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Note to Clients on the Implications of Importing & Exporting in a Post Brexit UK

We recently attended a high-level Conference in London on the Post Brexit implications for Importers and Exporters. As part of the conference was subject to the Chatham House Rules, we will not quote directly from the speakers (Government, Customs, Industry, IT systems specialists, Trade Reps from Norway and Turkey). We have instead prepared a short synopsis of the most significant facts and figures we were given, which we set out below. The Government is due to present its white paper on the future of the UK (post Brexit) in June 2018 and we will bring you any further information from that via our web site www.veracis.co.uk.

Brexit Conference Notes

3 Scenarios:

- 1. New Customs Partnership with the EU where the UK continues to act for the EU**
- 2. Maximum Facility Model (Max Fac) using technology to meet the additional demands of Customs clearance and border protection**
- 3. Leaving without a deal**

The UK Government has guaranteed £370m for HMRC to upgrade its staffing and infrastructure to meet the challenges of Brexit. There will be:

- New taxes/potential revenue
- New Compliance Requirements
- New IT controls at the Border

In January 2019, there will be a new Customs Declaration Service (CDS). It will replace CHIEF as it is expected to scale up from 50 million declarations a year to 300 million (100 declarations a second). CHIEF will start migrating to CDS in August 2018 through to January 2019

A new Customs Bill will be drafted for the UK to take over from the UCC and prepare for all possible outcomes. The AEO programme will be central to the new legislation.

The CDS programme will incorporate:

- Validation of Customs Authorisations
- Licensing
- Warehousing
- Simplified Procedures
- Imports Inventory
- Customs Clearance



New Declarants

After Brexit, it is expected that there will be an additional 132,000 companies making declarations which previously, never had to lodge entries.

If the UK switches to an EFTA type relationship with the EU (Norway/Switzerland) the import paperwork for transactions with the EU will take 1 hour – at present declarations for EU transactions take a maximum of 10 minutes.

What the UK Industry Sector Wants

- (a) Certainty
- (b) Industry has made it clear that it wants a bespoke system which works closely with the EU, and that zero - rate tariffs remain, especially on exports. They see a hard Brexit as a direct threat to business.
- (c) They want to maintain a streamlined system where the UK has a trading operation that is aligned with the UCC, and so can accommodate the EU supply chain. This would hopefully, lead to preferential treatment in the EU for UK origin goods, using EU origin rules. In the absence of such agreements, it could affect trade between the UK and third countries because of existing trade agreements with the EU.

A Government White Paper will be published in June 2018 addressing these issues.

Hard Brexit – Some of the Consequences

- 1st time exports to the EU – 90 minutes to go through the procedure
- Physical checks on cargo – time consuming
- NI border issues with Ireland
- Technology does not exist for a paperless open border - this could take 10 years to implement.
- 100 trade deals with third countries need to be re-negotiated. Every country will want more from these new deals and these negotiations are not scheduled until 2019.
- Small companies are not equipped to deal with these changes

Not so bad if you consider

- 30% of UK economy is owned by overseas companies – therefore, not so much of a domestic issue
- The UK is signed up to the WCO (part of the WTO) International Customs Convention – less red tape and simplifications (but as a speaker commented, NO country operates on WTO rules alone and the idea that UK could, “is absurd”)
- Potential for growth of SMEs



What can Businesses do to Prepare?

1. Supply Chain Mapping – to identify Origin(s) for potential changes to Origin Rules
2. Training staff on the new CDS to achieve entry clearance at “Frictionless Borders”
3. Follow the news on the Brexit Negotiations which must be finalised by March 2019

We will be happy to discuss with you the implications of Brexit as the issues become clearer in the next few months.

Yours sincerely

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ENCL: HMRC CDS Update



Getting ready for the Customs Declaration Service

Businesses that import or export goods outside the EU will need to prepare for the new service for declaring these.

Last updated 21 March 2018 — [see all updates](#)

From: [HM Revenue & Customs](#)



HM Revenue and Customs (HMRC) will begin a phased launch of the Customs Declaration Service (CDS) in August 2018. CDS will replace the existing Customs Handling of Import and Export Freight (CHIEF) system, with all declarations taking place on CDS from early 2019.

CHIEF currently processes declarations to facilitate the international movement of goods between the UK and non-EU countries. CHIEF will continue to run for a time to aid the transition to CDS.

Why CDS is replacing CHIEF

CHIEF is one of the world's largest and most sophisticated electronic services for managing customs declaration processes, but it's nearly 25 years old and can't be easily adapted to new requirements.

The decision to replace CHIEF with CDS was made before the EU referendum, however CDS will be scaled to handle any potential increases in the volume of declarations that may result from the UK's exit from the EU.

How this will affect importers and exporters

If a trader imports or exports goods outside the EU, they or their agent will be currently using CHIEF to:

- process declarations for goods entering and leaving the UK or EU through ports and airports
- calculate and pay the correct duty and taxes
- complete customs information electronically

They will still be able to do these things on CDS, but there will be differences:

- CDS will be accessed on GOV.UK using a Government Gateway account – if traders use a customs declaration software package, they will need to follow the instructions and documentation from their supplier
- CDS will offer several new and existing services in one place - for example, traders will be able to view previous import and export data on pre-defined reports, check the tariff, apply for new authorisations and simplifications, and check their duty deferment statement
- online help will include self-service tools, guides and checklists



Some additional information will be required for declarations in order to align with the World Customs Organisation Kyoto Convention, currently being implemented in the UK through the Union Customs Code (UCC):

- *an audit trail of previous document IDs*
- *additional party types, such as the buyer and seller*
- *possible additional commercial references or tracking numbers*
- *levelling – change between ‘Header’ and ‘Item’ for some data items*

To align UK customs data with international standards, there will also be changes to:

- *location of goods identification (based on UNLOCODE)*
- *the warehouse type code list*
- *item tax lines, including method of payment codes*
- *unit of quantity codes (ISO)*
- *the way customs procedures are quoted*
- *the number of items on a declaration – CDS will allow a maximum of 999 items on a customs declaration instead of the current 99 items on CHIEF*

Alerting importers and exporters about using CDS

HMRC is currently building and testing CDS with industry, software providers and Community System Providers (CSPs). CSPs operate computerised inventory systems that control the physical movement of import and export freight at UK ports and airports.

CDS will be phased in between August and early 2019, with CHIEF continuing to run during this time to aid the transition. Importers, exporters or their agents will be informed by their software provider when they need to provide the additional information in order to start making declarations on CDS.

To keep informed about CDS, please register for the [HMRC Business Help and Education email service](#), where CDS updates will be under the education topic ‘trading with other countries’.

The updates will provide regular information on CDS and any preparations you may need to make ahead of CDS going live.

There will also be regular updates about CDS on GOV.UK and through trade associations.