

News

Brexit update December 2020

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Great Britain (“GB”) officially left the European Union (“EU”) on 31 January 2020, and we are now at the end of the transition period. If GB and EU do not reach an agreement with a trade deal before 1 January 2021, GB will become a third country and all companies within EU need to follow the general rules for countries outside of EU when trading with GB. This means that all export from GB and import to GB will basically be governed by the rules of the World Trade Organization (“WTO”). The border between GB and EU will become an operational customs border from 1 January 2021 and it will result in a number of procedural and structural changes such as customs declarations and duty and VAT may have to be paid.

Disregarded if a deal is to be made or not, it is important to consider the following non-exhaustive list of preparation tips:

Custom declarations

With or without a trade deal, custom declarations will be required for movements across the UK borders from 1 January 2021. Import and export declaration needs to be submitted to HMRC (Her Majesty’s Revenue and Customs) with information’s about customs value, commodity code, country of origin, customs procedure code, consignor, consignee etc. You can either do it yourself, use a broker or use a forwarder.

In October, the UK.gov published an updated version of the “Border Operating Model”, describing the formalities for export, import and transit to and from GB from 1 January 2021. Click on below link to see the updated version:

[View Border Operating Model here](#)

Custom duty and VAT

Customs duty will apply to imports from GB and exports to GB from 1 January 2021. The rate of duty depends on two areas: the classification of the goods and the goods value and origin.

If a trade deal cannot be agreed, the UK Global Tariff (UKGT), published by The Department of International Trade, will apply to global imports instead of the current EU’s common External Tariff (EU CET).

<https://www.gov.uk/guidance/uk-tariffs-from-1-january-2021>

Furthermore, VAT will be payable for purchased goods from GB to EU (import) from 1 January 2021.

EORI Number

If your company have not traded with a third country before, your company will need an Economic Operators Registration and Identification number (EORI) to trade between EU and GB.

If your company is already exporting to countries outside the EU, your company would already be export-registered with the authorities, and in case of a no-deal Brexit, export would proceed as usual to such countries.

You can apply for a EORI number here: [Border Operating Model](#)

Review your contracts

Review and adjust your current contracts and make reservations for delays or changes in the transport time due to new customs and tax procedures. Make sure your contracts allow price increases due to customs, tax and other trade barriers.

Incoterms

Incoterms defines the responsibilities and obligations for the buyer and seller including the payment of taxes and the agreement of who is responsible for the declaration.

Many contracts use the incoterm DDP, but from the 1 January 2021 these terms may no longer be the best choice when trading with GB.

It will be a good idea to review your supplier and customer contracts to avoid that a party is unable to fulfil their responsibilities and consider other terms than DDP, for example FCA or DAP.

Review your supply chain

Changes in liability may occur in your supply chain and can impose charges for both parties.

Below you will find a list of other useful links

Details on importing: How to import goods from the EU into GB from January 2021

Details on exporting: How to export goods from GB into the EU from January 2021

Details on customs: <https://www.gov.uk/topic/business-tax/import-export>

https://ec.europa.eu/info/european-union-and-united-kingdom-forging-new-partnership_en

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