



HARBOUR KEY

SECURE THE FUTURE



Brexit

Planning for your business

INTRODUCTION

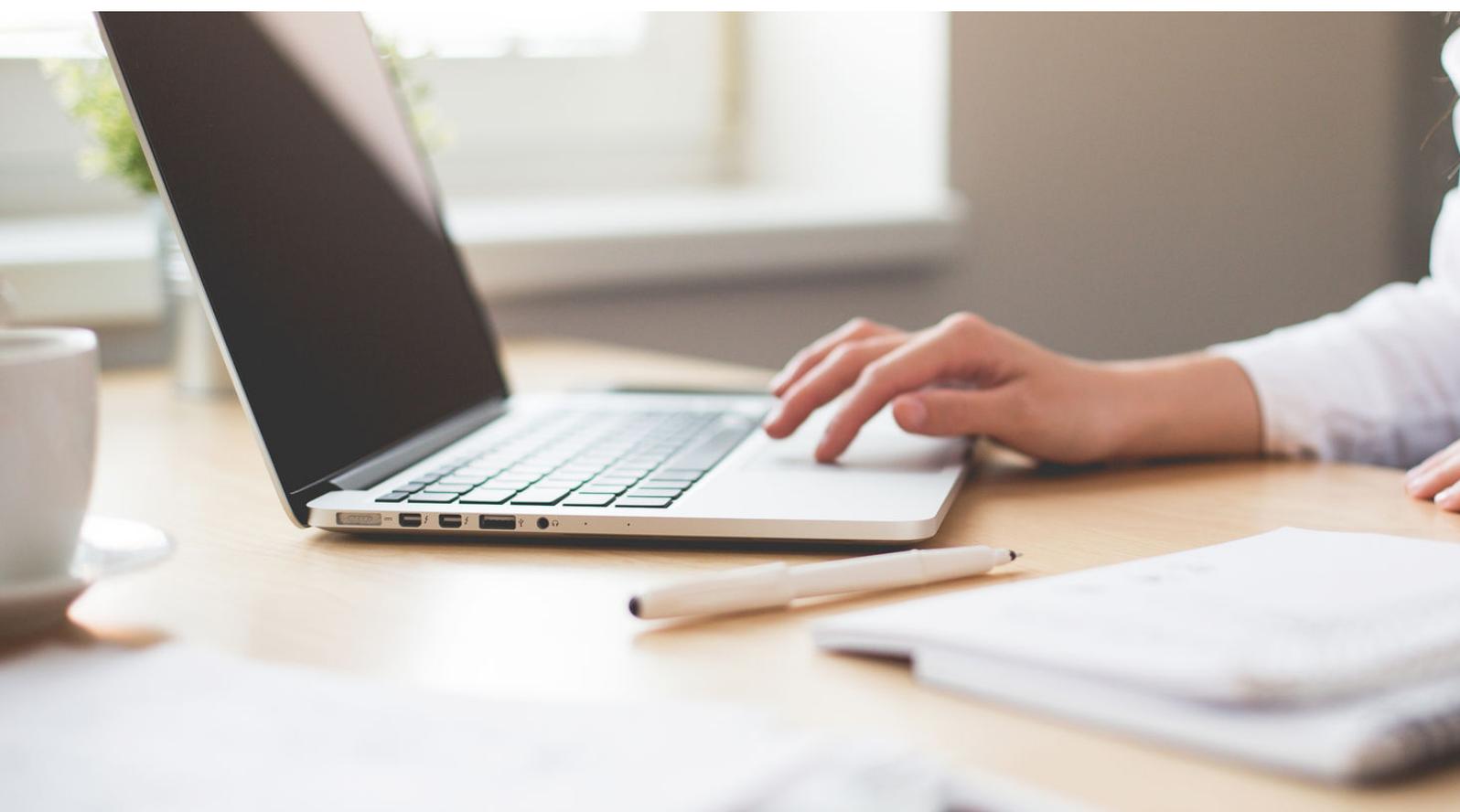
The UK is due to leave the EU on 29 March 2019, or shortly after, if the rumours regarding a delay are true.

Businesses that sell and buy from the EU need to have contingency plans in place before 29 March 2019 and they will need to be sufficiently flexible to cope with a variety of possible unknowns. Even if a business does not buy and sell to and from the EU, then a supplier may be acquiring goods from the EU and leaving the EU could cause delays, which could impact your business.

When the UK leaves the customs union, goods moving into or out of the UK will be subject to customs checks, customs declarations and duty rates negotiated with EU or non-EU countries. In the absence of specific trade agreements with the UK's trading partners, the default position would be for the World Trade Organisation (WTO) to apply its own tariffs. UK businesses who have not prepared for the possible absence of trade agreements with the EU, in particular, could be faced with unanticipated costs, and supply chain problems, which may create vulnerabilities for the business.

The short-term planning measure appears to be stockpiling, but that can only last for so long!

We have highlighted some key areas, that businesses need to consider.



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MOVEMENT OF GOODS - CUSTOMS

If there is no deal, customs declarations will need to be completed. Declarations will either be completed by your business integrating with the European and UK digital customs systems (due to be launched later in 2019) or have arrangements with a broker to do this for you. It's important to think now about the processes and systems that might need to be administered and the implications should you need to engage a broker at short notice.

Government guidance can be found at

<https://www.gov.uk/guidance/how-hmrc-will-introduce-the-customs-declaration-service>

The Government states that businesses who export or import from the EU, **MUST** take three actions:

1. Register for a 'UK EORI' number - <https://www.gov.uk/eori>
2. Decide if want to hire an agent to make import and/or export declarations for you or if you want to make these declarations yourself (by buying software that interacts with HMRC's systems). If you want to:

Declare through an agent, contact one to find out what information they'll need from you.

Use software to make declarations yourself, talk to a software provider, to make sure that their product meets your needs, depending on whether you import, export or both.

3. Contact the organisation that moves your goods (for example, a haulage firm) to find out if you will need to supply additional information to them so that they can make the safety and security declarations for your goods, or whether you will need to submit these declarations yourself.

You can stay up to date by registering for HMRC's EU Exit update service.

www.gov.uk/hmrc/business-support

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Authorised Economic Operator Status

The EU Authorised Economic Operator (AEO) scheme is a voluntary system which was introduced to create a system of 'legitimate' businesses identifiable within the international supply chain as being safe and secure. It gives quicker access to certain simplified customs procedures and in some cases the right to 'fast-track' shipments through some customs safety and security procedures.

AEO status is for businesses that are actively involved in customs operations and international trade. HMRC has seen a big rise in applications with the UK's impending departure from the single market. From the point of written 'acceptance' of an application, HMRC has 120 days to make a decision regarding whether AEO certification will be awarded to the UK applicant.

Supply chain mapping

This involves knowing where your inputs come from, and what product category they fall into, which can help you assess the possible tariffs that might apply and therefore cashflow.

For those businesses who export goods to the EU, for example, you should consider the implications of a worst-case scenario. This would be that the UK will leave the EU without any trade deal and all exports and imports to the remaining EU countries will now be subject to tariffs under the rules of the World Trade Organisation (WTO). For those UK exporters who only export to the EU, for whom applying customs procedures will be entirely new, you will have no experience of WTO and the transitional and ongoing costs for the business could be considerable in the short-term.

Identify the UK tariff codes for all your products by searching trade tariffs on the GOV.UK website <https://www.trade-tariff.service.gov.uk/trade-tariff/sections>

Your tariff code allows you to fill in declarations and other paperwork, check if there's duty or VAT to pay and any potential duty reliefs.

Contracts

Contracts might need to be renegotiated or terminated as a result of Brexit. It is important that contracts adequately clarify the terms for trade across EU borders, including how VAT is dealt with. In the event of no deal, you will need to ensure that contracts and International Terms and Conditions of Service reflect that they are now an international exporter or importer

People

Existing employees who are EU nationals will need to apply for settled status. It is important to plan for cut-off dates and any differential status that might apply to new arrivals to the UK.

Businesses might need to consider how they will track the nationality status of employees and ensure immigration compliance.

VAT

The biggest VAT impact will be the change to Intra-EU trade. At the moment, business to business transactions are zero-rated for VAT purposes. Post-Brexit, such sales will be imports into the EU and subject to EU VAT, which has a number of potential consequences.

On the plus side, there will be no more Intrastat or EC sales lists for UK businesses to complete.

Businesses will however need to consider the following points:

- **Will it be necessary to consider registering for VAT in the EU country to which the goods are being imported?**
- **There will be increased freight agent costs of arranging imports and exports.**
- **Whilst UK businesses should still be able to recover VAT on overseas expenses, the system is paper based and is a more onerous and lengthy procedure, until replaced by an online system.**

The above is only an outline and each business will have different risks and issues to resolve, but in working through the above you can identify the areas that need immediate consideration. Most importantly, communicate with your EU customers and suppliers and align your priorities.

HMRC have issued a partnership pack to help businesses prepare for a no deal situation, which can be found at <https://www.gov.uk/government/publications/partnership-pack-preparing-for-a-no-deal-eu-exit>



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