

# Post-Brexit Trading

A guide for businesses



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**On 1 January 2021, the UK entered a new era of trade outside of the EU, having spent decades within the economic trading bloc.**

Having finally secured a new free trade agreement with the EU, businesses now have clarity on future trading, work and travel arrangements.

To help them businesses with post-Brexit trading, we have reviewed the latest guidance and put together this useful guide.

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*This guide is correct at the time of publication and is a useful reference resource, but it is not comprehensive. It is highly recommended that you seek professional assistance with your Brexit preparations from a trusted advisor.*





# Trade arrangements

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Since 1 January 2021, the process for importing and exporting goods has changed and businesses must now make export and UK exit Safety and Security declarations for all goods leaving the UK and entering the EU.

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**Businesses that import and export must undertake certain steps under these new customs arrangements.**

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In its latest guidance, the Government has laid out the principles for the 'Core Model', which relates to all goods imported and exported, regardless of which means of transport are used to move the goods. This guidance can be found [here](#).

The guidance covers the core processes of:

- customs declarations
- import VAT
- safety and security declarations.

Under each of these headings, it sets out the actions that businesses should take now.

# 2

## The various stages of the Core Model

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**To help businesses adapt, HMRC will introduce the new border controls in the Core Model in three stages up until 1 July 2021.**

## Stage 1

In the first stage, from 1 January 2021, customs declarations will be needed for controlled goods and excise goods, such as alcohol and tobacco products.

There will also be physical checks at the point of destination or other approved premises on all high-risk live animals and plants, and a requirement to pre-notify for certain movements of goods. Importantly though, goods will not be required to enter Great Britain and be checked at a Border Control Post.

## Stage 2

The second stage, which takes place from 1 April 2021, will require pre-notification and the relevant health documentation on all products of animal origin, for example, meat, honey, milk or egg products and all regulated plants and plant products. At this stage, all physical checks will continue to be conducted at the point of destination.

## Stage 3

The third and final stage takes place from 1 July 2021, when there will be full controls in place for all goods that are imported.

## **Goods businesses will have to make full customs declarations at the point of importation and pay relevant tariffs from this point onwards.**

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Full Safety and Security declarations will also be required, while for commodities subject to sanitary and phytosanitary controls, these will have to be presented to Border Control Posts and there will be an increase in physical checks at the border as well.

Although this staged approach ensures that businesses importing non-controlled goods can opt to delay customs declarations for up to six months, they must make sure they keep sufficient records of imported goods in this period.

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## Important considerations for goods and services

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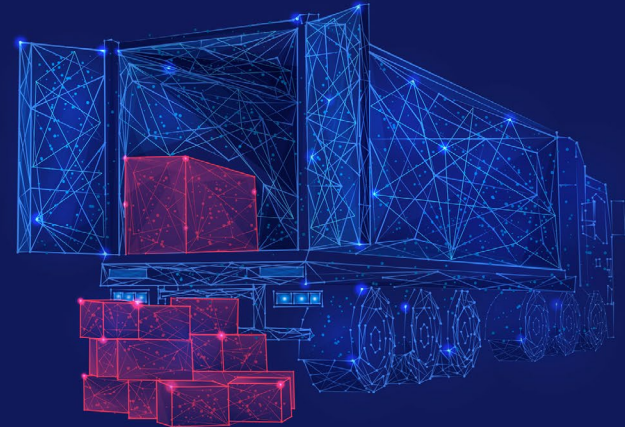
The trade agreement sets out the rules for goods crossing borders. There is no "mutual recognition of conformity assessment" in the agreement, which means checks on product standards is going to be more difficult.

If you want to sell your product in both the UK and the EU, you may have to get it checked twice, to get it certified.

On other border issues, there is also no agreement on recognising safety standards for exporting food of animal origin, which means potentially, costly checks for products going into the EU single market.

There will, however, be some measures which cut technical trade barriers, and the mutual recognition of trusted trader schemes stay in place, which will make it easier for large companies to operate across borders.

There is a "check for barriers to trading and investing abroad" digital service. The new tool, found [\*here\*](#), will allow companies to check for regulations imposed by other countries, as well as enabling companies to monitor when such restrictions have been removed.



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## Important steps to take now

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Businesses should take action now by:

- Acquiring an EORI number
- Paying or accounting for VAT on imported goods
- Updating commercial arrangements and terms of trade
- Calculating the customs value of goods
- Determining the rules of origin
- Considering how to make customs declarations to HMRC systems or the use of a customs intermediary, such as a freight handler or customs agent.

Businesses in certain industries may also need to check:

- What export licences or certificates they require
- The marking, labelling and marketing standards for food, plant seeds and manufactured goods
- The rules for exporting or importing alcohol, tobacco and certain oils.

To help with this process the Government has produced a step-by-step checklist for importers and exporters, which can be found [here](#) and [here](#).

If a business moves goods into Northern Ireland or intends to transport goods into the EU through it, then they can sign up for the Government's free Trader Support Service. This can be done [here](#).

This free-to-use service is available to businesses of any size moving goods into Northern Ireland, providing guidance, training, a digital declaration support service and support from customs experts.





## Rules of Origin

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Tariffs will not be charged where goods meet the rules of origin requirements. Rules of origin refers to the 'economic nationality' of goods being imported and exported i.e. where they have been produced or manufactured, not just where they have been shipped or bought from. Under the agreement, goods must be locally sourced, or for have had sufficient work carried out on them in the UK.

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**From 1 January 2021, in order for business to benefit from preferential tariffs when importing into the UK or EU, they will need claim preference on their customs declaration and declare they hold proof that the goods meet the rules of origin.**

A proof of origin is used by the importer to demonstrate that the goods qualify as originating and are eligible to claim preference. This can take the form of a statement on origin completed by the exporter on a commercial document, or knowledge obtained and held by the importer that the goods are originating.

The UK and EU have agreed a 12-month grace period. This means that until 31 December 2021, businesses do not need supplier's declarations from business suppliers in place when the goods are exported but they must be confident that the goods do meet the preferential rules of origin. Businesses may be asked to retrospectively provide a supplier's declaration after this date.

To find out more about the rule of origins, please click [here](#).



## VAT Post-Brexit

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**The latest guidance on VAT on imports to and from the EU is complex and businesses need to account for this in their trading.**

## Import VAT

Goods that move into the UK from the EU from 1 January 2021 onwards will be considered imports, meaning import VAT will be payable and customs declarations will need to be made.

Businesses must account for VAT on all goods imported using a postponed accounting system. This means that import VAT is accounted for and paid via the usual VAT return, which will lead to an improved cash flow position for many businesses.

This applies to all goods imported by VAT registered importers to the UK, including those from the EU. In most cases, import VAT should be recoverable by businesses.

## Accounting for import VAT on your VAT return

Businesses have to account for import VAT via their VAT return under the postponed accounting system if the goods they import are for use in their business.

A business must include its EORI number starting with 'GB' on its customs declaration and its VAT registration number if it is needed.

It can then account for import VAT on its VAT return when it submits a declaration that releases those goods into free circulation from one of the following special customs procedures:

- customs warehousing
- inward processing
- temporary admission
- end use
- outward processing
- duty suspension

A business can only account for import VAT on their VAT return once they release excise goods for use in the UK – also known as 'released for home consumption'.

If the business imports goods that are not controlled into Great Britain from the EU, between 1 January and 30 June 2021, they must also account for import VAT on their VAT return, even if they delay the customs declaration or use a simplified customs declaration to make a declaration in their records.

## Deferring VAT

New rules for VAT deferment apply in Great Britain, which allow businesses that import goods regularly, to apply for a deferment account to delay paying most customs charges, including import VAT.

Through this account, a business can make a single payment each month via direct debit instead of paying for each consignment separately.

The scheme is open to importers or customs agents and freight handlers that work for importers and have an approved deferment guarantee or waiver in place.

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**Regardless of the method of accounting for VAT on imported goods, checks to ensure that the data on the customs declarations is accurate will continue to be highly important for VAT purposes, for all imports.**

## Consignments of value below £135

Imported goods in a consignment not exceeding a value of £135, excluding specific excise goods and gifts, will not be subject to import VAT at the border.

Low-value consignment relief will be withdrawn and VAT will now be charged on the goods as if they were supplied in the UK and accounted to HM Revenue & Customs on the UK VAT return.

However, businesses selling goods to be imported into the UK with a value not exceeding £135 will be required to charge and collect any VAT due at the time of sale.

For UK VAT registered businesses importing goods in a consignment not exceeding £135 in value that has not been charged VAT at the time of purchase they can account for this VAT on their VAT return under the usual reverse charge method.

## Place of supply

**Businesses must determine the country where a supply takes place for VAT purposes so that they know where VAT due is payable.**

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Businesses should be aware that they may continue to create VAT liabilities in other EU Member States. This may mean that businesses in the UK require multiple EU VAT registrations within each member state that they trade within.

## Reclaiming VAT in the EU

Currently, UK firms incurring VAT in EU countries can claim VAT back (subject to national rules) via HM Revenue & Customs's dedicated refund portal.

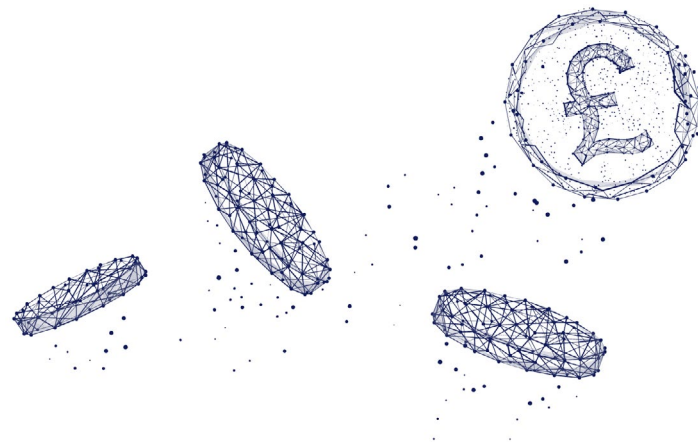
That arrangement will remain in place until 31 March 2021, after which time, there is currently no provision in place to claim for VAT incurred in 2020, under the terms of the Withdrawal Agreement.

## Impact on services

Post-Brexit there should be minimal impact on the supply of services. Business to business services are treated as though they are supplied where the customer belongs and that customer must account for the local VAT.

This will mean that for UK service suppliers they will continue to not charge UK VAT. For business to consumer supplies, UK VAT generally applies and this will also remain the same.

When receiving services, UK businesses may still have to apply a reverse charge to the receipt of services from non-UK suppliers. This ensures that there is no competitive advantage from sourcing services via non-UK suppliers.





## Retaining and recruiting talent

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The end of the transition period also signifies the end of the free movement agreement between the EU and the UK. This may mean that steps need to be taken to retain existing talent or recruit new talent where the employee is an EU citizen.

Employers should check whether existing employees from EU member states need to apply to the settlement scheme.

A person is eligible for settled status if:

- they started living in the UK by 31 December 2020; and
- have lived in the UK for a continuous five-year period.

Five years' continuous residence means that for five years in a row they have been in the UK, the Channel Islands or the Isle of Man for at least six months in any 12-month period.

If they do not have five years' continuous residence when they apply, they'll usually get pre-settled status. To get this they must have started living in the UK by 31 December 2020 and can stay in the UK for a further five years.

They can then apply to change this to settled status once they have five years' continuous residence.

Some EU citizens may be able to stay in the UK without applying – for example, Irish citizens or those with indefinite leave to remain.

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**The deadline for applying for settled status is 30 June 2021. Businesses wishing to retain talented EU citizens may wish to help employees to prepare the necessary application.**

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After the transition period, you can still recruit EU citizens but you will need to apply for permission and obtain the necessary visas.

To recruit workers from outside of the UK in the skilled worker category in future, you will need to demonstrate that:

- 1 They speak English at the required level;
- 2 They have a job offer from a Home Office licensed sponsor;
- 3 The job offer is at the required skill level of RQF3 or above (equivalent to A level); and
- 4 They'll be paid at least £25,600 or the 'going rate' for the job offer, whichever is higher.

If the job pays less than £25,600 (but no less than £20,480), the applicant may still be able to apply for permission by 'trading' points on specific characteristics against their salary.

For example, if the worker has a qualification in a relevant job or has a job offer in a 'shortage occupation.' There are also different salary rules for workers in health or education jobs and new entrants who are starting their careers.

This new system will not apply to EEA or Swiss citizens already employed in the UK, as they can use the EU settlement scheme.

To become a Home Office licensed sponsor, you must apply online and do the following:

- 1 Check that your business is eligible;
- 2 Choose the type of licence you wish to apply for, which will depend on what type of work you want to sponsor;
- 3 Decide who will manage the sponsorship within the business; and
- 4 Pay a fee.

You will be given a licence rating and be able to issue certificates of sponsorship if you have jobs that are suitable for sponsorship. This will remain valid for four years as long as you:

- Check that your foreign workers have the necessary skills, qualifications or professional accreditations to do their job and keep copies of documents showing this.
- Only assign certificates of sponsorship to workers when the job is suitable for sponsorship.
- Tell UK Visas and Immigration (UKVI) if your sponsored workers are not complying with the conditions of their visa.

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**The rules are not straightforward and it is strongly advised that you seek professional advice.**

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## Impact on overseas business travel

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**From 1 January 2021, there are new rules to travel to the EU, or Switzerland, Norway, Iceland or Liechtenstein.**



## **Under these new requirements, UK nationals will need a visa if they want to stay in the EU for more than 90 days in a 180-day period.**

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European Health Insurance Cards remain valid until their expiry date and the plan outlined in the agreement is to replace these with a UK Global Health Insurance Card.

A person does not need an International Driver's Permit to drive in the EU as a UK citizen as long as they have a valid UK licence.

Should you or any representatives of your business need to travel to the EU in future you may need to consider the following:

- Check your passport
- Get travel insurance that covers your healthcare
- Check you have the right driving documents
- Tell HMRC you'll be working in the EU
- Check whether you'll need to pay social security contributions in the country you're working in
- Check whether you need indemnity insurance for your employees
- Check you've got the right documentation to take goods to the EU.





## Working in the EU

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UK professional qualifications won't be recognised automatically in the EU, which will make it more difficult to work in the EU, especially for those in the service sector.

It appears that UK citizens will need to apply to the individual country in which they wish to work to get any professional qualifications accepted. This may change as the agreement suggests a framework of mutual qualification recognition in the future.

There are measures which commit both the UK and the EU to maintain common standards on worker's rights, as well as many social and environmental regulations. The UK does not have to follow EU law, but they do have to be seen to protect the rules of "fair competition".

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## Personal data use

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Both the UK and EU want data to flow across borders as smoothly as possible, but the agreement also stresses that individuals have a right to the protection of personal data and privacy and, to quote a line in the agreement, that "high standards in this regard contribute to trust in the digital economy and to the development of trade."

The EU has agreed to a period of four months, extendable by a further two months, in which data can be exchanged in the same way it is now, as long as the UK makes no changes to its rules on data protection.

After this period ends, the data rules are likely to remain relatively unchanged, as UK businesses will need to comply with UK data protection law, which is enshrined in the Data Protection Act 2018.

Looking ahead, businesses will also need to comply with any changes to EU GDPR if they offer goods or services to monitor the behaviour of individuals in the EEA or have branches or offices in the EEA.

Businesses should still consider their current compliance documentation and whether it needs to be updated or revised to deal with changes resulting from Brexit, including a review of data protection impact assessments, records of processing activities, privacy policies and agreements relating to the transfer of personal data.





## New Opportunities

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**Businesses need to be ready to grow as the Government has pledged to regulate industries in a way that works for them under its new sovereignty outside of EU directives.**

It also wants exporters to be ready to take advantage of new free trade agreements with the fastest-growing economies around the world.

Already the UK has signed many free trade arrangements and there are more agreements being completed with nations around the world.

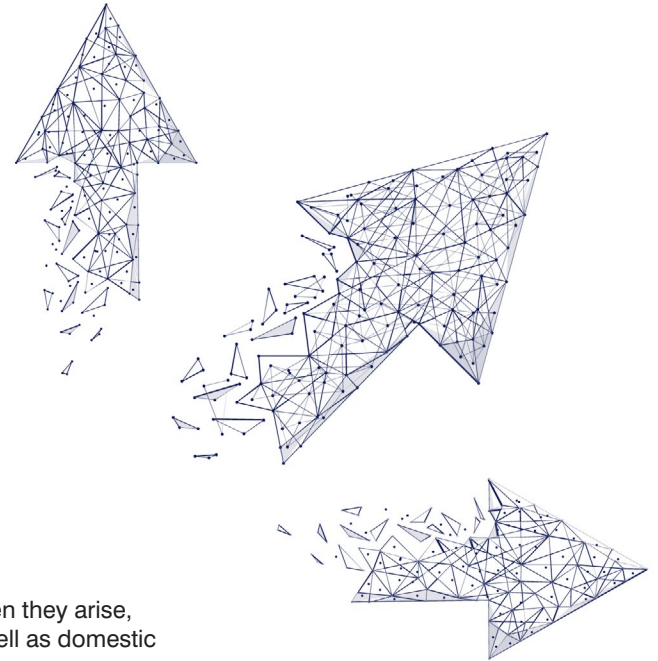
The UK has also signed trade continuity agreements with existing trading partners, which replicate the effects of the existing EU trade agreements and help ensure continuity for UK businesses.

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**The UK can now establish new trade deals with a wide range of markets, opening up new opportunities for businesses, both new and established.**

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Being able to spot and react quickly to these new opportunities, as and when they arise, could be essential to future success, both for importers and exporters, as well as domestic businesses and investors.





## How we can help

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Our team are standing by to help support you with any difficulties you may face or new opportunities that come your way.

We have a dedicated team of business, tax and accountancy specialists who can help you navigate the ever-changing road ahead.

If you would like advice on trading with the EU post-Brexit or any other issues related to it, please contact us today.