



## **BREXIT – what are the consequences for you?**

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z wie die vom zoll.



**znetgroup**

WISETECH GLOBAL GROUP

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## Preface

Even at this stage it is not clear how the United Kingdom of Great Britain and Northern Ireland (UK) is leaving the EU. The UK should have left the EU on 31 October 2019, but the Brexit deadline was recently extended again by up to three months. On 28 October, the European Union agreed on a flexible Brexit extension, the so-called "flection", of up to three months. According to the agreement, the EU withdrawal is to take place by 31 January at the latest. If the withdrawal agreement is ratified beforehand, the UK could possibly leave sooner.

In the area of customs, preferences and export control there are different consequences for each variant.

Regardless of the individual variants for economic operators the Brexit means the introduction of previously unnecessary customs formalities, e.g. the import-export handling with Switzerland could be seen as a reference here, and the additional administration and customs clearance costs associated.

Companies particularly affected are those that have exclusively operated in the EU internal market so far. For these companies a number of registration obligations and adjustments in the logistical processing as well as in the documentation and IT will be necessary. In particular these are:

- Applying for a so-called EORI number (Economic Operators' Registration and Identification number) formerly: Customs Number
- Building customs knowledge in your company. znet will be most gladly supporting you!
- The declarant is usually established in the EU.
- The exchange of information between economic operators and customs authorities is generally carried out electronically. The utilisation of the existing IT system ATLAS requires inter alia registration and certified software.
- Make or buy: Do customs clearance yourself or commission a freight forwarder / customs declarant as part of a direct representation

# I. Which Brexit variants are possible?

## 1. Scenario 1: Orderly Brexit including withdrawal agreement

Even if the withdrawal agreement is adopted the UK will withdraw from the EU on 30 March 2019. Time will be gained though to inter alia regulate future customs and preference processing, which will apply within the transitional period, until the end of 2020.

During the transitional period it remains in principle as if the UK were still in the Customs Union and the Internal Market. This means inter alia that deliveries between the EU27 (excluding the UK) and the UK can continue unchanged.

But be careful: This is not ensured in the area of trade agreements and preferences as the UK's status requires the agreement of all trade agreement partner countries.

## 2. Scenario 2: „Tough“ or noncontract Brexit

The UK's separation from the EU occurs without any approved withdrawal agreement. This means Great Britain receives the status of a third party country such as the USA. This would result in the following formalities being necessary when exporting to Great Britain

### a. Export

- Export customs declaration and
- Registration with EORI number, if not already present
- Customs software installation for ATLAS export for the prescribed electronic processing. Please use our proven software solution zara®.
- In addition, an authorisation, the customs-compliant article master data (goods tariff numbers, descriptions, origin, customs value) and the corresponding codes are required.
- Export licences may be required for sensitive goods.

znet will support you efficiently with our automated IT solution for auditing and administration of approvals.

- Modification of delivery condition "DDP/Frei Haus" necessary
- Note the impact on turnover tax: EU directives (e.g. reverse charge procedure) lose validity

For imports from Great Britain a customs declaration is inevitable. Here also, treatment for the UK equals the treatment of a third party country.

### **b. Import**

- Duty payments necessary. The level of duties is principally based on the UK customs tariff. It will be based on the EU tariff or will be lower than that.
- Security must be deposited for any customs procedures claimed
- EORI registration required
- Export clearance UK required
- Import declaration (electronic customs declaration ATLAS)
- Customs software installation for ATLAS import for the prescribed electronic customs clearance. Please use our proven software solution zara®.
- Modification of delivery condition "DDP/Frei Haus" necessary

### **c. affected goods traffic**

Not only imports and exports are affected by the possible customs formalities. If the UK becomes a third party country, all goods traffics such as

- stock movements
- fair goods
- repairs
- ...

are affected by this!

Therefore there will have to be customs clearance on both sides of the Channel and on the island of Ireland

#### **d. Authorisations**

For customs and logistical reasons companies must ensure and arrange respectively that:

- Existing authorisations can be adapted (e.g. extension of the group of countries, processing and stock locations in UK)
  
- New customs authorisations must be applied for, in particular the authorisation to operate temporary storage facilities for the import of goods within the context of the import or including the authorisation of registered consignees to ensure smooth import. For a new application processing deadlines must be noted. znet will be most gladly support you here.

## **II. Export control**

The Brexit will also have consequences for export control. As the UK becomes a third party country, export licences will be required much more frequently instead of transfer licences, if necessary not until a transitional period. In many cases it will certainly be possible to use a general authorisation. Nevertheless, an export control and a corresponding organisation within the company must be established. So all companies with dual-use items that supply customers in the UK or export from the UK will be facing substantial work and uncertainty when it comes to export control. Since such deliveries will become subject to authorisation as a result of Great Britain leaving the EU. In order to continue acting legally secure and efficient, our proven znet software supports you in audits and permit management.

It is currently not possible to make any reliable statements about the future direction of British export control policy.

### III. Preferences

The Brexit will also have consequences for preferential rules of origin which, in turn, must be related to the following two possible variants:

#### 1. **Orderly Brexit including withdrawal agreement**

The UK is no longer member of the EU, therefore it is no longer part of the contract of trade agreements. During the transition period until 2020 the EU will ask trading partners to continue treating the UK as an EU member. Under the assumption that the trading partners are going to fulfil this request, which is currently assumed in principle, nothing will change during the transition period: Supplier's declarations will continue to apply. Invoice declarations will continue to be issued. However, if individual trading partners should not agree, it is uncertain how this will be handled in practice. However, considering the end of the transitional period, it is advisable to recalculate preferences and in the event of a possible loss of preference, to consider new manufacturing methods if necessary.

#### 2. **„Tough“ Brexit without withdrawal agreement:**

From the date of withdrawal UK goods do not apply as EU goods anymore. Therefore they are no longer eligible for preferential treatment. This has a significant impact on preference determination. Materials from the UK are therefore regarded as non-originating materials and handling and processing in the UK is no longer originating, therefore those materials lose their preferential origin.

An urgent recommendation is to recalculate preferences, and in the event of a possible loss of preference, to consider new manufacturing methods if necessary.

According to the IHK (Chamber of Industry and Commerce) it would make sense to issue long-term supplier's declarations for the entire legal year of 2019 or the usually required deadline and not to align them with the uncertain Brexit deadline.<sup>1</sup>

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<sup>1</sup> Marc Bauer 2018 IHK Region Stuttgart

## IV. Projects

Every company with supply relationships with the UK should think about the following questions at short notice:

- Which of my goods traffics are affected?
- Which of my goods are affected?
- Do I have commodity codes, descriptions and coding for import, export and ATLAS for all my items?
- Do I have dual-use items?
- Do I have an EORI and do I have to apply for it?
- Am I losing my preferential origin of goods?
- Can I redirect my production if necessary?
- Which of my permits are affected?
- Do I have to adjust my authorisations?
- Do my contract and delivery terms fit? (Incoterms®),
- Are special certifications required? Are certificates still valid?
- Do measures have to be taken against interruptions in delivery?
- Do investment decisions have to be made?



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## BREXIT Checklist

Goods traffic and contract		Check	yes	no
A	What is our trade with the UK (England, Northern Ireland, Scotland and Wales) ? What business do we do?	Import from the UK		
		Export to the UK		
		Repairs/processing operations		
		stock movements		
		Exchange e.g. of machine parts		
		returned goods		
		Transports through UK e.g. to Ireland		
		Other services		
		Check INCO-Terms (DDP-Term obligates to customs clearance in the UK)		
customs clearance		Check	yes	no
B	The United Kingdom will be a third country! Customs clearance must therefore take place for imports and exports. We therefore have:	EORI number requested at customs		
		UK- EORI number is no longer valid. EORI number requested at customs		
		Goods tariff number (customs tariff number) determined according to EU customs tariff (EZT) for my goods		
		Catalogue of goods with customs tariff numbers and indication of origin exists		
		Indication of the relevant codes for customs procedures as determined by ATLAS in accordance with the information sheet for customs declarations.		
		If applicable, registered and applied for as "Reliable Economic Operator" (AEO)		
		The electronic transit NCTS requested		
		UK has acceded to the Common Transit Convention. As an authorised consignor, UK is applied for and deposited by the licence holder.		
		For excise goods: EMCS procedure necessary and requested		
		Returns: Proof of delivery and identity (Article 203(5) UZK and 158 UZK DA / Article 158 UCC DA) can be provided		
		ATLAS import: Customs declarations before and after presentation with "old" British EORI numbers are no longer accepted and must also be transmitted again.		
		ATLAS: Export: In the type of declaration, the code "EU" must be entered after the Brexit.		
Employees selected and trained				

B	United Kingdom authorisations for customs simplifications or procedures, such as customs warehouses, but also AEOs, will no longer be valid in the EU (EU27). Quota arrangements will expire.	Check	yes	no	
		New request for binding tariff information			
		Binding origin information newly requested			
		Customs warehouse goods from the customs warehouse in the UK are subject to import clearance.			
		The EU sees inward processing in the UK as outward processing			
		The AEO is applied			
	We want to carry out customs clearance ourselves. That is why we have:	Check	yes	no	
		ATLAS customs software for import, export and shipment introduced with NCTS			
		ATLAS user account for lodging electronic customs declarations requested and set up			
		Interfaces to the source system defined			
		A deferment account for the presumed duty to be paid and the import sales tax requested			
		Analysis of the value chain (Which goods traffic do I have?)			
	Employees trained				
		We do not want to carry out customs clearance ourselves. That is why we have:	Check	yes	no
			An authorisation for customs clearance issued		
	Know the difference between direct and indirect representation				
	We checked which simplified customs procedures make sense for us.	Check	yes	no	
		Customs warehouses			
		Authorised recipient			
Inward processing and outward processing					
Transformation traffic					
NCTS customs transit					
Application for a simplified customs declaration for export					

Customs duties and origin rules		Check	yes	no
C	Our products may be subject to import or export duties if the EU and UK do not conclude a bilateral free trade agreement.	Import and export prices have been recalculated with the respective customs rates.		
		The calculation takes the deductible import turnover tax (19%) into account		
		The tax department coded the deliveries to the UK as tax-free export deliveries.		
		UST-ID and UST-ID procedure can no longer be used in the UK business		
	Our company purchases raw materials for further processing from the UK. After Brexit, these materials are no longer valid for reaching the preferential EU origin of the final product.	Check	yes	no
		In the event of loss of origin: audit for new supplier structures outside the UK		
It is ensured that supplier's declarations (LE/LLE) with declaration of origin are not issued to UK companies.	We checked all long-term supplier declarations (LLE) and revoked them if necessary.			
Exports and export control		Check	yes	no
D	UK is a third country. We have therefore familiarised ourselves with the applicable control regulations of the EU and Germany in cross-border trade with third countries (export control).	Examination of all goods and services for approval requirements		
		° Dual-use goods		
		° Certain firearms with respective ammunition and reloaders		
		° Goods covered by the Anti-Torture Ordinance		
		° Trading and brokerage transactions		
		° Technical support		
		Check of goods recipients according to export control lists		
		Testing the intended use according to export control regulations		
		Creation of export declarations and export clearance		
		Creation of shipping documents in the electronic NCTS shipping procedure or for goods subject to excise duty in the EMCS procedure		
	For goods traffic with a third country, we have to establish a compliance organization.	Check	yes	no
		Application for a simplified customs declaration for export		
		Application for export licences to BAFA		
		Application for import permits e.g. at BALM		
Use of export control software such as zara Compliance and Export				
Appointment of an export manager				
Training of employees				
E	Chemicals	Check	yes	no
	We are registered with the Chemicals Agency ECHA in England. It remains questionable whether the existing test certificates with UK are still valid.	Valid REACH registration of registered substances		