




Dunkley's
Chartered Accountants

BUSINESS AFTER BREXIT

What UK businesses need to know and do
from 1 January 2021.

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CONTENTS

Business After Brexit	2
Brexit Timeline	3
Importing & Exporting	4
Importing & Exporting Checklist	8
Getting VAT Right	8
Getting VAT Right Checklist	11
Business Travel To EU	12
Business Travel To EU Checklist	14
New Opportunities	14



BUSINESS AFTER BREXIT

Following the referendum vote in 2016, the UK officially left the European Union (EU) on 31 January 2020.

The majority of 2020 was then spent in a transition period in which the EU laws continued to apply to the UK. This meant nothing changed for most businesses, but now the transition period has ended, there are several new rules that are being implemented and could affect you and your business.

For example, if your business imports and exports to EU countries, you will now have to deal with customs borders. Customs tariffs may also be due on imports and the way VAT is accounted for with regards to imports from all countries has changed.

To help ease businesses into the new relationship with the EU, the Government has created a post-Brexit legislation. Most new laws and regulations are intended to limit disruption and allow businesses to continue as smoothly as they can.

This guide provides a high-level overview of the key Brexit changes for most UK businesses, with particular reference to importing and exporting.

If you need advice or support on any of the information outlined, we are here to help. Feel free to contact a member of our team today on 01454 619900 or by emailing advice@dunkleys.accountants.



BREXIT TIMELINE

Now the UK have left the EU, businesses need to be aware of these key dates.

23 JUNE 2016

The UK votes to leave the EU.

31 JANUARY 2020

The Brexit period begins.

31 DECEMBER 2020

The transition period ends.

1 JANUARY 2021

The UK operates independently of EU laws and requirements. The main changes for businesses are as follows:

CUSTOMS

- Full controls are in place for exports from the UK to the EU. UK Global Tariffs apply to all imports from EU countries unless the country you're importing from has a trade agreement in place or exceptions apply, such as reliefs or tariff suspensions.
- Full controls are in place for staged imports of controlled goods, and excise goods such as alcohol and tobacco.
- If you are importing non-controlled goods from the EU to the UK, you can decide to delay customs declaration for up to six months or complete the full customs declaration on import.
- If you choose to delay your customs declaration by six months, you will still need to prepare for basic customs requirements — keeping sufficient records of imported goods, for example. Traders will also need to consider how they



account for and pay VAT on imported goods (including any VAT that changes if the full customs declaration later means that the value of tariffs paid changes).

- Any tariffs due will need to be paid, but these can be deferred until you have made your customs declaration.

VAT

- Import VAT will now be due on all goods including those arriving from the EU.
- Postponed VAT accounting for all imports comes into effect.
- Consignments not exceeding £135 in value have UK supply VAT applied at point of sale rather than UK import VAT.
- UK Low Value Consignment Relief (LVCR) is abolished.
- Exports to the EU are zero-rated for VAT.

EMPLOYMENT

- EU citizens moving to the UK (and UK citizens moving to the EU) for work after this date need a visa as part of new immigration rules. Those from the European Economic Area or Switzerland need a sponsor license. However, businesses can continue to check EU, European Economic Area (EEA) or Swiss citizens' rights to work in the UK based on their passport or National Identity card until 30 June 2021.

TRAVEL

- Existing 'burgundy' UK passports must have at least six months left until expiry to travel to most EU countries (except Ireland). Five and ten-year passports now also have different expiry rules. Details of this change, can be found in the 'Business travel to the EU' section on page 21.
- Travel insurance including health coverage will be required for travel to EU countries. It is no longer certain that your European Health Insurance Card (EHIC) will be valid whilst visiting the EU.
- A visa might be required for your visit depending on country, length of stay



and purpose of visit.

1 APRIL 2021

CUSTOMS

- Additional checks on SPS (Sanitary and Phytosanitary) goods begin. To find out more, please read section 2.1 of the UK's Borders Operating Model manual.

1 JULY 2021

CUSTOMS

- From this date, traders importing any goods will have to make either full or supplementary simplified declarations immediately upon import. The delayed declarations for the first six months of 2021 will no longer be possible.
- Importers will need to pay VAT and excise duty where necessary. Postponed VAT accounting and duty deferment for account holders will still be available after this date.

EMPLOYMENT

- From this date you can no longer determine an EU, EEA or Swiss citizens' right to work in the UK using only their passport or ID card. You must instead use the new immigration visa system.



IMPORTING & EXPORTING

The UK now have a customs border with EU countries, with full customs controls.

This means import and export declarations are required to bring goods into the UK from France and Germany, for example. Customs and excise duty might also be payable on imports, as well as VAT.

To allow for a period of adjustment, the UK Government is making allowances – some permanent, some temporary – that mean businesses are not faced with a sudden strain on their administrative resources, or overwhelming cash flow requirements.

Before we look at the allowances, it is important to understand the changes that the end of the transition period have brought to UK businesses.

EU IMPORT AND EXPORT CHANGES

With a customs border now existing between the EU and UK (except for Northern Ireland and Ireland), moving goods between the UK and EU is now considered as importing and exporting.

From an administrative point of view, this will involve customs declarations, and require an understanding of previously inscrutable knowledge such as commodity codes and customs procedure codes. The basics are as follows.



IMPORTING OVERVIEW

Customs and excise duties might be payable on imports into the UK from the EU, as with non-EU countries. To help with this change, you can make use of existing simplified import measures to reduce the administrative requirements.

From 1 January 2021, the UK Global Tariff (UKGT) will replace the EU's Common External Tariff. It will apply to all imports from countries for which the UK does not have a trade agreement. You can check the tariff for an import using the Government website's lookup tool.

You may need to apply for licenses to import certain goods into the UK, and some goods might require an inspection fee be paid.

EXPORTING OVERVIEW

Many businesses exporting to the EU from 1 January 2021 will use the simplified declaration procedure, although this can only be used for certain kinds of exported goods. It means you do not need to provide as much information as a full declaration up front and can instead use a pre-shipment advice declaration.

With this said, you will still need to provide the remaining customs export information later. You can also simplify export paperwork requirements using the entry in declarant's records (EIDR) procedure, although this only applies to goods that do not need a pre-departure declaration.

Please, however, note that the simplified declarations and entry in declarant's records both require an application to HMRC and it to be authorised before use. If you are making an export declaration yourself, rather than through a customs intermediary, you will need to register for and use the National Export broker or



their freight agent as they will often have a duty or VAT deferment account that you can make use of meaning you do not have to pay duty or VAT immediately. This can help with your cash flow, and ensure the goods are then able to get through the port quickly.

CUSTOMS REQUIREMENTS

Customs declarations include several pieces of information including the EORI number, commodity code, customs procedure code (CPC), the value of goods for customs purposes, the weight or size and country of origin.

Import declarations can be complicated and require software that can integrate into the Government's Customs Handling of Import and Export Freight (CHIEF) system. Eventually, this will be replaced with the Customs Declaration Service, or CDS, which must already be used for goods moving to or from Northern Ireland (including goods moving between Northern Ireland and England, Wales, or Scotland). But as of now, the CHIEF system remains in use, and should be used for most imports and exports.

EORI NUMBERS

From 1 January 2021, all UK businesses located in Great Britain that import or export goods to or from the European Union (EU) will need an Economic Operator Registration and Identification (EORI). Businesses in Northern Ireland might need an EORI too.

In fact, businesses might need up to three different types of EORI, depending on the location of your business and what it does:

- **Businesses in Great Britain:** To trade goods with EU countries, you will need



an EORI number that starts with GB. However, if your business only moves goods between Northern Ireland and the Republic of Ireland – and nowhere else – it will not usually require an EORI number.

- **Businesses moving goods to or from Northern Ireland:** If you move goods to or from Northern Ireland, you will need a second EORI number that starts with XI. This includes moving goods between Northern Ireland and the rest of the UK and moving goods between Northern Ireland and non-EU countries.
- **Businesses making declarations or getting customs decisions in EU countries:** If your business makes declarations or gets customs decisions in an EU country, you will need to get an EORI from the customs authority in the EU country where you submit your first declaration or request your first decision.

In 2019, the UK Government began sending out GB EORI numbers to businesses that it believed required them. These are likely to have been sent to your business' registered address. If you have not received your EORI number, you can apply online.

Similarly, the UK Government will automatically issue XI EORI numbers to businesses it believes require them including all businesses that have registered with the Trader Support Service (TSS).

These numbers should have been applied for and received before the end of December 2020. If you have not received either of these and need them to trade, please apply as soon as possible.



DEFERRED CUSTOMS DECLARATIONS & SIMPLIFIED DECLARATIONS

To allow for a period of adjustment, between 1 January 2021 and 30 June 2021, importers in England, Wales and Scotland can, for most types of goods, optionally defer customs declarations and payments. The declaration and payment can be deferred for up to six months after the import date. This is known as Deferred Declarations.

To make use of it, businesses in England, Wales and Scotland must be authorised to use the Simplified Customs Declaration process. This is also known as the Customs Freight Simplified Procedure (CFSP).

Simplified Customs Declaration means you can either make an entry in your own commercial records or submit a simplified customs declaration before import. Then, up to six months after the import date, you will be required to send HMRC a supplementary customs declaration, at which point the customs and VAT (if any) becomes due.

You must be authorised by HMRC to use the Simplified Customs Declaration process. Depending on whether you are using a customs intermediary, you may need to register for a duty deferment account (see below) and get software compatible with the CHIEF system used by HMRC (including the process referred to as getting a CHIEF badge).

Additionally, if your business is VAT registered then you will need to use postponed VAT too. Please note, you can continue to use the Simplified Customs Declaration process following the end of the six-month deferment option (that is, from 1 July 2021).



DUTY DEFERMENT ACCOUNT

If you import regularly then paying duties, VAT and excise duty monthly might make more sense, rather than paying them immediately upon import. A duty deferment account lets you do this. Your bank or an insurance company may have to be willing to act as an approved guarantor on your behalf.

A duty deferment account is a necessity for the simplified frontier declaration system, as described above, and the six-month window in which you can make simplified declarations is from 1 January 2021 to 30 June 2021.

TRANSPORT LOGISTICS

The organisations you use to transport goods across borders, such as sea shipping, couriers, or air freight, will need to know many of the details above before shipping commences. You should consult with them to learn what they will require, and when.

Now the transition period has ended, and Britain has left the EU, there might also be additional issues you will need to consider when importing goods, such as using the correct border inspection post and pre-notification of the movement of goods.

INCOTERMS

Review the commercial terms of trade (Incoterms) in your contracts relating to importing goods. These will help you to understand who is responsible for customs duties, import VAT, and any additional transportation and insurance costs.



Additionally, Incoterms determine when risk and liability passes from the seller to the buyer – something that will not be as clear cut with customs borders, compared to the free travel of goods before Brexit and the end of the transition period.





IMPORTING AND EXPORTING CHECKLIST

To ensure you comply with the new rules, here is a checklist of everything you need:

EORI NUMBER

Have you got the EORI number(s) you need?

CUSTOMS INTERMEDIARY

Do you have a customs intermediary, such as a customs broker?

CUSTOMS DECLARATIONS

Have you registered for Simplified Customs Declarations, to defer import customs declarations and payments for six months as of 1 January 2021?

DUTY DEFERMENT ACCOUNT

Have you applied for a duty deferment account if you intend to defer customs declarations?

CHIEF-COMPATIBLE SOFTWARE

If you're not using a customs intermediary, do you have the right CHIEF compatible software – plus training to use it?

INCOTERMS

Have you reviewed your Incoterms with your customers and suppliers?

TRANSPORT

Have you reviewed your transport logistic arrangements?



GETTING VAT RIGHT

The way VAT is dealt with for importing and exporting is changing for anyone who carries out these tasks with businesses or individuals in EU countries.

Domestic VAT rules remain the same following the end of the transition period. How VAT is handled for imports and exports however has changed since the UK left the EU Taxation and Customs Union on January 1, 2021.

Luckily, most rules will remain the same thanks to the measures the Government have put in place, meaning there should be negligible cash flow impact. With this said, however, the administrative requirements have changed.

POSTPONED VAT FOR GOODS IMPORTS

Businesses registered for VAT that import goods into the UK from anywhere in the world can use a system called postponed VAT accounting. This is like the previous EU reverse charge system on intracommunity acquisitions but is handled differently.

Businesses account for the import VAT on their VAT Return, rather than paying it immediately (e.g. at the port of entry), as follows:

- **Box 1 – VAT due on sales and other outputs:** Include the VAT due in this period on imports accounted for through postponed VAT accounting.
- **Box 4 – VAT reclaimed on purchases and other inputs:** Include the VAT reclaimed in this period on imports accounted for through postponed VAT accounting.



- **Box 7 – Total value of purchases and all other inputs excluding any VAT:**

Include the total value of all imports of goods included on your online monthly statement, excluding any VAT.

The purpose of postponed VAT accounting is to avoid an impact to your cash flow when importing. In fact, if your business already imports from outside the EU then it might see cash flow benefits because it removes the need to pay for the import VAT typically due.

Use of the postponed VAT accounting scheme is optional. If you wish, you can pay the VAT upfront when the goods enter free circulation in the UK.

This will require you to obtain monthly C79 reports from HMRC, as currently is the case for non-EU imports. However, postponed VAT accounting is mandatory if you defer the submission of customs declarations – such as making use of the initial six-month customs deferment period after the end of the transition period.

Postponed VAT accounting can be used by all VAT-registered businesses in the UK, although businesses in Northern Ireland will continue to be considered part of the EU VAT area, so goods arriving from the EU will not be considered imports and will therefore not incur import VAT.

Postponed VAT is only relevant for imports to England, Wales, or Scotland and only if the value exceeds £135. For imports beneath this amount, there is still a need to account for VAT, but you must use the new e-commerce rules (even if the goods were not traded via e-commerce).

VAT ON SERVICES

When it comes to purchasing services, rather than goods cross-border, things



continue much as they did before 1 January 2021.

Under the place of supply rules, business to business (B2B) sales of services will continue to be generally subject to tax in the country of the customer and administered through reverse charge, with some exceptions. Business to consumer (B2C) sales of services will continue to be generally subject to tax in the country of the seller, again with some exceptions.

However, UK businesses that use the Mini One-Stop Shop (MOSS) system will need to register for the non-union MOSS and will no longer benefit from a €10k threshold before having to apply the place of supply rules. This means many more businesses may be liable to VAT in the countries they sell digital services to and will need to register for non-union MOSS.

VAT ON EXPORT

As of 1 January 2021, when it comes to exporting goods to EU countries, the VAT situation also changes. Exports to EU countries are treated like those to non-EU countries, which is to say, they should be zero-rated for UK VAT.

This will apply regardless of whether you are exporting goods to a consumer (B2C), or to a business (B2B). In other words, there is no longer any need to observe distance selling regulations, or to verify the VAT status of the recipient business. This could mean businesses selling B2C to the EU need to register for EU VAT and appoint fiscal representatives depending on the requirements of the countries in which they sell.

It is important to understand what it means to zero-rate goods for VAT if you meet the criteria outlined above. It does not mean you can simply forget about VAT. It means you apply a 0% VAT rate. No VAT is payable, but you must still include the



exports as part of your VAT accounting.

VAT ON IMPORTS £135 AND UNDER

Alongside the end of the transition period on 1 January 2021, the UK is introducing additional measures for overseas goods arriving into Great Britain from outside the UK:

- Low Value Consignment Relief (LVCR) is being removed. Previously, this exempted imports with a value below £15 from import VAT.
- Online marketplaces (OMPs), where they are involved in facilitating the sale, will be responsible for collecting and accounting for the VAT.
- VAT on imports with a consignment value of £135 or lower will have VAT applied at the point of sale, rather than applied as import VAT at customs. For B2C transactions, this UK VAT will be charged and collected by the seller but for B2B transactions the VAT will be reverse charged to the customer.

Essentially, this means foreign sellers sending goods into the UK will need to charge UK VAT and apply to be part of the UK VAT system when supplying goods with a value of £135 or less to end consumers (that is, non-VAT-registered individuals). Businesses who receive goods of £135 or less will have to account for the VAT as part of the reverse charge procedure, declaring the VAT on their next VAT Return. Normal rules apply for the tax point, which is to say, it will usually be the invoice date.

Additionally, the recipient business should ensure the seller knows their VAT number, or the seller will have no choice but to treat it as it was a B2C sale and apply VAT.



NORTHERN IRELAND VAT AND CUSTOMS

When it comes to customs and VAT after the end of the transition period, Northern Ireland is not like the three other countries that comprise the UK. It will use the Northern Ireland Protocol, which is part of the Withdrawal Agreement between the UK and EU that aims to avoid a customs border (known as a hard border) between Northern Ireland and the Republic of Ireland (ROI).

There are different rules for the supply of goods and services, and this is what is currently proposed by the Government:

GOODS

Northern Ireland will remain part of the EU customs and VAT regime when it comes to trade with the Republic of Ireland and the rest of the EU. From a customs perspective, moving the majority of 'qualifying goods' from Northern Ireland to Great Britain won't change. There will be no additional processes, paperwork, or restrictions.

However, when moving goods from GB to Northern Ireland, goods considered 'at risk' of moving to the EU will be exempt and will be treated like a regular import/export from a customs perspective.

From a VAT perspective, movements between Northern Ireland and Great Britain will largely continue to be treated like domestic sales and purchases as they are previously. This means there will not be import VAT due on movements.



SERVICES

Services are excluded from the Northern Ireland Protocol, so sales of services between Northern Ireland and Ireland/EU from 1 January 2021 will be treated like Third Country supplies.

As already mentioned, this results in very little change from a VAT perspective. Similarly, nothing will change for supplies of services between Great Britain and Northern Ireland, and they will continue to be considered domestic supplies.

TRADER SUPPORT SERVICE

The UK government will run a new Trader Support Service for businesses moving goods to and from Northern Ireland. This will provide free support to businesses buying and selling between Northern Ireland and Great Britain. The support service will also be help if you bring goods into Northern Ireland from outside the UK.



GETTING VAT RIGHT CHECKLIST

To ensure you comply with the new rules, here is a checklist of everything you need:

POSTPONED VAT ACCOUNTING

Are you going to use postponed VAT accounting on imports, or pay VAT upfront?

EORI NUMBER

Have you ensured suppliers overseas have your GB or XI-series EORI number so VAT isn't incorrectly applied?

REGISTERING FOR EU VAT

If selling B2C in the EU, have you registered for EU VAT and appointed fiscal representatives (depending on the requirements of the countries where you sell)?

REGISTERING FOR NON-UNION MOSS

Have you registered for non-Union MOSS, and are you sure you won't meet the threshold?

REGISTERING FOR VAT

If you know you will exceed the non-Union MOSS threshold, have you registered for VAT with the EU country or countries where you intend to sell?

BUSINESS TRAVEL TO EU

If you are travelling to the EU on business, there are several things to be aware of, covering the likes of passports, visas, and travel insurance.

Now the UK has left the EU, travel for UK nationals changes if your destination is any of the following:

- Most countries in the EU
- Iceland
- Norway
- Switzerland.

In short, the rights and protections for freedom of movement and freedom of establishment will no longer apply to UK citizens. Travel requirements will vary depending on the country you are entering and its local laws.

You need to check the destination country's requirements before travelling, even if travelling to major EU destinations such as Germany or France. The UK Government provides a website with details for most.

PASSPORTS

To travel to the countries above after 1 January 2021, you can use an existing burgundy-coloured passport with EU markings, provided that it has more than six months until it expires. If there are less than six months until expiry when you travel, you will need to get a new UK passport before travelling.



This does not apply if you are travelling to Ireland, where your passport with less than six months left will still be valid. This is because of the Common Travel Area rules, which also means Irish citizens can visit move freely in the UK.

It also provides rights for UK and Irish citizens in each other's countries, such as working, studying, and accessing benefits and health services.

Your passport also needs to be less than ten years old in total, even if it the expiry date shows more than six months from the date of travel. To check this, look at the issue date and then calculate the addition of ten years. Does the date of travel and return fall within this time period?

EHIC & TRAVEL INSURANCE

UK travellers have long since relied upon the European Health Insurance Card (EHIC) to get free essential medical services in the EU countries, as well as in Norway, Iceland, Liechtenstein, and Switzerland.

If the UK and EU are unable to reach a negotiated outcome at the end of the Brexit transition period, the government will cover routine medical treatment when in the EEA or Switzerland for the first year following the end of the transition period (1 January 2021 to 31 December 2021). This is intended to cover ongoing treatments such as dialysis and chemotherapy. The scheme will be administered by the NHS Business Services Authority (NHSBSA) and must be applied for before travel, in association with the NHS clinician who decides your treatment requirements.

However, for anybody else, and as of 1 January 2021, you are strongly advised to purchase travel insurance that includes a medical/health coverage component before travelling.



Notably, for trips to the countries above that straddle 1 January 2021, you can continue to use your existing EU EHIC for the duration of the trip. If your business relies on travel insurance, then you will need to check to make sure it continues to cover you following the end of the Brexit transition period.

AIRPORT ARRIVAL

Assuming you are travelling by air, train or boat, upon arrival you will need to join the customs lane for non-EU, EEA or Swiss nationals. Typically, this is labelled on signs as 'All Other Passports', or 'Non-EU Passports'. These queues can be slower moving than those for the EU, so you might want to budget extra time.

If you carry goods into the EU to sell, you will have to declare them upon entry. You may need to present a customs declaration, and pay customs duties and VAT.

VISAS

You might need a visa if you are travelling to the countries mentioned above for business purposes, or to sell a service while there.

Note that as of late 2022, UK travellers to EU countries are likely to require an EU Travel Information and Authorisation System (ETIAS) visa waiver. This will probably cost around €7 and will be valid for three years (or until the date of passport expiry if that occurs before).

DRIVING TO THE EU

If you intend to drive while on your trip, you may need an International Driving Permit (IDP). You can get these from the Post Office for a small cost.

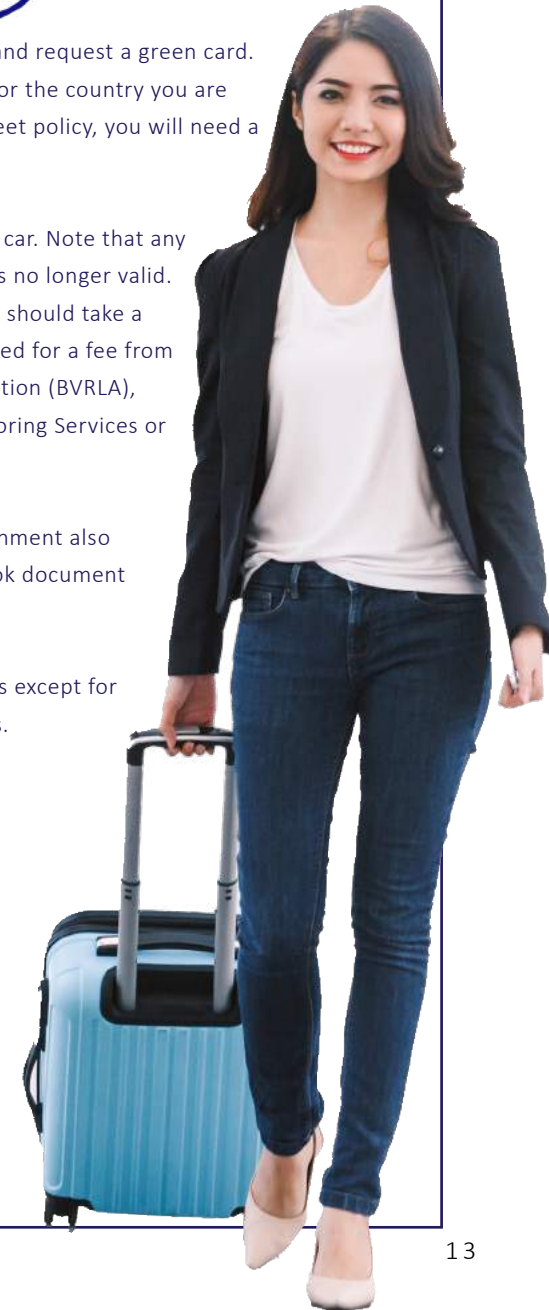


You should also contact your vehicle insurer and request a green card. This provides proof that you have insurance for the country you are driving in. If the vehicle is insured under a fleet policy, you will need a green card specific to your vehicle.

You will need a GB sticker on the rear of your car. Note that any existing number plate country identification is no longer valid. If the vehicle is leased or hired in the UK, you should take a VE103 certificate. One of these can be obtained for a fee from the British Vehicle Rental and Leasing Association (BVRLA), Freight Transport Association (FTA), RAC Motoring Services or the Road Haulage Association (RHA).

Notably, if you own the vehicle, the UK government also advises that you take your V5C vehicle logbook document when driving abroad.

If driving in Ireland, none of the above applies except for requiring a green card for insurance purposes.





BUSINESS TRAVEL TO THE EU CHECKLIST

To ensure you comply with the new rules, here is a checklist of everything you need:

PASSPORT

Does your passport have more than six months left?

EU ENTRY REQUIREMENTS

Have you checked entry requirements for your destination EU country – especially if you intend to sell goods or services while there?

INSURANCE

Do you have insurance that includes health coverage?

VISA

If you're going on a business trip, do you have the correct visa?

DRIVING

If driving, do you have an International Driving Permit, an insurance green card, a GB sticker on your vehicle and other required documentation?



NEW OPPORTUNITIES

The UK government describes Brexit as the start of a new relationship with the countries of the EU, along with their inhabitants.

Businesses that mirror this attitude as they carry out the required administrative changes moving forward might find the light at the end of the tunnel arrives more quickly.

There are fresh opportunities for businesses, and there is a need to think creatively and to be prepared to harness the advantages brought by change.

Above all, though, businesses need to act now. The luxury of waiting has passed. We might not know 100% of what is happening, but we know enough to start making real changes to areas such as VAT accounting, and customs declarations.

Additionally, there is a need to continue this attitude and approach in the coming years. The coming decade is likely to see an ongoing requirement to adapt and evolve as the UK Government fully rolls out the new laws and regulations that affect trade with our EU neighbours, and the businesses in the UK adapt culturally and professionally.

For further guidance on the new rules and how they will affect you and your business, call a member of our team on 01454 619900 or visit GOV.UK.