



HM Revenue
& Customs

Staged Transition

HMRC Customs and Border Design
Stakeholder Engagement

Trader Readiness Webinar - 27 August 2020

Introduction

- Following the UK's departure from the EU on 31 January 2020, we have now entered a transition period.
- The transition period began on 1 February 2020 and will end on 31 December 2020. During this time all trade continues in accordance with existing customs, excise and VAT rules and regulations. There will be no changes to processes for UK-EU trade during this period and therefore no requirement for customs declarations or tariffs on UK-EU trade.
- The Government has been clear that it will not extend the transition period.
- At the end of the transition period HMRC will implement changes to customs controls and new processes to support the flow of goods, whether or not a Free Trade Agreement has been agreed by that point. HMRC will also implement any relevant processes required for the Northern Ireland Protocol.

Introduction

- The Government has confirmed its intention to introduce full border controls after the transition period ends if no further agreement with the EU is reached.
- All goods entering the UK from the EU will be subject to the same checks and controls as goods coming from the rest of the world.
- The agreement is clear that Northern Ireland is and will remain part of the UK's customs territory.
- The UK will pursue an independent trade policy, and this will apply to the whole of the UK, including Northern Ireland.

COVID-19

- In light of Covid-19 and the limited time remaining before the end of the transition period, HMG have agreed that whilst it is still the policy intention for full controls to be introduced at the UK border, they will now be introduced in stages from January 2021 onwards.
- If the UK faces a different scenario (i.e. “second wave”) we will monitor the impact very carefully.
- A full range of business support measures have been made available by HMG to UK businesses affected by the COVID-19 pandemic.

What staging means

- We are introducing customs requirements over a period of time and most traders will not have to make import customs declarations on 1 January 2021.
- Traders importing controlled goods (such as excise goods) will be expected to follow full customs requirements.
- VAT registered businesses who make full import customs declarations will be able (but not compelled) to use Postponed VAT Accounting which allows them to account for import VAT on their periodic (usually quarterly) VAT return..
- Businesses will be required to keep records of their imports and to submit the information, via a supplementary declaration, after 6 months, including paying the required duty via an approved duty deferment account. To be able to submit the supplementary declaration, businesses must be authorised for CFSP or they can use an intermediary who is authorised.

What staging means

- VAT registered businesses who are eligible to defer their supplementary declarations must use Postponed VAT Accounting to account for import VAT on their periodic VAT return which includes the date when they imported the goods. To do this they will need to estimate the import VAT due from the records of imports that they are required to keep.
- Non-VAT registered traders who choose to defer their supplementary declarations will follow the same process as they do for customs duties and will pay any import VAT due on their Duty Deferment Account.
- All VAT registered businesses currently required to submit Intrastat arrivals declarations will be required to carry on submitting these in the normal way.
- Our aim is to eliminate, as far as possible, the need for any requirements for traders before they move their goods, but traders will still need to keep sufficient records when crossing the border to later complete declarations and submit VAT returns.

Stage 1

- From 1st January 2021, there will be full customs requirements for controlled goods.
- Standard goods will be subject to minimum customs requirements, enabling greater flow and reducing overall burdens on traders.
- Between January and end of June, DEFRA are proposing to continue with existing checks whilst introducing new requirements for EU goods over a period of time. These will include prenotifications and health certificates (100% for regulated plants and live animals), as well as physical checks at destination or other approved facility for high risk plants and live animals.
- From 1st July 2021 there will be no option to defer customs declarations for standard goods.

Import Controls

The government has confirmed plans to introduce import controls:

- EU goods at the border after the transition period ends on 31 December 2020
- Anyone importing or exporting with the EU will need to complete customs declarations
- Those trading with the EU will need to operate the same processes as those trading with the rest of the world



Import controls

- There may be some differences in how goods that are imported into GB are processed at various border locations.
- The primary variation in process will be the requirement for Pre-Lodgement of customs declarations at ports that have limited space or infrastructure. At present we can not tell you which ports will operate this process as this is a commercial decision that border locations will take in due course.
- The government will introduce the Goods Vehicle Movement Service (GVMS) to support the Pre-Lodgement model for both imports and exports and to facilitate Transit movements.
- Under this model, goods arriving will be required to have submitted relevant customs declarations in advance of boarding at the port of departure.
- We have no intention of imposing the use of a specific IT service, this is a commercial decision for locations to make and choose between a traditional temporary storage model which already exists at locations handling goods from Rest of World, or the new Pre-lodgement model.



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Intermediaries

- HMRC recognises the importance of the role of intermediaries in supporting trade and understands that existing UK to rest of world trade is heavily reliant on intermediary services. We have been engaging with, and listening to, the intermediary sector throughout this process and will continue to do so.
- We have continued to listen to feedback from the industry on how we can increase support for this sector ahead of the UK leaving the EU, and as a result we will be making a further £50m available – as announced in June.
- The additional funding will help to fund improved IT, more training and additional recruitment, all of which will increase capacity within the sector and build on the success of the grant scheme to date.
- Applications are now open through the gov.uk website.

Intermediaries

- We are focusing on the intermediary sector as evidence shows that the vast majority of the UK's 'rest of world' traders use an agent or intermediary to comply with customs formalities and manage their logistics and transport needs. We expect, based on this, that the intermediaries sector will have an essential role to play as the majority of UK businesses currently trading exclusively with the EU will want to use their services to facilitate the import/export process.
- The new funding is one element of the plan to help the sector scale up and meet the increased demand it will see from traders at the end of the transition period. It also includes a change in representation rules to remove the financial risk from intermediaries when operating for their clients, this is designed to remove barriers to taking on new traders.
- There will also be further consultation and communication to: further strengthen engagement with the sector; gain an understanding of challenges; test proposals and provide clarity and certainty on plans for 2021. This will include increased ministerial roundtables.

VAT

- The Government announced at Budget that from 1 January 2021 postponed VAT accounting will be available to VAT registered businesses for imports of goods from all countries, including from the EU.
- Postponed accounting allows businesses to account for VAT on the goods they import through their periodic VAT return rather than pay that VAT at (or soon after crossing) the UK border.
- This will provide the same cash flow benefits to businesses who import goods from non-EU countries as those who import goods from the EU.
- It will provide an important boost to those UK VAT registered businesses which are integrated in international supply chains as they adapt to the UK's position as an independent trading nation

Excise

- On the 1 January 2021, the Rest of World rules will apply to imports and exports of excise goods moving between the UK and the EU. Businesses will need to complete customs import and export declarations using the relevant codes for duty paid or suspended goods.
- If businesses move duty suspended excise goods to and from a tax warehouse to the place they enter and exit the UK they must use the UK version of Excise Movement and Control System (UK EMCS). UK EMCS must also be used to move duty suspended excise goods from UK warehouse to UK warehouse.
- Special arrangements will apply in relation to Northern Ireland under the terms of the NI protocol to the withdrawal agreement.

Preparing Your Business

You will need to do customs declarations among other processes.

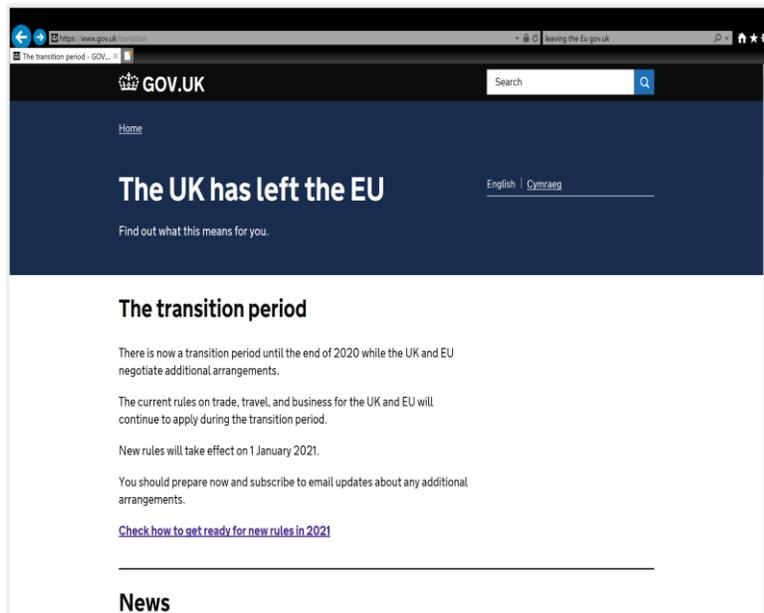
You will need to decide:

- How you want to make customs declarations
- Whether you need to get someone to deal with customs for you
- You can hire a person or business to deal with customs for you, such as:
 - freight forwarders
 - customs agents or brokers
 - fast parcel operators

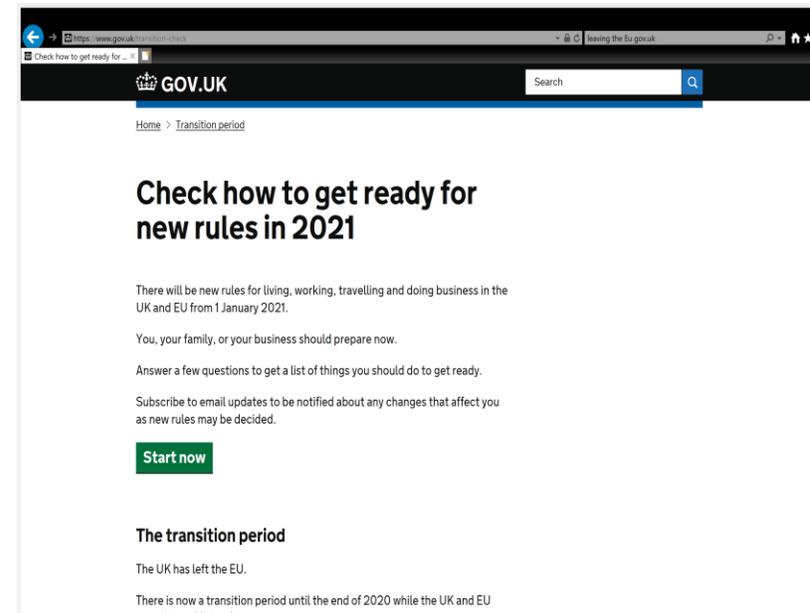


More Guidance is Coming Soon

Visit <https://www.gov.uk/transition>



Visit <https://www.gov.uk/transition-check>



Further information on customs, VAT and excise will be published on GOV.UK and via other comms channels including webinars

Any Questions?

Thank you

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Customs Border and Design

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