



Preparing for **Brexit**

A guide for businesses

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Brexit is one of the most significant changes to the British business community in more than half a century and will fundamentally alter the UK's position in the global economy.

On 31 December 2020, the Brexit transition period will end, bringing many changes to the free movement arrangements that have made trade with and travel to the continent so straightforward.

To complicate matters further, the UK will enter this uncertain period already battling the challenges of the Coronavirus pandemic, which has caused considerable disruption to so many businesses.

Despite the new challenges that Brexit creates, many businesses remain unprepared for what lies ahead. To help them with their preparations, we have reviewed the latest guidance and put together this guide to help companies deal with issues that may emerge before and after the Brexit transition period ends.

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This guide is correct at the time of publication and is a useful reference resource, but it is not comprehensive. It is highly recommended that you seek professional assistance with your Brexit preparations from a trusted advisor.





Trade arrangements

From 1 January 2021, the process for importing and exporting goods will change, resulting in export declarations and UK exit Safety and Security declarations for all goods leaving the UK and entering the EU.

Already there is speculation of long waits at borders and complications regarding the different types of licences and customs declarations businesses need.

Despite pledges to reduce red tape and bureaucracy, as things currently stand, businesses that import and export will need to undertake steps under the customs arrangements.

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Businesses must begin to prepare for these steps now so that they can continue to trade with minimal disruption.

In its latest guidance, the Government has laid out the principles for the 'Core Model', which relates to all goods imported and exported, regardless of which means of transport are used to move the goods. This guidance can be found [here](#).

The guidance covers the core processes of:

- customs declarations
- customs duty
- import VAT
- safety and security declarations.

Under each of these headings, it sets out the actions that businesses should take now.



The various stages of the Core Model

To help businesses adapt, HMRC will introduce the new border controls in the Core Model in three stages up until 1 July 2021.

Stage 1

In the first stage, from 1 January 2021, customs declarations will be needed for controlled goods and excise goods, such as alcohol and tobacco products.

There will also be physical checks at the point of destination or other approved premises on all high-risk live animals and plants, and a requirement to pre-notify for certain movements of goods. Importantly though, goods will not be required to enter Great Britain and be checked at a Border Control Post.

Stage 2

The second stage, which takes place from 1 April 2021, will require pre-notification and the relevant health documentation on all products of animal origin, for example, meat, honey, milk or egg products and all regulated plants and plant products. At this stage, all physical checks will continue to be conducted at the point of destination.

Stage 3

The third and final stage takes place from 1 July 2021, when there will be full controls in place for all goods that are imported.

Goods businesses will have to make full customs declarations at the point of importation and pay relevant tariffs from this point onwards.

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Full Safety and Security declarations will also be required, while for commodities subject to sanitary and phytosanitary controls, these will have to be presented to Border Control Posts and there will be an increase in physical checks at the border as well.

Although this staged approach ensures that businesses importing non-controlled goods can opt to delay customs declarations for up to six months, they must make sure they keep sufficient records of imported goods in this period.

While tariffs may be payable where due on relevant goods, duty payments can also be deferred until the customs declaration has been made.

Actions to take now

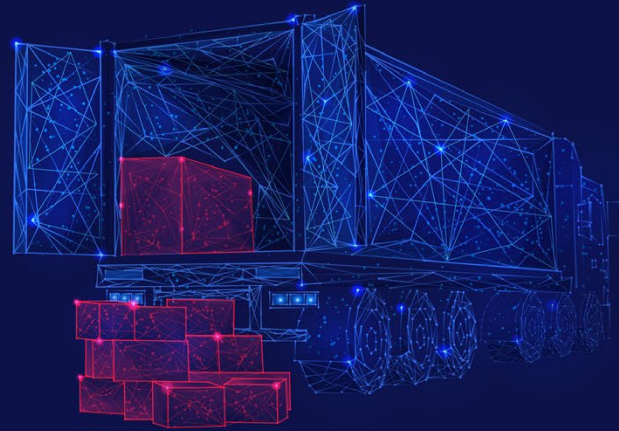
Businesses should take action now to prepare for these changes by:

- Applying for an EORI number
- Preparing to pay or account for VAT on imported goods
- Considering commercial arrangements and terms of trade
- Determining the customs value of goods
- Considering how customs declarations to HMRC systems will be made and the use of a customs intermediary, such as a freight handler or customs agent.

Businesses in certain industries may also need to check:

- What export licences or certificates they require
- The marking, labelling and marketing standards for food, plant seeds and manufactured goods
- The rules for exporting or importing alcohol, tobacco and certain oils.

To help with this process the Government has produced a step-by-step checklist for importers and exporters, which can be found [here](#) and [here](#).



If you move goods into Northern Ireland or intend to transport goods into the EU through it, then you should also sign up for the Government's free Trader Support Service. This can be done [here](#).

This free-to-use service is available to businesses of any size moving goods into Northern Ireland, providing guidance, training, a digital declaration support service and support from customs experts.



VAT implications

The latest guidance on the Brexit transition period makes the process of accounting for and paying VAT on imports and services to and from the EU more complex and so businesses must be properly prepared for the changes ahead.

Import VAT

Goods that move into the UK from the EU after 1 January 2021 will be considered imports, meaning import VAT and customs duties will be payable and customs declarations will need to be made.

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Import VAT will no longer be payable when goods enter into the UK from 1 January 2021 and businesses will instead account for VAT on all goods imported using a postponed accounting system.

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This means that import VAT will be accounted for and paid via the usual VAT return, which will lead to an improved cash flow position for many businesses.

This applies to all goods imported by VAT registered importers to the UK, including those from the EU.

In most cases, import VAT should be recoverable by businesses, but duty costs are irrecoverable.

Accounting for import VAT on your VAT return

Businesses will have to account for import VAT via their VAT return under the postponed accounting system if the goods they import are for use in their business.

The business must include its EORI number starting with 'GB' on its customs declaration and their VAT registration number if it's needed. A business can then account for import VAT on its VAT return when they submit the declaration that releases those goods into free circulation from one of the following special customs procedures:

- customs warehousing
- inward processing
- temporary admission
- end use
- outward processing
- duty suspension

A business can only account for import VAT on their VAT return once they release excise goods for use in the UK – also known as 'released for home consumption'.

If the business imports goods that are not controlled into Great Britain from the EU between 1 January and 30 June 2021, they must also account for import VAT on their VAT return, even if they delay the customs declaration or use a simplified customs declaration to make a declaration in their records.

Deferring duty

New rules for duty deferment will apply in Great Britain from 1 January 2021. Duty deferment allows businesses that import goods regularly, to apply for a duty deferment account to delay paying most customs charges, including customs duty, excise duty and import VAT.

Through this account, a business can make a single payment each month via direct debit instead of paying for each consignment separately.

The scheme is open to importers or customs agents and freight handlers that work for importers and have an approved deferment guarantee or waiver in place.

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Regardless of the method of accounting for VAT on imported goods, checks to ensure that the data on the customs declarations is accurate will continue to be highly important for VAT purposes, for all imports.

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This will be the primary means to ensure that the correct import VAT is accounted for and paid.

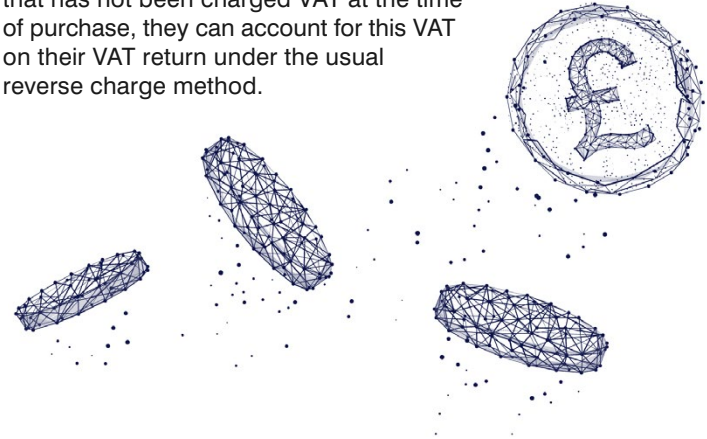
Consignments of value below £135

Imported goods in a consignment not exceeding a value of £135, excluding specific excise goods and gifts, will not be subject to import VAT at the border.

Low-value consignment relief will be withdrawn and VAT will be charged on the goods as if they were supplied in the UK and accounted to HM Revenue & Customs on the UK VAT return.

However, businesses selling goods to be imported into the UK with a value not exceeding £135 will be required to charge and collect any VAT due at the time of sale.

For UK VAT registered businesses importing goods in a consignment not exceeding £135 in value, that has not been charged VAT at the time of purchase, they can account for this VAT on their VAT return under the usual reverse charge method.



Place of supply

Businesses must determine the country where a supply takes place for VAT purposes so that they know where VAT due is payable.

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At the moment the place of supply rules are applied almost identically across the EU Member States and it is expected that the UK will retain similar rights after the transition period ends to prevent disruption.

However, a consequence of this is that businesses may continue to create VAT liabilities in other EU Member States.

This may mean that businesses in the UK will require multiple EU VAT registrations within each member state that they trade within.



Further clarity on this is expected in future Government guidance and may be affected by the outcome of future trade arrangements.

Reclaiming VAT in the EU

Currently, UK firms incurring VAT in EU countries can claim VAT back (subject to national rules) via HM Revenue & Custom's dedicated refund portal.

That arrangement will remain in place until 31 March 2021, after which time, there is currently no provision in place to claim for VAT incurred in 2020, under the terms of the Withdrawal Agreement.

VAT impact on services

Post-Brexit there should be minimal impact on the supply of services. Business to business services are generally treated as though they are supplied where the customer belongs and that customer must account for the local VAT.

This will mean that for UK service suppliers they will continue to not charge UK VAT. For business to consumer supplies, UK VAT generally applies and this is likely to remain unchanged.

When receiving services, it is expected that UK businesses will still have to apply a reverse charge to the receipt of services from non-UK suppliers. This would ensure that there is no competitive advantage from sourcing services via non-UK suppliers.



Retaining and recruiting talent

The end of the transition period also signifies the end of the free movement agreement between the EU and the UK. This may mean that steps need to be taken to retain existing talent or recruit new talent where the employee is an EU citizen.

Employers should check whether existing employees from EU member states need to apply to the settlement scheme.

A person is eligible for settled status if:

- they started living in the UK by 31 December 2020; and
- have lived in the UK for a continuous five-year period.

Five years' continuous residence means that for five years in a row they have been in the UK, the Channel Islands or the Isle of Man for at least six months in any 12-month period.

If they do not have five years' continuous residence when they apply, they'll usually get pre-settled status. To get this they must have started living in the UK by 31 December 2020 and can stay in the UK for a further five years.

They can then apply to change this to settled status once they have five years' continuous residence.

Some EU citizens may be able to stay in the UK without applying – for example, Irish citizens or those with indefinite leave to remain.

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The deadline for applying for settled status is 30 June 2021 and so this process must be completed before then. Businesses wishing to retain talented EU citizens may wish to help employees to prepare the necessary application.

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After the transition period, you can still recruit EU citizens but you will need to apply for permission and obtain the necessary visas.

To recruit workers from outside of the UK in the skilled worker category, you will need to demonstrate that:

- 1 They speak English at the required level;
- 2 They have a job offer from a Home Office licensed sponsor;
- 3 The job offer is at the required skill level of RQF3 or above (equivalent to A level); and
- 4 They'll be paid at least £25,600 or the 'going rate' for the job offer, whichever is higher.

If the job pays less than £25,600 (but no less than £20,480), the applicant may still be able to apply for permission by 'trading' points on specific characteristics against their salary.

For example, if the worker has a qualification in a relevant job or has a job offer in a 'shortage occupation.' There are also different salary rules for workers in health or education jobs and new entrants who are starting their careers.

This new system will not apply to EEA or Swiss citizens already employed in the UK, as they can use the EU settlement scheme.

To become a Home Office licensed sponsor, you must apply online and do the following:

- 1 Check that your business is eligible;
- 2 Choose the type of licence you wish to apply for, which will depend on what type of work you want to sponsor;
- 3 Decide who will manage the sponsorship within the business; and
- 4 Pay a fee.

You will be given a licence rating and be able to issue certificates of sponsorship if you have jobs that are suitable for sponsorship. This will remain valid for four years as long as you:

- Check that your foreign workers have the necessary skills, qualifications or professional accreditations to do their job and keep copies of documents showing this.
- Only assign certificates of sponsorship to workers when the job is suitable for sponsorship.
- Tell UK Visas and Immigration (UKVI) if your sponsored workers are not complying with the conditions of their visa.

The rules are not straightforward and it is strongly advised that you seek professional advice.



Impact on overseas business travel

From 1 January 2021, there will be new rules to travel to the EU, or Switzerland, Norway, Iceland or Liechtenstein.

Should you or any representatives of your business need to travel to the EU in future you may need to consider the following:

- Check your passport
- Get travel insurance that covers your healthcare
- Check you have the right driving documents
- Tell HMRC you'll be working in the EU
- Check whether you'll need to pay social security contributions in the country you're working in
- Check whether you need indemnity insurance for your employees
- Check you've got the right documentation to take goods to the EU.

You must conduct a thorough review of your entire organisation to assess the impact on employee business travel post-Brexit and how it may impact your ability to operate and grow your business in the EU.

Businesses need to check if a visa, work permit or other documentation is required for the type of work they will be carrying out. Visa-free business travel will only be permitted under certain circumstances, for example for business meetings or conferences for 90 days in any 180 days.

Businesses must ensure they apply for visas or work permits in sufficient time ahead of travel, and that passports have at least six months validity on the day of travel and for the duration of the stay.

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If action is not taken to check and acquire a visa, work permit or other documentation required, businesses may face additional costs, administrative barriers and delays.





Personal data use

Before the end of the transition period, the rules around personal data remain unchanged, as the EU derived GDPR rules continue to apply.

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Even after the transition period ends, data rules are likely to remain relatively unchanged, as UK businesses will need to comply with UK data protection law, which is enshrined in the Data Protection Act 2018.

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This legislation incorporates the provisions of the GPDR into domestic UK law, ensuring that little should change.

Looking ahead, businesses will also need to comply with any changes to EU GDPR if they offer goods or services to monitor the behaviour of individuals in the EEA or have branches or offices in the EEA.

However, if the Brexit transition period ends on 31 December 2020 without a trade deal with the EU the UK will become a 'third country' for data protection purposes, which means data transfers from the EEA into the UK will be restricted unless the transfer of personal data is covered by an adequacy decision, appropriate safeguard or exception.

This means UK businesses who seek to receive personal data from organisations in the EEA will need to put the correct procedures in place that allow personal data to be sent to them lawfully.

UK businesses may also need to consider whether they need to appoint a European representative based in the EEA and also whether they will have a 'lead supervisory authority' (one regulator in the EU to whom they can deal with in relation to data protection matters such as reporting personal data breaches). This will apply to UK businesses with an office, branch or established presence in the EEA, for example.

Actions to take now

UK businesses should identify and document the personal data transfers they currently make and what safeguards are in place now and review how this might alter after the transition period so that they can prepare for changes in international transfers.

They will need to take extra steps to ensure that personal data can continue to flow in the same way following the end of the transition period.

Businesses should also consider their GDPR compliance documentation and whether it needs to be updated or revised to deal with changes resulting from Brexit, including a review of data protection impact assessments, records of processing activities, privacy policies and agreements relating to the transfer of personal data.





Opportunities on the horizon

It is easy to get lost in the doom and gloom that is being reported around Brexit at the moment, but the new freedoms gained from the UK's departure from the EU could also open up new opportunities and markets.

Businesses need to be ready to grow as the Government has pledged to regulate industries in a way that works for them under its new sovereignty outside of EU directives.

It also wants exporters to be ready to take advantage of new free trade agreements with the fastest-growing economies around the world.

Already the UK has signed many free trade arrangements and there are more agreements in principle being finalised with nations around the world.

The UK is also seeking to sign trade continuity agreements with existing trading partners. These will replicate the effects of the existing EU trade agreements and help ensure continuity for UK businesses following the transition period.

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The end of the transition period should allow the UK to establish new trade deals with a wide range of markets, opening up new opportunities for businesses, both new and established.

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Being able to spot and react quickly to these new opportunities, as and when they arise, could be essential to future success, both for importers and exporters, as well as domestic businesses and investors.





How we can help

The next few months are likely to be challenging for many businesses as they juggle the challenges of the end of the transition period and the effects of the Coronavirus pandemic.

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You must act now so you can continue to trade with minimal disruption.
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We are here to support you with any difficulties you may face and have a dedicated team of business, tax and accountancy specialists who can help you navigate the ever-changing road ahead.

If you would like advice on Brexit or any other issues related to it, please contact us today.