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Briefing Paper

The Border with the European Union

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How will the UK/EU border operate from 2021?

The transition period with the EU is set to end on the 31st December 2020 which means the UK will be outside the EU Single Market and Customs Union from 2021. The UK will no longer be a part of the EU customs territory and will become a third country operating its own external border with the EU.

Goods will no longer be able to move freely between the UK and the EU and businesses will need to prepare for customs checks on their goods and to pay customs duties where required. Acknowledging the impact that the coronavirus has had on businesses' ability to prepare for these changes, border controls will now be introduced by the government in three stages up until the summer of 2021.

This phased approach will only apply to goods moving between Great Britain and the EU and therefore does not apply to Northern Ireland which is covered under the Northern Ireland Protocol of the Withdrawal Agreement. Businesses should also be aware that the changes outlined below will take place regardless of whether or not a trade agreement is reached between the UK and the EU.

The stages are as follows:

From January 2021:

Traders importing standard goods (ranging from clothes to electronics) will be subject to basic customs requirements such as keeping commercial records of the goods they have imported. They will also need to consider how they will account for and pay VAT.

Businesses will be able to defer completing the required customs declarations and paying tariffs (where due) for up to six months from the point of import. However, if you are importing controlled or excise goods (such as alcohol or tobacco) then you will still be required to complete full customs declarations. Businesses will also need to complete customs declarations for any goods they are exporting.

The government have also confirmed that Safety and Security declarations will not be required on imports from the EU for the first six months but they will still be required for all exported goods.

It is important to note that if you import and export goods using the Common Transit Convention then you will need to follow all of the procedures required from the start as they will not be phased in. The convention removes the need for additional import/export declarations when moving goods across multiple customs territories and allows any duty to be paid at the final destination.

The government's new border IT system 'Goods Vehicle Movement Service' (GVMS) will be introduced in January but only for transit movements.

From April 2021:

Products of animal origin (e.g. meat, milk or egg products) that have been imported will require pre-notification and the appropriate health documentation. Any physical checks that are necessary will continue to take place away from border control posts at the point of destination.

From July 2021:

Businesses will no longer be able to defer and must submit full customs declarations and pay the relevant tariffs at the point of importation. Full Safety and Security declarations will also be required. The GVMS IT system will also be made available for all imports and exports at border locations that decide to introduce it.

Checks on animals, plants and products will take place at border control posts instead of the point of destination.

Next Steps:

Businesses can take a number of steps now to prepare for these changes including:

- Apply for an EORI Number
- Decide whether you need to use a Customs Intermediary
- Consider applying for HMRC grant funding to help your business complete customs declarations
- Apply for a Duty Deferment Account
- Prepare to Pay or Account for VAT on Imported Goods
- Check whether you have the correct International Driving Permits
- Familiarise yourself with International Commercial Terms (Incoterms)
- Find the correct commodity code for your goods
- Calculate the customs value of your goods
- Check the UK Global Tariff for the new tariff rates that will apply to your products from 2021
- Consider using customs simplifications and facilitations

Please see below for further detail on the steps you can take to prepare and click [here](#) to read the UK government's border operating model.

How will the changes to the UK/EU border affect my business?

Customs Declarations

UK businesses that trade with the EU will need to ensure that they are ready to submit customs declarations when moving goods between the UK and the EU. Businesses tend to use a customs intermediary (such as freight forwarders, customs broker etc) to submit customs declarations on their behalf.

If you import goods from the EU and plan to defer customs declarations then you (or your intermediary) will need to be authorised for Customs Freight Simplified Procedures and apply for a duty deferment account. If you import controlled goods then you will need to complete a standard customs declaration from January and obtain the appropriate license or certificate (where required). If your controlled goods are entering the UK through borders locations that do not have existing customs control systems (where a declaration is required for imports) then you will have until the end of the next working day to notify HMRC that the goods have entered the country.

Exporters will also need to complete standard customs declarations from January 2021 and there will also be a requirement for an EU import customs declaration. If you are exporting goods (only January - June) via a location without an existing customs control system then you must submit a customs declaration before your goods have left your premises and provide your haulier with evidence that a declaration has been made. You will either be granted 'Permission to Progress' (P2P) and move the goods to the frontier or your goods will need to be checked by HMRC before departure.

Import VAT

Goods being brought into the UK from the EU will be subject to import VAT from next year following the same rates and structure as are applied to imports from the rest of the world currently.

However, there will be different rules applied to consignments that do not exceed £135 in value. If your business is importing goods in a consignment not exceeding a value of £135 (excluding excise goods), then you will no longer be required to pay import VAT at the border and will instead account for it on your UK VAT return.

VAT registered business that choose to defer their supplementary declarations will be required to use postponed VAT accounting. This means that they will not need to pay import VAT when the goods arrive in the UK and can defer by accounting for import VAT on their VAT return.

Non-VAT registered traders who choose not to (or are not eligible) defer customs declarations can report and pay import VAT through the usual customs processes or defer the payment using their Duty Deferment Account. Non-VAT registered traders who choose to defer their customs declarations will be required to pay any import VAT via their Duty Deferment Account.

Customs Duties

From the 1 January 2021, the EU Common External Tariff will no longer apply to imports and a UK-specific tariff will take its place. The UK Global Tariff sets out the new tariff rates on imported goods (click [here](#) for further information) and you will need to calculate the tariff due (if any) on your goods. If your business is planning on deferring declarations during the first six months then you will need to pay the duty when the supplementary declaration is submitted.

However, importers and exporters need to be aware that if the EU and the UK reach a free trade agreement then this will determine the tariffs rates applied. In this instance, the origin of your good will determine whether it qualifies for preferential tariff rates.

Exporters should refer to the '[Check duties and customs procedures for export goods](#)' on gov.uk to find out what documentation they need, as well as any applicable tariffs.

Moving Goods on a Temporary Basis

From January 2021, you will need to use an ATA Carnet customs document to temporarily move goods between the UK and the EU. The Carnet allows goods to be moved temporarily without paying customs charges and is valid for a year from the date of issue.

Customs processes

Border posts receiving goods from the EU after July 2021 will use one of two customs processes. The first model is the traditional temporary storage model in which imported goods can be stored at the frontier for up to 90 days before being declared to customs.

The government have also established a new pre-lodgement model as an alternative for border locations that do not have the space/infrastructure to operate temporary storage. This second module will require customs declaration to be submitted in advance of boarding on the EU side and businesses will need to provide their haulier with a unique reference number (such as a GB EORI number or Movement Reference Number) for each consignment that proves that a declaration has either been pre-lodged or is not necessary.

Border posts will be able to choose which of the two modules they use. Therefore it is important that businesses find out (once confirmed) which model will be in operation for each border location they use and familiarise themselves with the different steps they will need to take to move their goods through depending on the model that is being applied.

What steps should businesses take to prepare for these changes?

The proposed changes to the UK/EU border mean that there are a number of actions that businesses need to take to ensure that they are ready to continue trading with the EU after the transition period finishes on the 31 December.

Apply for an EORI Number

Businesses will require a GB Economic Operator Registration and Identification (EORI) number to be able to continue moving goods into or out of the UK from next year. Businesses can apply for an EORI number online (5-10 minute application). If a business already has an EORI number then it is important to check that it starts with GB. If it does not then they will need to apply for a new one. Businesses making customs declarations in the EU will require an EU EORI number.

Click [here](#) for further details.

Decide whether you need to use a Customs Intermediary

Most businesses hire a customs intermediary to manage responsibility for fulfilment of key paperwork such as customs declarations on their behalf. If a business decides not to use an intermediary then they will need to submit customs declarations themselves via the Customs Handling of Import and Export Freight (CHIEF) system or the new Customs Declaration Service. To be able to do this they will need to apply for access to HMRC systems and purchase compatible software.

Consider applying for HMRC grant funding to help with customs declarations

HMRC are providing grant funding for training to help businesses complete customs declarations. Customs intermediaries can also apply for funding to help them hire new staff or make IT improvements. Click [here](#) for further details.

Apply for a Duty Deferment Account

Businesses should apply for a duty deferment account (DDA) if they import goods on a regular basis. Having a DDA will enable them to pay any customs charges (such as customs duty, excise duty and import VAT) on a monthly basis through Direct Debit as opposed to paying it on each consignment. HMRC will be implementing new rules that allow most businesses to use duty deferment without needed to obtain a Customs Comprehensive Guarantee (CCG).

Prepare to Pay or Account for VAT on Imported Goods

VAT registered traders will be able to account for import VAT on their VAT return by using postponed VAT accounting from January 2021. Traders who do not use postponed VAT accounting will need to report and pay import VAT through the customs processes but can defer the payments using a DDA.

Make sure you have the correct International Driving Permits

If your business is responsible for transporting goods across the border then you will need to ensure that your drivers have the correct documentation to do so (e.g. international driving permit, passport with 6 months validity).

Familiarise yourself with International Commercial Terms (Incoterms)

Incoterms are a set of eleven internationally recognised rules that clearly define where the responsibility lies between a buyer and a seller for the delivery of goods. They clarify which party is responsible for customs procedures and the costs involved in delivering the goods including shipping, insurance and duty. It is imperative that businesses have a firm understanding of their obligations when buying or selling goods.

Find the correct commodity code and calculate the customs value of your goods

It is important that businesses find the correct commodity code for their goods so that they can calculate the rate of duty and import VAT they will need to pay. Businesses will need a commodity code to submit customs declarations and to check whether they need a license to move their goods.

Businesses will also need to ensure that they have worked out the customs value of their goods to be able to make a customs declaration and calculate any duty. Click [here](#) for guidance on how to work out the value of your goods.

Check the UK Global Tariff for the new tariff rates that will apply from 2021

Businesses can use the new UK Global Tariff tool to check the tariffs that will apply to their products from 2021. The tariffs set out in the UK Global Tariff will apply to imported goods from the EU if the UK and the EU are unable to reach a trade agreement. Click [here](#) to access the UK Global Tariff tool.

Consider using customs simplifications and facilitations

Businesses should consider using Simplified Declaration Procedures to reduce the process requirements at the border from July 2021. It allows traders to use a simplified customs declaration or entry in business records upfront. Traders will then be required to submit a supplementary declaration no more than four weeks later. It is important to note that you (or your intermediary) will need to become authorised to make these declarations. Find out more [here](#)

Businesses should also familiarise themselves with customs facilitations such as inward and outward processing, temporary admission, authorised use and customs warehousing. These special procedures will enable you to suspend, reduce or claim relief on the payment of customs duties and VAT under set conditions.

What are the Chambers of Commerce's views on the UK Government's Border Operating Model?

With the UK deciding to leave the Single Market and Customs Union, it comes as no surprise that there will be significant changes to the process of moving goods across the border with the EU.

The extra bureaucracy at the border will prove to be a time consuming process and bring added costs with HMRC estimating that the cost of UK businesses having to fill out 200 million additional customs declarations to be £6.5bn a year. This is money that businesses could be investing in training and hiring new staff and question marks remain as to whether there will be sufficient capacity within the customs intermediary sector to handle the increased demand, even with the £84m set aside to train new customs brokers. The publication of the border operating model is an important step but businesses have been given just months to prepare at a time when many are preoccupied with the coronavirus crisis.

However, we welcome the government's decision to phase the new border controls in and reintroduce measures such as Postponed VAT Accounting which will enable importers to defer VAT payments helping to reduce any adverse impact on their cash flow after the transition period ends. It was also pleasing to see that the government is looking at developing a new Smart Freight Service technology to help hauliers understand if they are carrying the right documentation with the intention of preventing any delays to roll on roll off exports caused by cargo held up at ports.

It is important that businesses who import and export to the EU take the necessary action now to prepare for these changes starting with the key steps outlined above.

How can the Chambers of Commerce help?

We are committed to ensuring that businesses are kept informed of Brexit announcements made by the government in the run up to the end of the transition period. With only a few months remaining, we will also be running a number of webinars over the coming months, featuring guest experts, covering the key issues that matter to business. We have also produced a number of briefings outlining important policy announcements such as the future UK immigration system and the UK Global Tariff. Businesses can access further support through our International services which offer advice on all aspects of international trade and a range of accredited training courses to help businesses with import procedures and export documentation.

Click [here](#) for further information on the Black Country Chamber of Commerce international services

Click [here](#) for further information on the Coventry & Warwickshire Chamber of Commerce international trade support.

Click [here](#) for further information on the Greater Birmingham Chambers of Commerce International Business Hub.