



**2021
BRITAIN**
End of EU Transition
KEEP BUSINESS
MOVING: ACT NOW 

EU Exit Deal: Implications & actions

2 PM - 3 PM | 21 January 2021



EU Exit Deal Implications & actions

January 2021



Today's speakers



Tom Rathborn

Political and Economic Affairs



Oliver Bridge

Operational Consulting



Kevin Wilson

Operational Consulting

Agenda and Timings

- Deal update
- Implications and actions
 - Imports and Exports
 - Suppliers and Supply Chain
 - Finance
 - Regulation, Legal & Data
 - People
- Q&A
- Wrap-up and next steps



Deal update

What has and has not been agreed?

The Trade and Cooperation Agreement 'A deal is done'

Boris Johnson  @BorisJohnson · Dec 24, 2020

The deal is done.



 21.1K

 30.7K

 121.1K



TRADE AND COOPERATION AGREEMENT BETWEEN THE EUROPEAN UNION AND THE
EUROPEAN ATOMIC ENERGY COMMUNITY, OF THE ONE PART, AND THE UNITED KINGDOM
OF GREAT BRITAIN AND NORTHERN IRELAND, OF THE OTHER PART

The Trade and Cooperation Agreement

A significant change

		2020			TCA	
		Full EU Membership	EFTA EEA (Norway)	Customs Union (Turkey)	Free Trade Agreement	WTO
		Softer Brexit			Harder Brexit	
Goods	Tariff free access in goods?	Yes	Yes	Yes	Yes	No
	Avoidance of technical barriers ?	Yes	Yes	Partial	Partial	Partial
	Avoidance of EU-UK customs administration?	Yes	No	Yes	No	No
Services	Market access for services?	Yes	Yes	No	Partial	No
People	Free movement of labour?	Yes	Yes	No	Partial	No
Data	Avoidance of restrictions on EU-UK data transfers?	Yes	Yes	Possible	Possible	Possible

The Trade and Cooperation Agreement

What is in the deal?

- Zero tariffs or quotas
Grace period for Rules of Origin until 2022
- Level playing field commitments
- Continued air, road, rail and maritime connectivity
- Continued participation in Horizon Europe
- Public procurement access
- Visa-free travel (90 days in a 180-day period)
- New EU-UK governance frameworks

The Trade and Cooperation Agreement

What is missing?

- No frictionless trade
- No agreement on conformity assessments
- No permanent data agreement
- No passporting rights for financial services
- No free movement of people
- No automatic recognition of professional qualifications
- Detail

The Trade and Cooperation Agreement

What does it mean for business?



Short term boost



More red tape



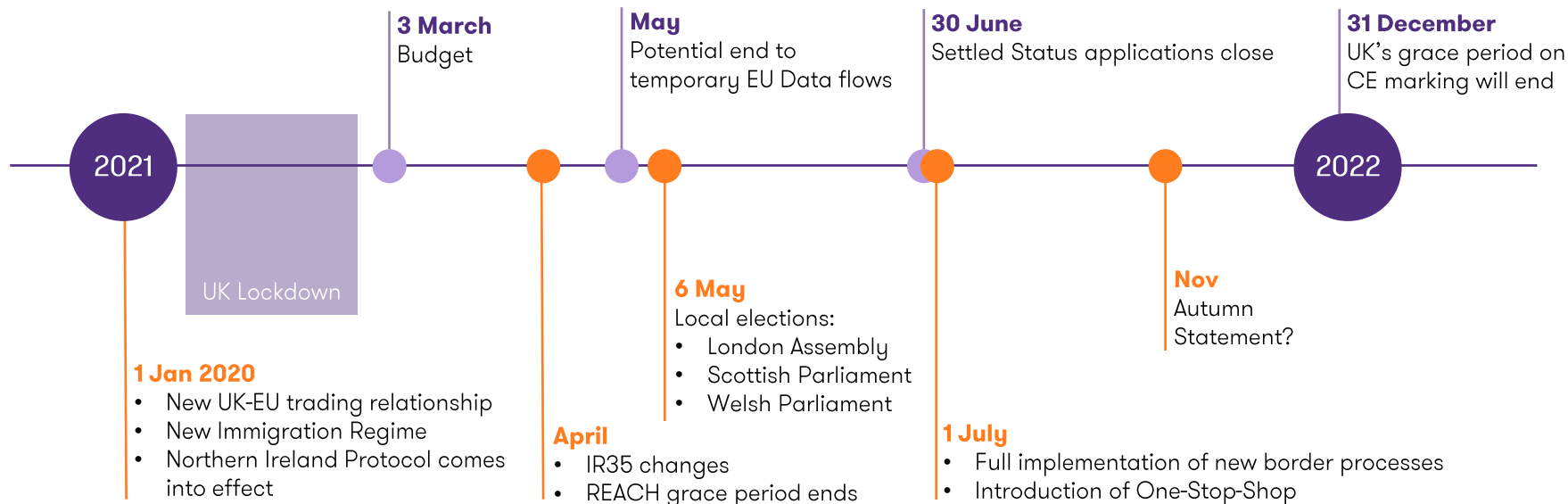
**Continued
uncertainty**



Check the detail

Lookahead to 2021

Key dates and events



Implications and Actions

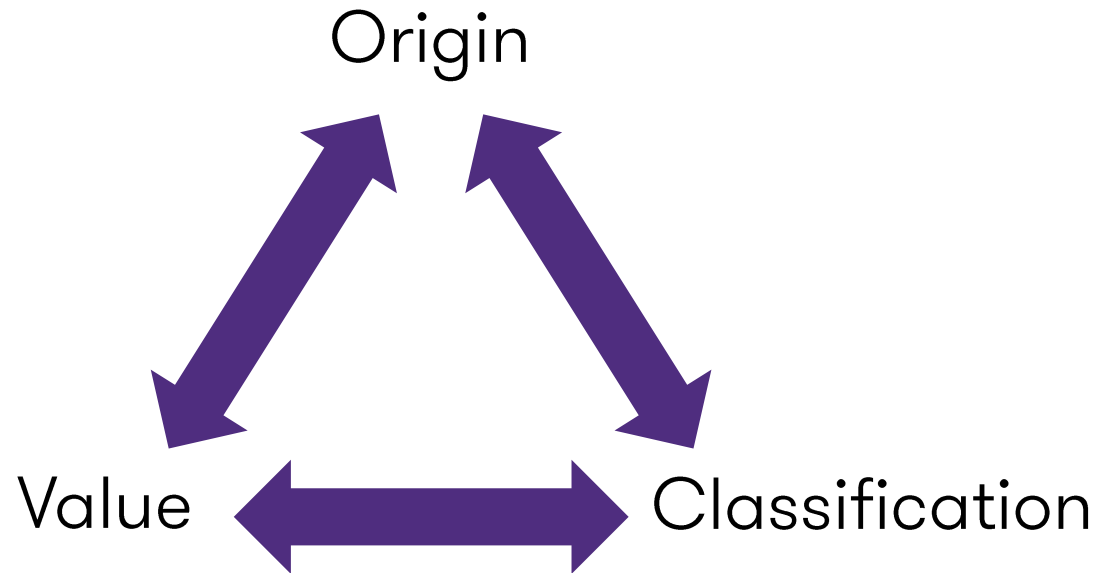
Imports and Exports

Imports and Exports Implications

Impact of agreement	Benefits of Agreement
UK goods no longer benefit from free movement of goods	Zero tariffs or quotas on goods that qualify
New customs formalities	Traders can self-certify the origin of goods and enjoy 'full cumulation'
VAT and Tariffs applicable	Mutual recognition of trusted trader schemes – E.g. AEO
UK exports must have valid certification	Specific facilitation arrangements for some sectors

Imports and Exports

3 elements of Customs



Imports and Exports

What is 'origin' and how is it determined?

The Origin is the 'economic nationality' of the good

NOT NECESSARILY WHERE IT WAS SHIPPED FROM

Origin **can** change where the last significant process took place:

- Wholly produced (grown, mined, reared)
- Production process
- Change in tariff classification (CTH / CTSH)
- Maximum value or net weight (exc packaging) of non-originating material
- Other requirement specified

Imports and Exports

Classification changes can impact 'origin'

Individual elements

China clay (Malaysia) – 2507

Natural pigments (Sri Lanka) – 2530

Textile covered presentation box (Egypt) – 4202

Matching spoon (France) – 6911 *(EU cumulation)*

Package

Fine bone china cup, hand painted with matching spoon – 6911

Packaging together means 'origin' of final product has changed and would qualify for zero-tariffs



Imports and Exports

Value can impact the 'origin' of materials

Rule for tariff heading 6601 (Umbrella)

Manufacture in which the value of all the materials used does not exceed 50% of the ex-works price of the product

Ex-works price £10

- Labour £1.50
- Overheads and profit £3.15
- Materials:
 - Plastic handle (Belgium) £0.55
 - Metal frame (China) £3.10
 - Canvas cover and bag (Bangladesh) £1.70

Total: £4.80 non-EU/UK



Imports and Exports

Some early pitfalls.....

- ① EU – UK – EU with no UK processing = EU tariffs on second leg
- ① Non-EU – UK – EU – duties due on entry to UK and EU
- ① Diagonal Cumulation – EU content used in UK for supplies to Switzerland, Israel, Norway, Canada
- ① Insufficient production/minimal processes
- ① Application of rules of origin

Imports and Exports

Practical steps

Explore mitigation strategies, such as:

- Community transit for full loads with no significant delay
- Inward Processing Relief (IPR) with Usual Forms of Handling (UFH)
- Customs warehousing
- AEO accreditation
- Government grants available



Imports and Exports

In summary

- Check the origin rules and tariffs for your products
- Check your paper work is in order (declarations, shipping documents etc)
- Check the VAT registrations
- Utilise Government support
- Explore mitigation options



Suppliers and Supply Chain

Suppliers and Supply Chain Implications

Cost to the supply chain increases

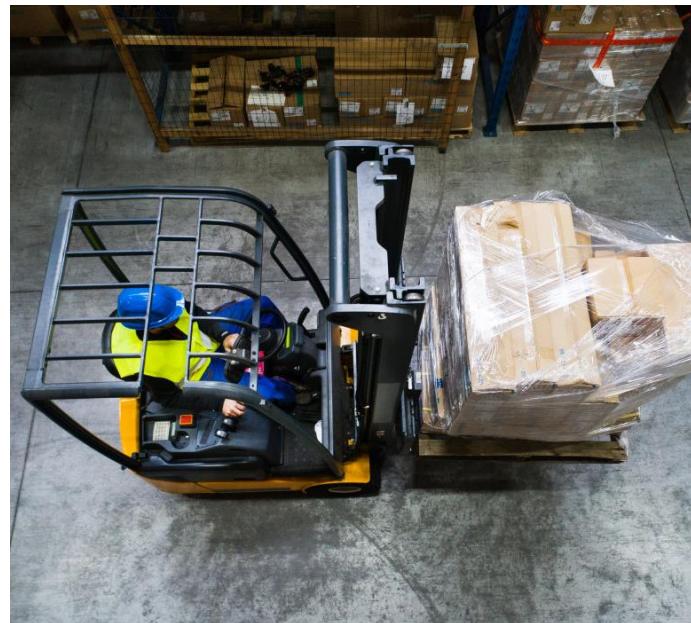
- cost of declarations (own, agent, third party logistics), cost of tariffs (if applicable), cost of transit, cost of administration
- additional stock to protect supply/service (port delays, customs checks, preparation in advance)
- risk of additional charges such as demurrage, haulier delay costs, expedited paperwork or goods



Suppliers and Supply Chain Implications

Complexity in the supply chain increases

- declarations, certifications and rules for each goods classification (including record keeping)
- where to store/supply (multiple warehouses, multiple import locations) considering alternate strategies such as customs warehouse, transit procedures, processing relief
- packaging, labelling and regulatory certifications and markings potential for multiple SKU codes (stock keeping unit)



Suppliers and Supply Chain Example

Tools supplier bringing in goods from the far east – potential double tariff

- Has smaller EU based warehouse and some goods now directed from far east to supply EU warehouse direct
- Reduced range for supply into EU
- Steps taken to change UK warehouse to a customs warehouse in the future



Suppliers and Supply Chain Example

High Street retailer bringing in goods from Europe to supply into Ireland

- You will have seen in the news that M&S struggled with the Percy pig sweets – this was primarily an issue of interpretation where EU origin goods moved to the UK were tariff free but if they were moved again back into the EU (Ireland) the origin status had been affected (no longer preferential) so tariffs were due
- Mitigation either customs warehouse, use free transit through UK (without unloading) or direct to Ireland supply

Percy Pigs in Ireland hit by Brexit red tape as M&S warns of tariffs

Sweets are among retailer's products affected by 'rules of origin' regulations



Source: Guardian

Suppliers and Supply Chain Incoterms

Source: International Chamber of Commerce

Groups	Freight Collect Terms						Freight Prepaid Terms				
	Any Mode or Modes of Transport		Sea and Inland Waterway Transport				Any Mode or Modes of Transport				
Incoterm [®]	EXW	FCA	FAS	FOB	CFR	CIF	CPT	CIP	DAP	DPU	DDP
	Ex Works (Place)	Free Carrier (Place)	Free Alongside Ship (Port)	Free On Board (Port)	Cost and Freight (Port)	Cost Insurance & Freight (Port)	Carriage Paid To (Place)	Carriage & Insurance Paid to (Place)	Delivered at Place (Place)	Delivered at Place Unloaded (Place)	Delivered Duty Paid (Place)
Transfer of Risk	At Buyer's Disposal	On Buyer's Transport	Alongside Ship	On Board Vessel	On Board Vessel	On Board Vessel	At Carrier	At Carrier	At Named Place	At Named Place Unloaded	At Named Place
Obligations & Charges:											
Export Packaging	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Loading Charges	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Delivery to Port/Place	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Export Duty, Taxes & Customs Clearance	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Origin Terminal Charges	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Loading on Carriage	Buyer	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Carriage Charges	Buyer	Buyer	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Insurance	Negotiable	Negotiable	Negotiable	Negotiable	Negotiable	*Seller	Negotiable	**Seller	Negotiable	Negotiable	Negotiable
Destination Terminal Charges	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller
Delivery to Destination	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller	Seller	Seller
Unloading at Destination	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller	Buyer
Import Duty, Taxes & Customs Clearance	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller

Practical steps Actions

Understand the requirements to move/receive your goods

- categorisation of goods, valuation of goods, origin of goods – what rules apply
- familiarise yourself with Incoterms, customs declarations, safety and security, export licences & certifications
- training and procedures to make the process easy, systemise to make it repeatable without error

Quantify the costs

- based upon costs of administration, tariffs, stock etc understand the impact upon which to base your mitigation, sourcing or supply strategy

Finance

Finance

Implications of TCA

VAT changes

- EU suppliers moving goods into the UK may need to register for VAT in the UK.
- UK suppliers importing goods into the EU post Brexit will need to register for VAT in the member state of importation, navigating any requirements to appoint a local fiscal representative.

Corporate Tax changes

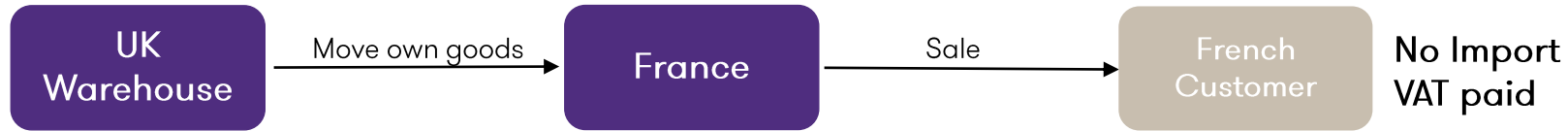
- Including changes to: Withholding taxes, Group structures and Transfer Pricing.

Cost increases/Margin erosion

- New paperwork, additional support and potential delays will add cost to doing business. There may also be pressures to reduce sales prices or absorb additional costs across supply chain.

Original trading model (UK in EU)

DDP sale to France

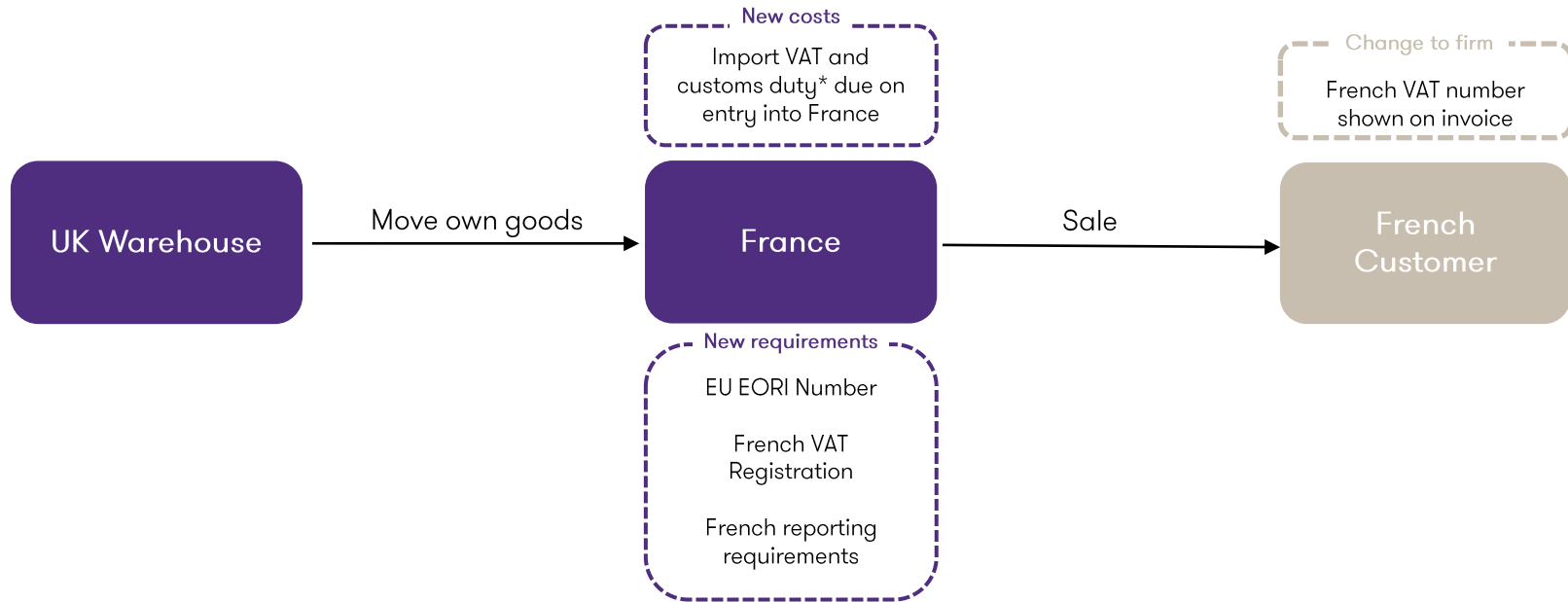


Comment

Under the original trading model there is was no requirement to be registered for VAT in France.

New trading model (UK out EU)

DDP sales to France



Notes

* Customs value based on the value of the sale to the final customer

Practical steps

Actions

- **Review Incoterms**
- **Prepare for VAT changes**
- **Update financial modelling**
 - Sales, cash-flow and inventory
- **Reduce cost base/update pricing structure**
- **Communicate clearly and frequently with key stakeholders**
- **Review your tax position**



Regulation, Legal & Data

Regulation, Legal & Data

Implications of TCA

Lots of changes

SPS - Sanitary and phytosanitary standards

ISPM 15 – International Phytosanitary Measure, heat treatment of wooden packaging

CE Mark - Changes to product standards

REACH guidance has changed

Labelling – e.g. must be labelled with an EU address.

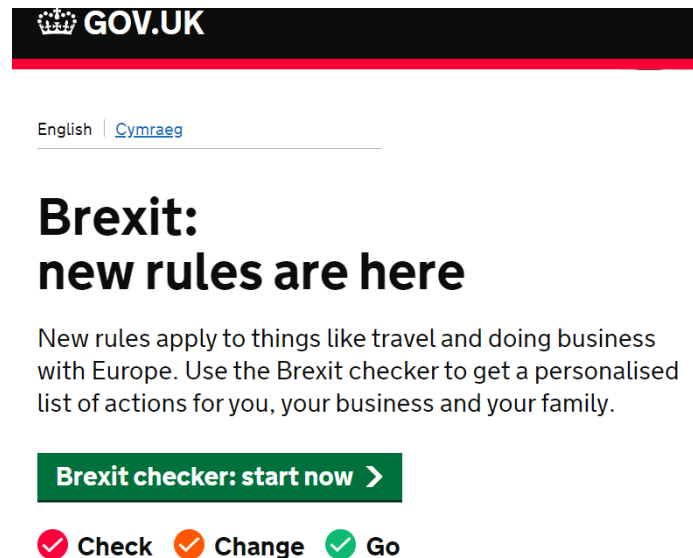
Temporary data agreement – awaiting decision on adequacy

Changes to cabotage for UK hauliers

Good news – UK drivers in EU will not need an International Driving Permit.

Practical steps Actions

- **Check government website**
<https://www.gov.uk/transition>
- **Dig into detail on new regulations**
 - What are you doing? And what rules apply?
- **Prepare for data changes**
- **Review contracts in light of changes**
- **Seek advice from relevant trade body or association**



The screenshot shows the GOV.UK website header with the crown logo and 'GOV.UK' text. Below the header, there is a language selector for 'English' and 'Cymraeg'. The main heading reads 'Brexit: new rules are here'. A sub-heading states: 'New rules apply to things like travel and doing business with Europe. Use the Brexit checker to get a personalised list of actions for you, your business and your family.' Below this is a green button that says 'Brexit checker: start now >'. At the bottom of the screenshot, there are three status indicators: a red checkmark for 'Check', an orange checkmark for 'Change', and a green checkmark for 'Go'.

People

People

Implications of TCA

- **No more free movement of people**
 - UK nationals no longer have freedom to work, study, start a business or live in the EU
 - UK visitors to the EU - visas are required for stays over 90 days* in a 180-day period; additional border checks; EU pet passports no longer valid
 - Short-term business trips are permitted for specific purposes
 - Exact rules vary across member states
- **No more automatic recognition of professional qualifications (MRPQ)**
- **UK Settled Status applications remain open until end of June**
- **New UK immigration regime**
 - Points based system with no preference for EU nationals

Practical steps Actions

- Review your current mobility policy
 - Update in light of Covid-19 and Brexit
- Understand any MRPQ impact
- Communicate clearly
- Upskill your current workforce
 - Utilising available government support
- Track your social security obligations for mobile workers



Key considerations

Navigating the changes

Areas to focus on



Continuity

Being able to continue to operate and serve customers



Compliance

Ensuring all paperwork is up to date



Cost

Understanding impact of cost changes and your options



Communication

Speaking to key stakeholders

Q&A

Wrap-up and next steps

Thank you

Get in touch:

SEMLEP's Growth Hub

T: 0300 01234 35

E: growthhub@semlep.com

W: www.semlepgrowthhub.com



Upcoming EU Exit Webinars...

- Food & Drink Sector Regulation Changes
- Export customs declaration & procedures
- UK-EU Trade and Cooperation Agreement (TCA) explained
- Managing financial risk when trading internationally

View the full series at bit.ly/EUExitWebinars



grantthornton.co.uk

© 2021 Grant Thornton UK LLP.

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions. This publication has been prepared only as a guide. No responsibility can be accepted by us for loss occasioned to any person acting or refraining from acting as a result of any material in this publication.