

# BREXIT: URGENT NEED FOR ACTION FOR CUSTOMS AND EXCISE DUTIES



## BREXIT – MAKE SURE YOUR COMPANY IS READY FOR CHANGES TO CUSTOMS AND EXCISE LAW FROM 1 JANUARY 2021

The Transition Period will end on 31st December 2020 at which point the United Kingdom (UK) will finally leave the EU customs and excise duty regime for good. The UK will be treated from that date as a third country (non-member state) for customs and excise duty regulations.

All trade between the EU and the UK takes place over customs borders and is subject to customs supervision. The simplifications and rules which apply as part of the EU internal market will end without any replacement.

These radical changes will create significant challenges for companies which have no experience of trading outside of the EU internal market. If you import from or export to a third country, you will have to familiarise yourself with specific rules in the UK.

## FIND ABOUT THE NEW REGULATORY ENVIRONMENT – YOU NEED TO ACT NOW!

EU-legislation such as the EU Customs Code along with related regulations, the Council Regulation on Exemption from Customs, the EU Customs Tariff (combined nomenclature) as well as existing free trade agreements in particular customs simplifications for goods with preferential origin, which the EU and its member states have agreed with other countries in the world will no longer apply.

Even EU guidelines, which harmonise excise duties will cease to be relevant for the UK.

Also, to note is that EC/CFI and ECJ/CJEU legal judgements do not have to be followed by the UK in the future.

BDO is a competent partner to help you solve the challenges you are facing as the UK moves to a third country status. With the benefit of access to the Global BDO Network we can answer your questions on and clarify the legal position in the UK.

## ACT IN TIME – AVOID NEGATIVE ECONOMIC CONSEQUENCES

Any company which exports goods from the EU/Germany to the UK or imports into the EU/Germany from the UK needs to be clear on customs regulations issues like the tariff classification of exported or imported goods, the choice of the appropriate simplifications, permits and/or import restrictions in the UK or the EU.

Customs simplifications, which the UK have previously followed will fall away without any replacement if you have no 'establishment' in the UK.

In this context the contracting parties who are exporting out of the EU/importing into the EU need to agree up front on the terms of delivery, responsibility for the transport of goods and their insurance as well as the export and import formalities and costs.

Existing Incoterms need to be adapted, because the way they work in the EU single market is not the same as in relation to the UK with a third country status.

## ABOUT BDO

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You will have to recalculate your pricing because import duties will have to be included as a new cost. The impact on the customs value which will have to be declared, in particular for related companies goes hand in hand with the verification of existing transfer pricing documentation.

Companies will have to rethink how they procure goods, their supply chains and adapt to the new legal framework.

The use of warehouses, for example for the distribution of goods on the European market, in the form of customs warehouses can lead to customs savings.

The practice of inward or outward processing offer advantages in handling cases involving the export of goods to and from the UK.

## **RECOMMENDED ACTIONS**

- ▶ Create an overview of your customs related situation.
- ▶ Talk with your suppliers and customers to make sure it is clear who whether as importer or exporter is going to be responsible for customs.
- ▶ Make sure you have an UK-customs identification number and/or an EORI number.
- ▶ Organise trade guarantee(s) with your bank in order to secure the necessary customs simplifications.
- ▶ Make sure you have a customs agent located in the UK who can undertake customs processing on your behalf.
- ▶ Consider if you need a tax deposit account.
- ▶ Ensure that you get your customs codes 100% correct.
- ▶ Calculate the customs which will be applicable in the UK and EU in relation to your imports.
- ▶ Check whether any import restrictions apply to your imports.

BDO would be happy to review your business relationships to see if they need to be adapted in the context of the new customs and excise duty regime which will apply given the UK's new third country status.