



Pro FS

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Ready, Steady...Brexit!

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Why risk a false start?

- ▶ We are now only a few weeks away from 29th March - the date on which the UK will legally cease to be a member of the European Union.
- ▶ It is still not clear exactly WHAT this may mean come 30th March or HOW it will take place but there currently remains a risk that there will be a 'NO DEAL' outcome.
- ▶ If there is no deal, the UK and the EU will sever all ties immediately & there will be no transition period (as provided for under the draft Withdrawal Agreement). WTO rules will apply.
- ▶ This will clearly have an impact on all businesses importing and exporting between the UK and Europe, which need to be planned for.

What will it mean for UK ecommerce?

- ▶ All UK businesses trading with the EU will be required to hold a UK Economic Operator Identification (EORI) number
- ▶ There will be changes to VAT and customs duty obligations for trading in both the UK and the EU
- ▶ There will be changes in the data requirements for exporting goods into Europe or importing them into the UK
- ▶ Customs inspections may take place more frequently, resulting in transit time increasing and extra customs handling charges
- ▶ Data protection and contractual implications will require consideration



When will the changes have an impact?

The changes set out here will impact businesses after the UK's effective withdrawal from the EU.

- ▶ If there IS agreement to a Withdrawal Arrangement, transitional provisions will apply and EU rules will remain, until at least December 2020 and so the changes set out here can be planned for and adopted in due course.
- ▶ If there is NO agreement by 29th March, the changes will come into effect immediately.

To avoid significant disruption in this scenario, it is important that businesses start evaluating the detail - the steps they can, and need to, take NOW.

If a deal is reached - there is little down side of being over prepared/ready to take opportunities.

However, if there is no deal, the consequences of potential disruption to normal trading because of not being prepared, are much more significant.





Requirement for EORI number

All businesses who wish to sell goods from the UK must obtain an Economic Operator Registration and Identification number (EORI) from HMRC, which will be required for any customs clearance process, including the EU post Brexit.

It's free to get EORI registered and the application process should only take about 3 days to complete but it is relevant to all companies, whether UK VAT registered or not.

Registration can be completed online via HMRC's website: <https://www.gov.uk/eori>

VAT Changes: Exports

- ▶ Exports to the EU will be zero rated in the UK in the same way as for non-EU destinations. VAT will be collected when the goods are cleared into the EU.
- ▶ Distance selling rules will no longer apply. There will no longer be a minimum threshold applied to VAT registration requirements for UK sellers into the EU. ALL retailers selling to EU customers will require registration in an EU member state.
- ▶ Low Value Consignment Relief rules ('LVCR') still currently operate into Europe for registered retailers from outside the EU, including UK exports.
- ▶ UK businesses importing goods to the UK will now pay import VAT as part of their VAT accounting.
- ▶ The treatment of imports by non UK businesses to UK customers will depend on value.
- ▶ For goods over £135 the rules will remain as currently. The recipient will be responsible for VAT.



VAT Changes: Imports

- ▶ UK businesses importing goods to the UK will now pay import VAT as part of their VAT accounting rather than at the point of entry.
- ▶ The treatment of VAT on imports by non UK businesses to UK customers will depend on value.
 - ▶ For parcels and packets containing goods of less than £135 in value, VAT will be collected and accounted for on a quarterly basis by the Supplier (via a new HMRC online system).
 - ▶ Postal carriers and importers will be jointly liable for ensuring import VAT is accounted for.
 - ▶ For goods over £135 the rules will remain as currently. The recipient will be responsible for VAT.
- ▶ Low Value Consignment Relief (LVCR) into the UK will end. UK VAT will become payable on all goods imported into the UK by non UK businesses, regardless of value or origin.



Customs Duty Changes

Under WTO rules, parcels shipped from non-EU countries into the EU with a value over **150 Euros** will incur import duty.

Duty rates are dependant on the product imported and its customs classification ('HS') code.

It is therefore vital that descriptions provided are accurate and sufficient, so that the right amount of duty is applied.



Customs Declarations

CN22 & CN23

All items exported to the EU will now also require the completion of:

- ❑ CN22 (for items valued up to £270)
- ❑ CN23 (for items valued above £270).

A CN23 will also need to be accompanied by a commercial invoice.



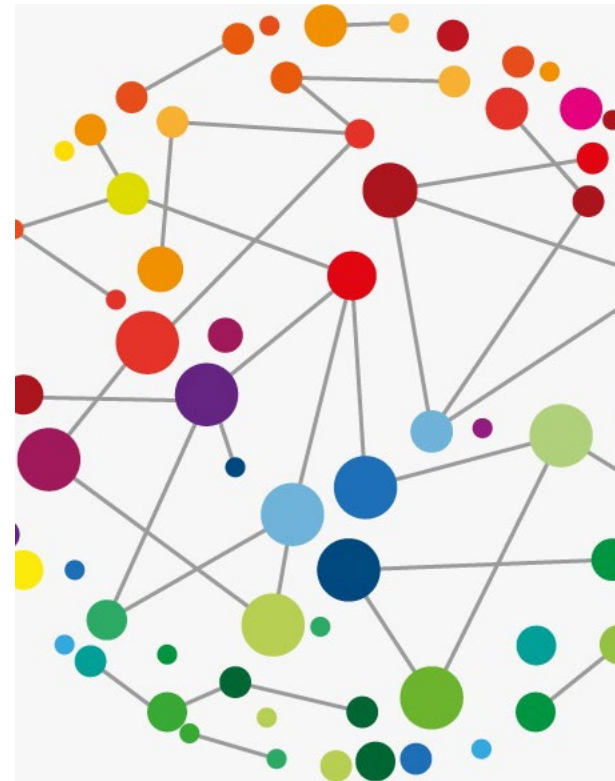
Changes in Data Requirements

With the requirement for CN22 and CN 23 forms, UK exporters will be required to provide customs with fuller information about goods being shipped to the EU.

These will include:

- ▶ A full & detailed description for each item/SKU exported.
- ▶ Full details of the sender and recipient
- ▶ Customs Harmonised System (HS) Code
- ▶ The sales value by item/product - inclusive of shipment costs
- ▶ Country of Origin
- ▶ Weights and dimensions

To minimise the risk of increased transit times and costs it is important to ensure data supplied is accurate, sufficient and complete.



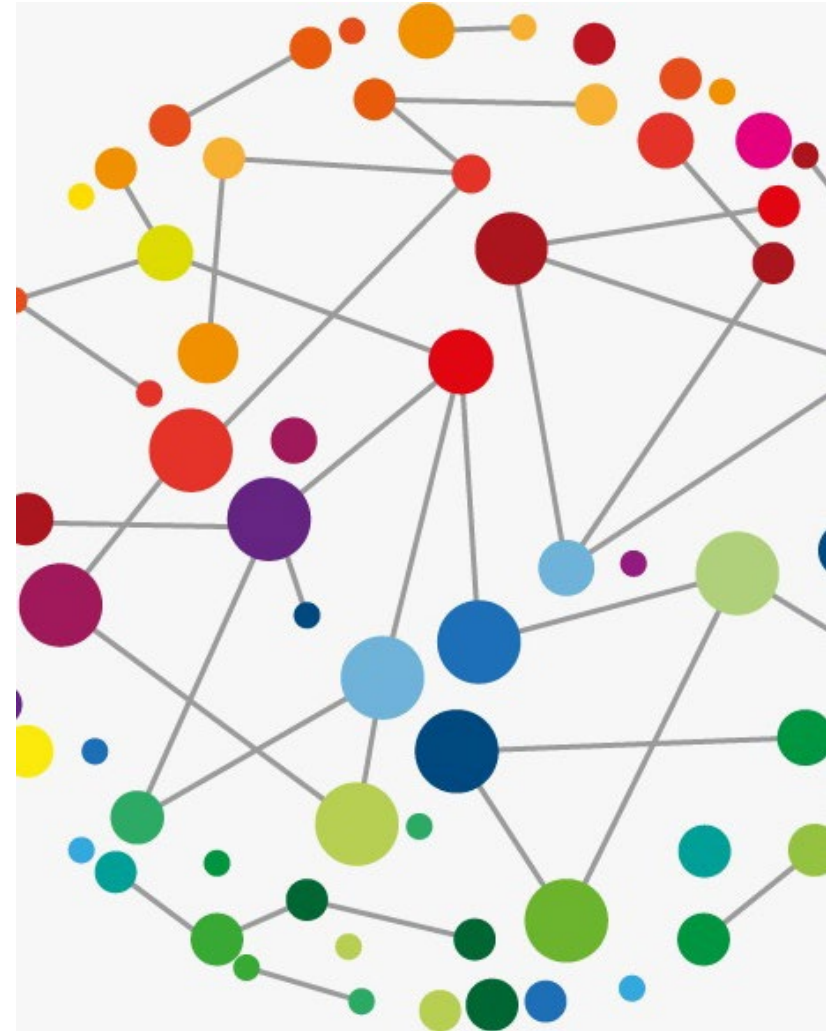
Customs 'Harmonised System' (HS) Codes

Commodity codes also known as 'HS codes' represent a standard description of the products that you're trading and can be recognised worldwide by all customs systems in countries that are members of the WTO.

This eliminates language barriers and issues with interpretation of product descriptions at customs clearance points.

HS codes can be 8 or 10 digits long.

To ensure your products do not incur delays, it is best to use the 10 digit format, which is universally recognised for both imports and exports.



Data - the details...

- ▶ **Full goods Description**

Specific and detailed description is required e.g. Women's red suede shoes; Apple iPhone7 case, black leather.

Generic terms such as 'footwear' or ' phone accessories' are NOT acceptable.

Customs Harmonised System (HS) Codes are also required in support of the description to assist with standardisation.

- ▶ **Sender and recipient details**

Sender's business details, including EORI number will be required.

Recipients name, full address, contact telephone/email are required.

- ▶ **Total weight & dimensions**

The weight and dimensions of your SKUS are required to include packaging.

- ▶ **Country Of Origin**

Details of the country in which the goods were manufactured are required.

The 2 digit ISO country code (e.g. 'DE' for Germany) should be provided.

- ▶ **Shipping Costs**

This is how much the end receiver has been charged to ship the goods.

- ▶ **Invoiced Value**

This is total invoice value for Customs declaration. It comprises the total value of the goods sold, including shipping.

- ▶ **Reason for Export**

This is the nature of the shipment, for example:

- ▶ Commercial sale
- ▶ Returns
- ▶ Gift
- ▶ Commercial Sample

Terms of delivery / international Commercial terms

Companies will need to consider updating their contracts and International Commercial Terms, to include trading with Europe, to make clear who is responsible for importing goods and paying any duty/VAT.

▶ Exporting to EU consumers

Consideration will need to be given to whether goods are exported as 'Delivery duty paid' (DDP) 'Delivered at place' (DAP).

DDP means that the exporter accepts liability for the duty/VAT.

DAP means this sits with the customer.


▶ Importing /Exporting from/to EU businesses

Similarly, consideration needs to be given as to the cost of the duty/VAT on your shipments on B2B imports/exports with the EU and where liability will sit under your Commercial Terms and those of your EU suppliers.





Data Protection

- ▶ UK Businesses are being advised to continue to comply with GDPR standards as the UK Government intends to bring GDPR into UK Law on exit.
 - ▶ For Data transfers from the UK the government has stated that transfers to the EEA from the UK will continue to be unrestricted, and without additional requirements.
 - ▶ From the EU to the UK, adherence to the standards of GDPR is considered the best approach to provide the comfort to the sender of data that adequate safeguards are in place.
 - ▶ Where UK businesses have EU customers or market to EU individuals they will have to appoint a European representative.
 - ▶ Documentation, including Data Processing Agreements and privacy policies, may require updating with UK references in place of EEA.
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What does Pro FS need from you in advance to continue to provide you with a seamless service post Brexit?

Standing Data

- ▶ Details of EORI number
- ▶ Any changes to Data Processing instructions
- ▶ Updated commercial terms
- ▶ Details of any transactions to be processed that do not constitute standard commercial sales as a reason for export.

SKU Data file

- ▶ Detailed customs product description
- ▶ Product composition
- ▶ correct 10 digit customs (HS) code
- ▶ Product country of origin (ISO2 code)

Customer Order file data

- ▶ Order value *including* shipping
- ▶ Full and valid customer address and contact details



Useful links

General

<https://www.gov.uk/business-uk-leaving-eu>

<https://www.gov.uk/guidance/exporting-and-importing-goods-if-the-uk-leaves-the-eu-with-no-deal>

Registering to Import/Export

<https://www.gov.uk/eori>

<https://www.gov.uk/guidance/get-a-uk-eori-number-to-trade-within-the-eu>

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/750255/No-deal_EU_exit_step-by-step_guide_to_exporting_Oct_2018.pdf

EU Registration requirements

https://ec.europa.eu/taxation_customs/business/customs-procedures/general-overview

Commodity(HS) Codes

<https://www.gov.uk/trade-tariff>

Changes to contracts

<https://iccwbo.org/resources-for-business/incoterms-rules/>