-brexit

TRADING WITH COUNTRIES OUTSIDE THE EU

The European Union has free trade agreements with about 70 countries worldwide, which allows trade with these countries to take place with reduced tariffs or in many cases no tariffs at all. When the UK leaves the EU, these agreements will no longer apply. Goods you buy or receive from these countries may be subject to duties that did not previously apply, or the duty rates may be higher (but for most goods, the temporary tariff schedule will apply, so for a limited period there may be no duty to pay.) If you sell or send goods to recipients in these countries, import duties may be charged that did not apply before, or the duty rates may be higher.

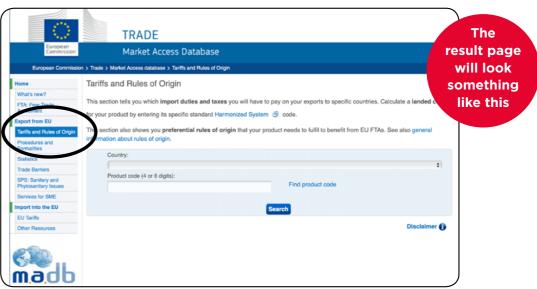
You can find the duty rates on the link here: https://madb.europa.eu/madb/

Select Export from EU - Tariffs and Rules of Origin from the left-hand column. A UK equivalent to the MADB website will be released if the UK leaves the EU without a deal.

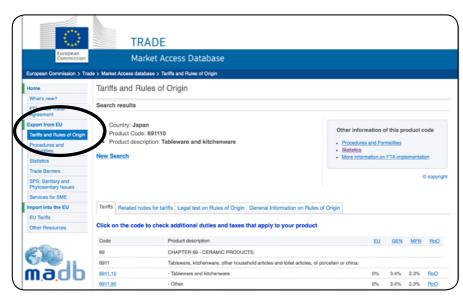


Source: https://www.google.com/search?q=market+access+database&rlz=1CIGCEA enGB800GB800&oq

Select the country you are exporting to and enter the first four or six digits of the tariff number for your product.



https://madb.europa.eu/madb/datasetPreviewFormATpubli.htm?datacat_id=AT&from=publ



Source: https://madb.europa.eu/ madb/atDutyOverviewPubli. htm?countries=JP&hscode=691110

The **EU column** shows the current rate of duty on exports from the EU. This column doesn't appear if the EU doesn't have a trade agreement with this country.

The **MFN column** shows the standard rate of import duty that applies to imports from WTO member countries who don't have a trade agreement with this country. This is the duty rate that will apply if the UK has not secured a trade agreement with this country after Brexit.

The UK is seeking to replicate as far as possible the free trade agreements that currently exist within the EU. The latest information can be found here: https://www.gov.uk/guidance/uk-trade-agreements-with-non-eu-countries-in-a-no-deal-brexit

MERCHANDISE IN BAGGAGE - new arrangements for carrying goods abroad

New regulations will apply to carrying goods abroad in baggage.

Exporting goods below £900 and weighing less than 1,000kg:

- Complete an online declaration up to 5 working days before leaving the UK
- The online service will be available after Brexit
- Reference number or receipt generated to present to Border Force at the UK border

Exporting goods above £900, goods weighing more than 1,000kg, excise goods, or controlled goods needing a licence:

- Submit a full customs declaration before arriving at the port of departure
- Goods needing a licence to export to be presented to Border Force agent
- Check declaration requirement of the relevant customs authority in the country where goods being exported to

Importing goods below £900 and weighing less than 1,000kg:

- No Red Channel or Red Phone use online service available after Brexit
- Pre-lodge a simple declaration & pay the duty and tax up to 5 days before coming into the UK
- TSP procedures can be used if registered
- Limits apply per vehicle

Importing goods above £900, goods weighing more than 1,000kg, excise goods, or controlled goods needing a licence:

- Pre-lodge full customs declaration no earlier than 5 working days before arriving into the UK
- Carry evidence of Customs declaration and a payment of duty

TEMPORARY MOVEMENT OF GOODS

Import and export controls will not only apply to goods that are moved in connection with a sale. When taking goods abroad temporarily, for example for a trade show or to demonstrate to potential customers, the goods must be declared for export as for permanent exports. The goods will be subject to import clearance on arrival, and any duties or VAT must be paid. The import clearance must be done by a body that has an EU EORI number (not a GB one).

There are customs procedures for temporarily exporting and importing goods, such as ATA Carnets. These must be applied for in advance from a Chamber of Commerce and there are costs involved.

BUYING AND SELLING SERVICES AFTER BREXIT

The UK will no longer operate under the European Economic Area (EEA) regulations for the cross-border trade in services if there's a no-deal Brexit.

This means that the rights and protections provided by the EU Directives and EU Treaty rights of freedom of movement and freedom of establishment will no longer apply to the UK.

UK businesses will no longer be treated as if they were local businesses. Services provided by UK businesses and professionals will be regarded as originating from a 'third country'.

UK firms and service providers may face additional legal, regulatory and administrative barriers as a result.

Service industries need to seek specific guidance on how they will operate. In a no-deal Brexit, UK professional qualifications will not automatically be recognized in the EU, EEA or Switzerland.

Find more guidance on the GOV.UK website. https://www.gov.uk/find-eu-exit-guidance-business



WORKING AND TRAVELLING IN OTHER EU COUNTRIES

If we leave the EU without a deal, your passport may need to be renewed earlier than expected.

You can check the validity of your passport and find out more by visiting: https://www.gov.uk/check-a-passport-for-travel-to-europe

You may need additional documents to drive in Europe after Brexit including an international driving permit (IDP) and a motor insurance 'green card'. Check what you need to do to prepare for travelling to Europe after Brexit at https://www.gov.uk/visit-europe-brexit

If you're a UK national, you'll need to check whether you need a visa or work or residence permit if you're either:

 providing services and/or on a placement based in the EU or Iceland, Liechtenstein, Norway or Switzerland.

You can find guidance here: https://www.gov.uk/government/collections/providing-services-to-eea-and-efta-countries-after-eu-exit

Currently employers and their workers only need to pay social security contributions (such as National Insurance contributions in the UK) in one country at a time.

This may change if there is a no-deal Brexit. Employees may need to make social security contributions in both the UK and the country in which they are working. The rules vary according to circumstances. More information is available here: https://www.gov.uk/guidance/social-security-contributions-for-uk-and-eu-workers-if-the-uk-leaves-the-eu-with-no-deal

EMPLOYING EU CITIZENS IN THE UK AFTER BREXIT

Your business will still be able to employ EU citizens after Brexit and the rights and status of EU, EEA and Swiss citizens living in the UK will remain the same until 30 June 2021, if the UK leaves the EU with a deal.

A successful application to the EU Settlement Scheme means they'll be able to continue living and working in the UK after 30 June 2021.

Applicants will be given either:

- settled status.
- pre-settled status.

There is an online application process, which the applicant must complete for themselves. The employer cannot do this for them.

Recruiting EU citizens who don't already live in the UK following Brexit is likely to be more difficult, with the plans under consideration treating EU citizens in the same way as non-EU citizens currently.

Salary threshold is still being considered as part of the future points-based system.

More information is available online at https://www.gov.uk/government/publications/eusettlement-scheme-employer-toolkit

GENERAL DATA PROTECTION REGULATION (GDPR)

The GDPR, which was brought into effect by an EU regulation, controls how data that organisations hold is protected. There will be no change to the current regulations after Brexit. The government intends to bring the existing regulations into national law as they stand. The Information Commissioner will continue to be the body that supervises these regulations.

Data will continue to be allowed to flow freely to EU and EEA countries and other countries that are adjudged to be "adequate" third countries as at present.

But data flows from the EU/EEA countries will be restricted and require additional legal safeguards. Companies will need to take steps to ensure their transfers are legal.

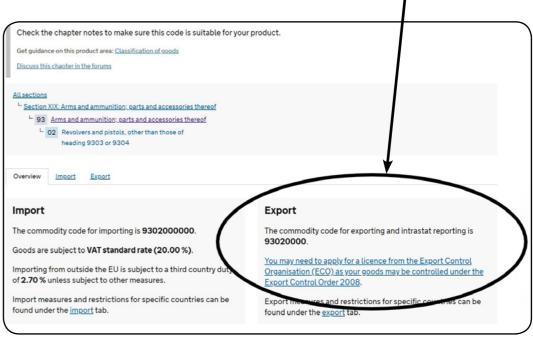
The Information Commissioner's Office has produced a step-by-step guide to ensure that your use of data is legal. https://ico.org.uk/for-organisations/data-protection-and-brexit/

INTELLECTUAL PROPERTY RIGHTS

There will be some changes to rules on intellectual property rights after we leave the EU. This can affect the use of copyright material, unregistered company designs and exhaustion of IP rights. Companies should take advice on the protection of their own intellectual property and the use of another organisation's IP. More information is available on the government website https://www.gov.uk/government/publications/ip-and-brexit-the-facts/ip-and-brexit

EXPORT CONTROLS

Export Control rules mean that some goods need an export licence to be sold or supplied to another country. Some of these rules already apply to supplies to EU countries, such as supplies of military goods. But some goods that have possible military applications (dual use goods) and some licensed drugs may be subject to controls that did not apply while the UK was a member of the European Union. You can find out if your goods are affected by checking the information on the tariff database. If licences are required for your products, information will be found under the export section for your tariff number.



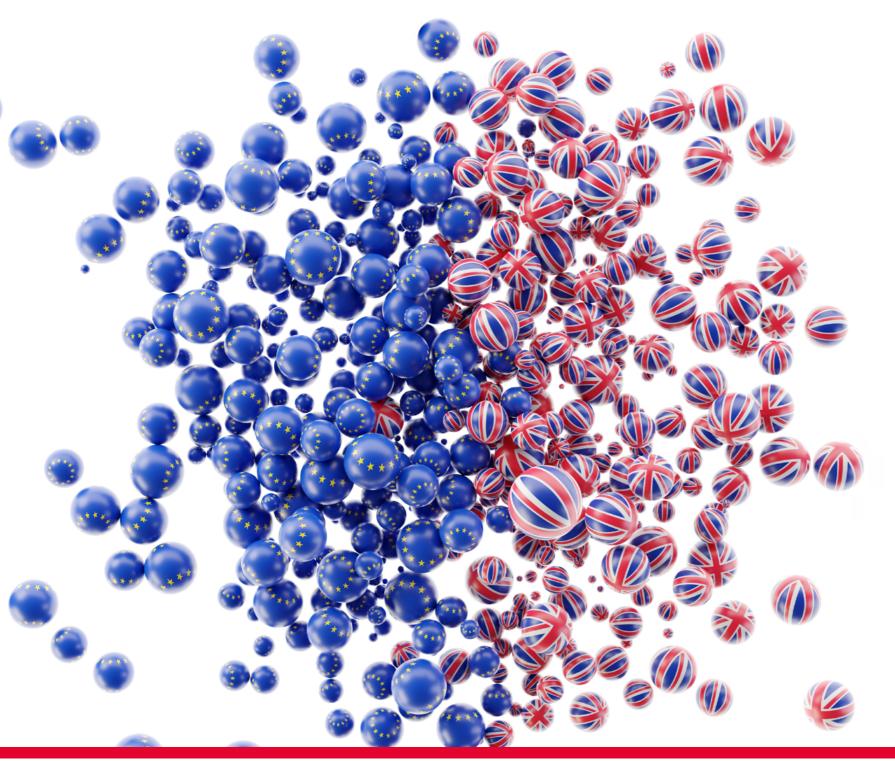
Source: https://madb.europa.eu/madb/atDutyOverviewPubli.htm?countries=JP&hscode=691110

CONCLUSION AND ACTIONS

Not all the topics contained here will apply to your business, and some may be more urgent than others. Use this guide as a starting point to identify what you need to do. Make a short action plan, describe what you need to do, who will do it and when, and what additional help if any you are going to need.

The International Trade team at Herefordshire and Worcestershire Chamber are available to help.

Herefordshire and Worcestershire Chamber acknowledge the support of Strong and Herd LLP in the compilation of these notes. October 2019.



FURTHER SUPPORT

Herefordshire & Worcestershire Chamber of Commerce have a range of services available to support your international trade activities and planning pre and post-Brexit, "deal" or "no deal".

We have a range of services to support all businesses and have links with many other partners who can give you the help you need.



BREXIT ADVISORY

We have access to a team of International Trade specialists to support you with your Brexit-related queries and frequently asked questions. Call us for quick advice on: 01905 673613



BREXIT RELATED COURSES

We offer over 25 specialist international trade training courses running throughout the year. To find out the full list of courses and dates, visit: https://hwchamber.co.uk/international-trade/global-trade-hub/



BESPOKE CONSULTANCY

For those companies who have a number of different Brexit-related questions, we can supply a specialist International Trade consultant to spend a day at your organisation to work through existing or potential Brexit-related questions and support you in preparing your business. **Email us to discuss your requirements: internationaltrade@hwchamber.co.uk**





www.hwchamber.co.uk/support/advice

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For more information, please contact us: E: internationaltrade@hwchamber.co.uk
T: 01905 673613
www.hwchamber.co.uk







