Planning for Brexit: Indirect Tax

Brexit is a major disruptor for businesses today and will continue to be for the foreseeable future.

As the process continues, there is a clear sense of frustration in the business community over the lack of clarity on the procedures that will be placed on businesses that trade with the EU.

One important part of the negotiation process will be dealing with indirect tax. Businesses need to consider some of the actions they can take now to help prepare for the UK's exit from the EU. There are things you can do to help ensure you are 'Brexit ready' by 31 December 2020.

Are you ready?

Here are a few questions to consider:

- Do you have an Economic Operator Registration and Identification (EORI) Number to allow you to trade beyond Brexit?
- Have you applied for the Transitional Simplified Procedure (TSP)?
- Have you mapped your supply chain to mitigate risk?
- How will trade tariffs impact your business?

EORI Number

Last year, HMRC urged businesses to apply for an EORI number. They did this because, going forward, UK businesses that export or import goods to and from EU countries will need to hold an EORI number to be able to trade with EU customers or suppliers.

In actual fact, the applications for EORI numbers did not reach the numbers expected. As a result, HMRC confirmed it would automatically issue approximately 85,000 EORI numbers to businesses. While HMRC have attempted to do this, in practice, we know that some affected businesses have not received their number.

If a business buys goods from EU suppliers, or sells goods to EU customers, and does not have an EORI number, we would recommend that you apply for one as a priority. This will allow you to continue to trade with minimum disruption beyond 31 January 2020. The sooner you act, the better.

Transitional Simplified Procedure (TSP)

We recommend that all affected businesses should also consider applying for the TSP. Once registered, a business should be able to transport goods from the EU into the UK without having to make full Customs declarations at a border. It will also not be necessary to pay import duties immediately. This will provide businesses time to prepare for normal import processes and will give a cash flow benefit. They must also ensure that the classification of their products is accurate and appropriate.

It should be noted that if you use TSP, you will also be required to have a duty deferment account. We can facilitate an application for such an account as part of our customs and excise duty service offering. Finally, it is also worth noting that the Government has auto-enrolled some businesses for TSP.

Supply Chain Considerations

It is perfectly possible that the UK will negotiate a free trade agreement with the EU. However, whatever the nature of the agreement reached, it is almost certain that trade with the EU and other countries will be affected by the UK's departure from the EU.

By considering the agreements the EU has with countries such as Norway and Switzerland, it is possible to plan and to predict the likely impact these trade agreements will have on UK businesses. The re-imposition of customs formalities for EU trade is almost certain to cause delays to supply chains and/or the delivery of goods. It is also likely that we will see increased compliance costs arising from rules concerning the origin of goods being sent to the EU.

Businesses that buy goods from outside the EU and sell to customers in the EU are almost certain to face the most significant changes. These businesses should start to consider the practical measures required to prepare their business for these changes. This may include a change in their supply chain and adjustments to prices negotiated with customers and suppliers to reflect the increased compliance burden and/or to mitigate the effect of any changes. There will also be a potential need for businesses to consider regulatory alignment and common standards with the EU.

Trade Tariffs

Businesses would be well advised to confirm the duty tariff it will be paying on its trading goods. Some tariff rates will rise although others may go down under a new temporary UK tariff that will apply after a 'no-deal' Brexit. Such arrangements can, however, only apply for a period of 12 months. This cannot be a permanent position because of 'Most Favoured Nation' ('MFN') rates which are tariffs that countries promise to impose on imports from other members of the World Trade Organisation, unless the country is part of a preferential trade agreement.

As well as planning for the impact on imports, business should consider the current benefits from EU trade agreements which may no longer apply to many countries. This may mean exports become more expensive to some customers.

As well as TSP, other Customs simplifications such as Customs Warehousing and Inward Processing Relief can protect cashflow from short term duty and VAT charges. Putting these in place before Brexit could be very cost effective.

Funding Opportunities

There are grants available to assist businesses with training costs and software changes. We can provide details of these to you and we can also provide the associated training. In the meantime, you can find out more about the Customs Training and IT Grants scheme via the Government website.

Other Assistance

The Government has also released an online tool to help you understand how a no-deal Brexit might impact you and your business. We would advise you to use the tool as well as the information set out above.

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