

Swain Group - Customs Clearance

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# Requirements and Guides

November 2020



# Customs Clearance

- This presentation highlights possible implications of post-Brexit trade with the UK, based on information gathered from governmental and commercial sources.
- This presentation is not portraying Swain's opinion, it is only raising awareness of possible changes to current operations post-Brexit.
- The information in this presentation is given without guarantee of any kind and thus Swain does not take responsibility for any undertakings as a result of the information in this presentation.

# Jan 2020 – 1<sup>st</sup> Jan 2021

31<sup>st</sup> Jan 2020      UK Left EU  
                                 +  
                                 Transition started

Future relationship negotiations start after departure, targeted for completion & implementation by 31 December 2020. During transition the UK remains in the Customs Union & Single Market.

30<sup>th</sup> June 2020      Extension request  
                                 deadline

The UK Government has ruled out an extension request

31<sup>st</sup> Dec 2020      Transition ends

1<sup>st</sup> Jan 2021      FTA or WRO

Future Trading Arrangement implemented or WTO terms apply. Customs / border controls applied regardless



# Next steps

- The Transition Period ends at 2300 GMT 31st December 2020
- Negotiations for the new EU/UK Trade deal started in March 2020 – no outcome yet.
- The UK is negotiating trade agreements with 3rd countries, initially likely to replicate EU agreements.
- If an EU/UK Trade Agreement is NOT completed by 31 Dec the trading relationship will be under WTO terms.
- In any scenario (except an extension) Customs formalities will apply from 1st January 2021.

# Swain is planning for a no-deal Brexit

Transition period to 31 Dec 2020

- UK remains in a customs union with free movement of goods between the UK and the EU with minimal background controls. No change.

From 1 January 2021

- Either, a Free Trade Agreement in place (Possibly like EU / Canada) Some form of Future Partnership Agreement in place which could include:
  - No free movement of goods between UK & EU
  - Customs and fiscal checks requiring Customs Declarations
  - Duty and VAT may be payable at the border – at FTA agreed tariffs.
  - Potential for concessions to support smooth flow of goods
  - Advance input required to the EU and/or the UK customs control & security systems
  - Commercial invoices, classification, origin determination etc required
- Or “No deal” (Comparable to EU / Australia)
- The UK/EU trading relationship will be that of WTO ‘Most Favoured Nation’ - similar to trade with Australia or USA today
- As above, but duty rates as per World Trade Organisation Most Favoured Nation tariffs

# Presentation assumptions

- The following slides are based on the assumption of a “no deal” Brexit
- However, it is likely that many of the implications will apply with any change to the current arrangements
- Any reference in this document to EU-UK goods flow also applies to UK-EU goods flow

# 1. Trading with the UK based on FTAs

## Purpose of FTAs and the consequences of Brexit

### Today

- The UK has access to trade based on EU's FTAs with more than 50 countries

### Post Transition •

- UK access to all EU FTAs is terminated
- WTO trading conditions will apply
- The UK is negotiating new trade deals with numerous countries, effective from the end of the Transition period.
- So far agreements have been signed with a number of countries with more in the pipeline.

# 2. Moving goods between the UK and the EU

## VAT aspects

### Today

- Goods moving between EU countries are VAT zero rated – via a simple Intrastat return

### Post Transition

- VAT due as goods are moved across the EU border – to be reclaimed later
- Payment may be delayed by opening a deferment account with Customs – an advance arrangement supported by guarantees
- Evidence of export will be required



# 3. Moving goods between the UK and the EU

## Duty aspects

### Today

- Goods moving between EU countries & UK are in free circulation
- No further duty is payable once in the EU

### Post Transition

- Goods cleared into the UK or the EU may incur additional duty upon movement into the EU or UK, respectively, without the possibility of reclaiming the first duty paid
- To avoid double duties the following strategies could be employed:
- An earlier decision on final destination of goods shipped from origin • Use of bonded facilities
- Parallel supply chains for UK and EU destination goods



# 4. Moving goods between the UK and the EU

## Required documentation

### Today

- No formal requirements for documentation on most UK-EU movements

### Post Transition

- The shipper will be required to provide at least an invoice showing:
- Commodity code (which may change in the UK post Transition\*)
- Value
- Incoterms
- etc
- Depending on the commodity additional documents may be required such as veterinary certificates, phytosanitary certificates etc. etc.
- \* The UK will publish its own tariff which over time is likely to diverge from the EU tariff.

# 5. Manufacturing in the UK or in the EU

## Rules of Origin

Today

- If goods are already in free circulation in the EU, origin is not an issue

Post Transition

- Products must comply with the origin rules of the destination country
- This means that proof of origin of every component may be required
- This may require system changes, documentation changes and additional data to be captured in systems

# 6. Moving goods between the EU and the UK

## Product standards

Today •

- All member countries of the EU Single Market share the same product standards
  - No product conformity check at borders
  - Single product design for the entire EU

Post Transition

- UK product standards are likely to diverge from EU standards, which may require:
  - Parallel production for two separate standard requirements
  - Advanced product approval procedures
  - Additional checks at borders



# 7. Changes in cost structure on EU – UK movements

## Possible implications of Brexit post Transition

In light of the anticipated changes it is expected that costs will change due to:

- Additional documentation requirements
- Tracking of origin of components
- Application of duty on products (including where FTAs currently exist)
- Payment of VAT at importation into EU / UK (can be postponed)
- Extra customs declarations
- Border delays may result in increased trucking costs & capacity issues
- Lack of certainty impacting Just in Time planning

# 8. Moving goods between the UK and Ireland

## Irish border implications

### Today

- There is an open border between the UK and Ireland, the only EU/UK land border

### Post Transition

- The planned scenario is:
  - Safety and security import declarations between GB and Northern Ireland
- Final details are to be defined, these could result in:
  - Delays
  - Increased costs
  - Increased requirement for guarantees



# GB/NI & NI/GB Movements

All GB / NI / IE protocols are still being finalised

The following represents current status and maybe subject to change

- EU goods transiting GB continue to be covered by the common transit convention
- Safety and Security declarations for GB/NI and some NI/GB movements
- Import declarations in NI for GB goods

Qualifying NI Goods

- Certain NI goods will have "unfettered access" to GB at the end of the Brexit transition period on 1 January. The legislation is yet to be finalised.

North / South trade

- NI is part of UK customs territory
- However, trade between IE and NI will continue as it does at present
- Customs formalities will not be required for North/South trade



# Changes to the UK / EU goods flow

- The UK / EU flow will change considerably:
- Today this resembles a domestic delivery.
- From 1st January this will be similar to UK to Australia process

# Swain's preparation for BREXIT

## What measures are in place?

### Communication:

- Swain participates in various industry and governmental forums, in order to monitor and influence the BREXIT process.
- Swain proactively communicate with our customers, in order to support them with BREXIT preparation, this includes a series of seminars in many countries and a website dedicated to Brexit.
- Swain liaises with carriers and port operators in order to understand and align their preparations for BREXIT.
- Swain has a comprehensive, dedicated internal Brexit information platform to keep all staff informed.

# Swain's preparation for BREXIT

## What measures are in place?

### Actions

- Swain Group coordinated BREXIT project team in place since beginning of year to secure preparation across all stakeholders and functions.
- Swain continue training and educating staff within all aspects of customs administration and processes.
- Swain has recruited and trained sufficient staff for any BREXIT scenario.
- Swain has invested in IT systems and robotics to optimise and automate customs admin processes.
- Swain will continually assess alternative transport routes between UK and EU

# How to prepare for Brexit?

## Summary check list for EU / UK Traders

-  Do you have an EORI number?
-  Have you classified your goods?
-  Have you appointed a Customs Broker?
-  Is your commercial invoice fit for Customs?
-  Have you authorized your Direct representation (Power of Attorney)?