

BREXIT – CHALLENGES FOR EXPORTERS TO THE EU



BREXIT

Whichever side of the Brexit debate you favour, on one matter we can probably agree, that we are unlikely to make the journey without encountering a few potholes along the way.

This fact sheet should provide you with basic, easy to read information on the changes you may need to make to your procedures if you continue to sell goods to the EU after 29 March 2019.

The comments are based on a no-deal, worst case scenario. In our opinion, it's always best to be prepared. If the withdrawal agreement is ratified by all parties there will be a hiatus for a period, and during this time the free movement of goods will continue. Then the hard work starts on agreeing our future relationship...

VAT CHANGES

The rules prior to 29 March 2019

They are:

- VAT is charged on most goods and services sold within the UK and the EU,
- Goods that are exported by UK businesses to non-EU countries and EU businesses are zero rated at the point of sale.
- Goods exported to EU consumers have either UK or EU VAT charged (subject to distance selling thresholds).
- For the export of services, the place of supply rules determines the country in which you need to charge and account for VAT.

The rules after 29 March 2019

Based on a no-deal outcome they are:

- Sales of goods to EU member state businesses will continue to be zero rated.
- EU sales lists will no longer be required.
- UK businesses exporting to the EU will need to keep supporting export documentation to qualify the zero rating of supply.
- Distance selling arrangement will no longer apply so sales to EU consumers which will change to be zero rated for UK VAT purposes.
- Current EU rules would dictate that when goods arrived in the EU from the UK import VAT and customs duties would be applied.
- The main “place of supply” rules will continue to apply to UK businesses that supply services in the EU.

For all the latest news...

The rules after 29 March 2019 (continued)

- There will be changes to the EU tour operators' Margin Scheme. More details will be added as they are published by HMRC.
- UK businesses will continue to be required to register for VAT in the EU member states where sales are made.
- The Mini One Stop Shop (MOSS) portal will no longer be available to report and pay VAT on sales of digital services to customers in the EU. Businesses will need to re-register to the non-Union scheme in a member state.
- UK businesses can continue to claim refunds of VAT from member states but will need to use processes for non-EU businesses.
- The EU VAT registration number validation will still be available but will exclude UK registration details. HMRC is developing a process to provide this service.

OTHER CONSIDERATIONS FOR EXPORTERS TO THE EU

As the free movement of goods would stop after 29 March 2019, exports to the EU will need to be on the same basis as present pre-29 March 2019 exports to the rest of the world.

Before exporting to the EU, exporters will need to:

- Register for a UK Economic Operator (EORI) number.
- Change contracts and terms and conditions of service.
- Incorporate changes required by the need to submit export declarations. This can be done inhouse or by engaging a customs broker. Either option will involve additional costs.

When exporting, firms will need to:

- Have a valid EORI number,
- Submit an export declaration. This may have to be done prior to shipping goods.
- It may also be necessary to apply for an export license.
- Hauliers, train, ships and aircraft operators will need to make a Safety and Security declaration.
- Pay any customs duty and import VAT required by the destination country.

INTERRUPTIONS TO SUPPLY CHAIN

As there may be initial disruptions at the EU/UK borders whilst the unaccustomed clearance procedures are accommodated, exporters should discuss these likely delays with their customers to minimise any disruption in their supply chains.

For example, you could ship larger orders in advance of the March 2019 cut-off date to provide working stocks for EU firms or request that EU customers bring forward reorder dates.

AUTHORISED ECONOMIC OPERATOR (AEO) STATUS

Exporters to the EU should also investigate the benefits of applying for AEO status.

AEO status will smooth the clearance and progress of consignments through customs checks. Whatever the outcome of present and future negotiations, this would be a worthwhile add-on to your strategies to minimise disruption to your export activities.

OUR CONCLUSION

When we leave the EU there are obviously a number of changes that exporters will need to consider if they continue to supply goods or services to EU customers after 29 March 2019.

Our recommendation is that affected businesses complete an in-depth impact assessment so that even if the details of our exit are changed, exporters are familiar with the issues that need to be dealt with and can act accordingly.

If required, we can assist. Please call for more information.

Nunn Hayward LLP
2-4 Packhorse Road
Gerrards Cross
Buckinghamshire
SL9 7QE

01753 888211
www.nhllp.com