Greater Birmingham Chambers of Commerce

BREXIT

How are businesses being impacted so far?

February 2021

Connect. Support. Grow.

Foreword

Daniel Clarke
Policy Manager
Greater Birmingham
Chambers of Commerce

The announcement of a deal between the UK and the European Union (EU) on Christmas Eve has helped to put an end to the perennial uncertainty that has afflicted the business community since the vote to leave in June 2016.

Both sides avoided the chaos and disruption of a no-deal scenario and transitioned to the new trading rules on the 1st January.

Whilst a free trade agreement is now in place, leaving the EU Single Market and Customs Union was always going to result in significant changes for UK businesses who will not enjoy the same level of access to the EU market as they had previously when the UK was a member of these institutions.

There are bound to be teething problems over the first few months as UK firms adjust to the new rules and what is required of them to continue trading with the EU.

However, not all of the issues that the business community will be facing can be attributed to teething problems and some will require direct intervention from government or further negotiation with the EU.

Some businesses will be able to adapt as they get up to speed with the new procedures, others will need to make fundamental changes to their business models to be able to continue operating. The support required from government will become more apparent over time as the initial disruption abates with certain sectors set to be more impacted than others.

We are now over a month into the new trading arrangements and have set out in this document some of the emerging issues we are hearing from the business community at this early stage, featuring case studies from local businesses illustrating their experiences and the challenges they have faced so far.

Henrietta Brealey
Chief Strategy Officer
Greater Birmingham
Chambers of Commerce

It has been an extraordinary year for the business community. In previous decades, either one of the COVID-19 pandemic or the end of the Brexit transition period alone would have been considered a once in a generation event. Over the past year, they have collided, impacting trade, business models and the wider economy in a myriad of ways.

While not all businesses have been negatively impacted, there is no denying that a significant number approached the 31st December 2020 with depleted resilience, resources and limited management time and headspace for final stages of Brexit planning. The short notice at which the deal was announced, left very little time to react to its specific terms.

Since then, the very real impact of Brexit trade flows have become apparent. While a deal may be done, the EU remains the UK's largest trading partner and closest neighbour. We urge the Government to continue to engage with the business community and bring forward UK led support to help businesses manage through this time. We also urge them to continue to advocate for businesses' interests in future UK-EU negotiations.

At the GBCC we will continue to do our upmost to help navigate the local business community through Brexit and beyond. You can find our separate stakeholder messages on COVID-19 business support in a separate document on our website.

Mandy Haque
International Director
Greater Birmingham
Chambers of Commerce

The GBCC International Business Hub is on hand to support businesses in adapting to the new post-Brexit trading environment.

Our export documentation team can provide businesses with the necessary paperwork they need to trade with the EU through our new customs declarations service which caters to importers and exporters of all sizes.

We can also support with other types of documentation such as certificates of origin or ATA carnets which businesses will need to consider if they want to bring goods into the EU on a temporary basis (trade shows for example) whilst avoiding having to pay any customs duties.

The team run a series of international training courses throughout the year, covering important topics such as commodity codes and Incoterms which businesses trading with the EU will now need to be aware of.

We are also holding half-day training courses solely focusing on trading with the EU after Brexit which cover key areas such as accounting for import VAT and the Northern Ireland protocol.

Our experienced international trade advisors at the Chamber can provide specialist advice to businesses free of charge and support them as they look to navigate through this difficult period.

I would encourage local businesses to visit the GBCC website to find out more about the assistance we can provide to firms trading internationally.

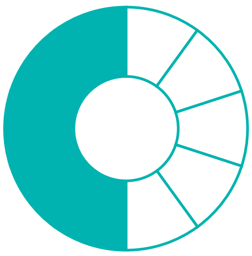
British Chambers of Commerce Brexit Survey

The British Chambers of Commerce ran their Brexit survey between the 18 January and the 1st February 2021 which received 1000 responses. The survey sought to understand the extent to which businesses had found it challenging adapting to the changes in trading goods and/or services since the ratification of the EU-UK Trade and Cooperation Agreement.

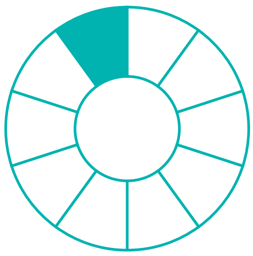
Businesses reported the highest proportion of difficulties in adapting to changes in trading goods.

The survey found that:

30%
of businesses reported difficulties in adapting to changes to moving or trading goods



49%
of exporters had faced difficulties in adapting to the changes regarding trade in goods



14%
of firms had experienced difficulties in adapting to changes around trade in services

About the Greater Birmingham Chambers of Commerce

We have been in business, for business since 1813. Today's GBCC exists to connect, support and grow local businesses. We offer an array of services and initiatives to businesses across six geographical regions and four themed divisions. From our wide range of events, international trade services, policy and marketing campaigns, to networking opportunities and media exposure, the Chamber has something for business of all sizes and from all sectors.

Greater Birmingham
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Summary

The feedback that the Chamber has received over the course of the last month has identified a number of key areas that are impacting the business community:

- The lack of capacity within the customs intermediary section to handle the increased volume of documentation required
- The increased costs and administrative burden placed on businesses importing and exporting to the EU
- The complexity of rules of origin and knowing whether the goods you import from/export to the EU qualify for preferential tariff rates
- The impact of double duty rates on businesses that import from countries outside the EU and re-export to the EU
- UK firms having to take on the additional costs and responsibilities for shipping goods between the UK and the EU
- Businesses based in the EU switching from using UK suppliers to EU suppliers to avoid the increased bureaucracy involved with shipping goods between the UK and the EU
- UK firms understanding what they can and cannot do in regards to supplying services in the EU
- The new requirements for bringing in skilled workers from the EU
- Increased shipping costs and delays as a result of COVID and Brexit

We have set out below some of the measures we would like the government to adopt at this early stage to help businesses as they adjust to the UK's new trading position with the EU.

- Allocate long-term funding to the Customs Grant Scheme to build up capacity within the customs intermediary sector
- Support firms in adapting to the new trading arrangements with the EU through the introduction of a temporary SME 'Brexit' tax credit until 2022/23
- Delay the imposition of additional Sanitary and Phytosanitary (SPS) checks (from April) and full customs checks (from July) on imports into the UK.
- Invest in a new market suitability and market research service to reduce the uncertainty of investing in a new export strategy.
- Deliver a long-term investment plan for expanding the network of expert international trade advisors (ITAs), to be fully integrated with existing programmes and delivery. ITAs are the Department for International Trade (DIT) experts on the ground providing the advice, support and connections that build business confidence in exporting and enable them to reach new markets and customers
- Support the automotive sector in building up the UK's domestic battery industry in time for when the six-year phase in of rules of origin requirements (included in the UK-EU trade deal) ends in 2027

Whilst the free trade deal agreed between the UK and the EU covers a significant number of policy areas, there are still some outstanding issues that need to be resolved between both sides. Below, we have set out some of the priority areas we would ideally like to see further movement on from both the UK and the EU:

- For the UK and the EU to expand the list of permitted activities (e.g. musicians) that qualify for visa-free travel for short term business visitors travelling between the UK and the EU.
- For the UK to negotiate bilateral agreements with EU member states to recognise professional qualifications
- For the UK and the EU to end the uncertainty over market access for financial services providers by issuing their equivalence determinations

Customs Documentation – Capacity, Costs & Compliance

Customs declarations are now required on all imports and exports to the EU. Last year, HMRC reported that they were expecting to have to process 270 million customs declarations from 2021 compared to a rate of 55 million in 2020.

However, there is a perceived shortfall in the number of customs intermediaries that are available to deal with the increased volumes of customs declarations and what is required. The Road Haulage Association has estimated that 50,000 customs agents will be required to handle this increase.

Whilst the government provided funding for firms to train up staff to deal with the increased volume of customs declarations in the lead up to the end of the transition period, there are early signs that there is a lack of capacity within the customs intermediary sector to handle the increased workload. Customs intermediaries are having to spend more time with each of their existing customers due to the increasing complexity which is impacting upon capacity within the sector.

With many businesses stockpiling goods in readiness for the end of the transition period, the traffic and flow of goods moving across the border was lower during January than it has been historically. The demand is likely to increase over the course of this month and this is likely to exacerbate the issue in the short term until overall capacity levels are increased.

One of the businesses we spoke to told us that they were frequently getting paperwork sent back to them by freight forwarding companies. This was not because the information they had provided was incorrect, but due to the fact that the company did not have enough personnel to process it and sent it back to the business asking for them to transfer the information into a spreadsheet. This is at a time when they are being charged a £15 surcharge due to EU exit alongside the COVID-19 surcharges that they were already facing.

Businesses are also struggling with the new formalities involved in completing customs declarations. Bearing in mind that around 150,000 UK businesses have only previously traded with the EU and therefore have no prior experience of completing customs declarations, nor the knowledge of what information is required to do so (commodity codes, customs procedure codes etc.).

With many customs agents unable to provide assistance due to the increased workload, some businesses have turned to government helplines for support. However, a number of businesses have informed us that they have found it difficult getting through and some have experienced long delays when awaiting a response due to the increased demand. With businesses unable to access the support they require; the Chamber's documentation team has received an increasing number of queries from businesses asking for Brexit related support and guidance during this busy period.

We have also received reports from a number of UK firms that have told us that some of their EU clients are unsure as to how to process the goods and what they need to do at their end. This has led to goods being sat at customs whilst UK suppliers wait for their EU customers to take ownership of the goods and account for VAT and any import duty.

There is also the additional cost element to the business with HMRC estimating that UK businesses will spend an extra £7.5bn a year on handling customs declarations. Customs declarations are not the only new documentation that businesses now have to provide. Carnets are being used for temporary exports to the EU and Export Health Certificates are needed for products of animal origin. This all comes at an extra cost and adds to the administrative burden with orders taking far longer to process which can lead to businesses having to adjust their lead times.

Businesses in the UK and the EU are also being subject to international banking charges now that the UK is outside of the EU. One business we spoke to informed us that they were being charged roughly £16 a transaction for receiving money from their EU customers. This is at a time when businesses are already experiencing severe cash flow pressures due to the pandemic, as evidenced by our latest Q4 Quarterly Business Report survey results which showed that 33% of businesses expect their cash flow position to worsen in the first quarter of 2021.

“Our freight costs both on import and export are now subject to a £4.50 surcharge as well as seeing an increase in actual rates on top of those seen due to the impact of COVID-19. Around 70% of our EU exports are on a €45 charge so this additional cost, along with the cost of staffing the increased paperwork burden equates to a minimum 10% increase in costs. A cost we are having to absorb rather than pass to our customers as they rightly do not accept price increases due purely to a UK change in policy.

As a supplier to Universities and Research Institutes across the EU who are funded via grants, we are now in the third country category and we have had a number of emails advising us that purchasers are being told to find alternative EU based suppliers for their goods. As a result, and to protect the 35% of our turnover that comes from EU export business (approx. £1.2 million), and to retain the European distributorships we hold for a number of our suppliers, we have had to set up a subsidiary in Netherlands to regain first country status.

We have already seen a key supplier appoint a distributor in Italy who we will now need to compete against. This is at a cost of around £15 000 with annual running costs of around £6 000, costs that will have a significant impact on our cash flow. This will protect this business so that we inevitably protect the jobs of the staff we have. Without this we would see a significant downturn in revenue and in turn redundancies.

We are already seeing delays – not due to issues with our customs processing but due to delays within the transport system. Many of our very highly specific, custom produced materials require careful transportation due to sensitivity to heat and moisture and rather than sending by overnight road transport we are now having to pay the additional costs to send by air to ensure they are not caught up in these delays.

Equally we have seen an increase in transit time for inbound goods, recently a consignment coming by boat was over 10 days late due to being diverted from Felixstowe to Southampton and then held waiting in the English Channel. The freight system is already being massively impacted by reduction in flights due to COVID. For example, we regularly ship in from a company in California, the route is generally a direct flight from LA to Heathrow, customs cleared and then trucked to us. At present this is now being landed at East Midlands, trucked to Heathrow under controlled transport for customs clearance to then be trucked back to us 2 days later. As you will appreciate the longer the transit times the longer the time between us having to pay for goods and customers then paying us and hence putting cashflow pressures on us.

The free trade agreement is virtually meaningless to us as many of our products are not manufactured in the UK or EU and so cannot be traded under these terms, and in turn many are still subject to import duties on arrival in the UK and then will again be subject to tariffs when imported in to the EU by our customers. Another reason for us setting up the subsidiary is we are able to reduce the paperwork burden on our customers and, as importer absorb the costs of these import duties. The consequence of this will be a reduction in margin and the company becoming less profitable.

The lack of time we had to absorb the details of the Bill led to a number of my staff having to work over the 2nd and 3rd January to carry out the updates to our accounting system and make the changes needed to add Country of Origin, Free Trade statements, Commodity Codes and Consignment details to all of our paperwork. As a company of 14 we do not have lots of staff to fall back on and, with the impact of COVID-19 and ensuring staff safety, this workload fell primarily to 3 people. Accounting software upgrades are only just catching up with the changes needed so that we can automate these processes so this has meant a huge amount of manual processing and additional workload for staff taking them away from the Sales work and Business Development that they should be focussing on.

SME, Tamworth

Rules of Origin

When the prime minister announced that an agreement had been reached with the EU, he mentioned in his speech that the UK had secured a deal that would allow UK goods and components to be sold without tariffs and without quotas in the EU market. What he did not mention was that to qualify for tariff free access, the goods must meet the stringent conditions laid out in the rules of origin requirements.

Rules of origin are features of trade agreements and are used to determine where a product and its components were produced to ensure that the correct import duty is levied on the goods. In this instance, only goods that are shown to be of UK or EU origin can benefit from tariff-free trade between the UK and the EU. This means that UK businesses now need to demonstrate that their products can legitimately claim to have been made in the UK.

Where it gets complicated is in sectors such as manufacturing in which UK companies import raw materials from non-EU countries to be processed and subsequently export the finished product to the EU. The automotive sector is an example of where the final product consists of components from multiple countries and proving origin can be very difficult. In these circumstances, specific rules are in place to determine the origin of the goods which is based on the origin of the materials and the value added in the production process (i.e. have the goods undergone sufficient processing while in the UK). This is not standardised with the percentage (or value) of non-originating materials allowed varying between products which further complicates matters. Getting this right, particularly for those unused to the technical language many of these terms are defined in, can be both challenging and time consuming.

Rules of origin requirements create additional red tape for businesses which inevitably leads to higher costs and delays to goods moving between the UK and the EU. In certain sectors, the costs of complying will counteract the benefits gained from zero-tariff access.

Whilst the UK and the EU have introduced a temporary easement to give UK and EU firms a year to produce supporting paperwork (suppliers declarations), businesses still need to meet the originating requirements and they can be asked to provide evidence of origin retrospectively. Rules of origin are complex and difficult to understand even for those experienced in matters of international trade. With the announcement of a trade agreement so late in the day, businesses were given very little time to work through the implications of the new rules and what is required of them before the new trading arrangements came into force.

Double duty

Given that UK-EU supply chains are highly integrated, rules of origin are proving to be a major headache for a number of sectors including UK retailers, many of whom use UK distribution centres to distribute their products to their stores in the EU (Republic of Ireland in particular). Products that are imported into the UK from non–EU countries are now subject to both UK import duty on entry into the UK and EU tariffs when exported again to the EU. Given retailers operate on slim margins this will result in many business models becoming unviable. Businesses face the difficult choice between absorbing the costs (where possible) or passing the added expense on to their customers.

Some firms have responded by suspending deliveries temporarily to the EU as they try and grapple with the new rules. Other businesses are looking at ways around it which includes using transit processes and bonded warehouses to avoid paying customs duty twice on items they intend to re-export. A number of UK firms re-examining the logistical side of their operations have informed us that they are also contemplating setting up distribution hubs in the EU to stock their EU stores which would prevent them from having to pay both UK and EU customs duties.

Double taxation is having a major impact on many businesses and for some firms; it will no longer be viable to continue exporting to the EU. While many larger businesses will be able to get around this by using bonded warehouses, smaller firms will be unable to afford to pay for these services and will have to pay the tariffs.

The consequence of this is that many firms could potentially rebase in the EU or turn their back on exporting for good. For those that set up distribution centres in the EU, this could lead to the displacement of jobs from the UK to the EU and increased costs for businesses.

Re-exporting products (of EU origin) to the EU

One of the early implications from the agreement is that EU products imported into the UK and then re-exported to the EU will not qualify for preferential treatment under the rules of origin requirements and will therefore be subject to tariffs. The only way in which tariffs can be avoided is if sufficient processing has been undertaken in the UK before the product has been re-exported to the EU.

One example of this in the government guidance is cheese imported from the EU and grated in the UK. If the cheese is grated by hand, this would not be classed as sufficient processing and would face tariffs when being exported back to the EU. However, if the cheese is grated in a manner that requires a specific machine for the processing, then the cheese would be deemed to be of UK origin and not subject to EU tariffs on export to the EU.

Major retailers such as Marks & Spencer highlighted last month that this issue could impact a number of products they stock in EU stores, such as the confectionary product 'Percy Pigs' which are manufactured in Germany, exported to the UK and re-exported to the Republic of Ireland. The British Retail Consortium has stated that at least 50 of its members are facing tariffs on their products as a result of this.

Agreeing Incoterms

We are receiving reports that some EU suppliers (particularly smaller firms) are unwilling or unable to take on the additional costs and responsibilities associated with delivering goods to the UK from the EU. This means that for UK companies that import goods from the EU, they are having to take on the tasks, costs and risks involved in these transactions.

Incoterms (international commercial terms) are a set of eleven international recognised rules used in international trade to clearly define the responsibilities between the seller and the buyer (i.e. shipping costs, insurance, and VAT). Several businesses have informed us that their EU suppliers are unwilling to deliver goods to UK customers on a Delivered At Place (DAP) and Delivered Duty Paid (DDP) basis. Under the Delivered At Place (DAP) Incoterms rules, the seller covers all the costs and risks associated with the goods until the goods are ready for unloading. The buyer is then responsible for import clearance and any applicable taxes or import duties. With Delivered Duty Paid (DDP), the seller takes on all the responsibility and costs (including import clearance, import duty and taxes).

Consequently, businesses in the UK must assume responsibility for the transport of the goods from their supplier's premises in the EU to the final point of destination. This means that UK firms have to clear both EU export processes and UK import formalities. This increases the costs and risk to UK businesses and places the extra administrative burden all on them.

On the other hand, several UK exporters have informed us that their EU customers are demanding DDP Incoterms which requires them to not only take on the responsibilities and risks for delivering the goods, but also requires them to register for VAT in an EU member state. Others have told us that they have actively chosen to offer these favourable terms for the purpose of retaining clients and to try and remain competitive in the EU market.

Switching to EU Suppliers

In some instances, UK businesses are seeing their EU customers cancel orders from the UK if they can source a product from elsewhere in the EU. We have received reports that the increased bureaucracy involved in receiving goods from the UK is putting EU firms off purchasing goods from the UK as understandably many of them do not wish to deal with customs procedures and the increased costs (e.g. import VAT) if they do not have to and there is an alternative option available.

Some businesses have told us that they have set up subsidiaries in the EU to reassure their EU customers and to try to retain them. They have felt compelled to do so to as they are no longer able to compete on a level playing field with their EU competitors, but this brings with it increased costs to the company and takes away funding that could be used to grow the business.

"Customs declarations at import are a major issue – most freight and logistics companies will only do the declarations for clients they are organising freight for and are not taking on new clients. Freight companies are at capacity and some are now increasing customs costs as a result of this. There have also been instances of EU firms cancelling orders from the UK due to the extra bureaucracy, if they can source a product from elsewhere."

More UK firms are suddenly realising they need to register for VAT in the EU or create an EU business– the demand for this is huge – VAT registrations in the EU are also taking much longer to do. This is due to EU firms demanding DDP Incoterms as they wake up to Brexit and realise we are a completely separate third country. UK companies are now discovering that they cannot just buy goods from the EU and simply ship them to other EU members states any more as this now requires a VAT registration in the EU.

Freight Forwarder, Birmingham

"Our problem is the hold in customs of palletised deliveries due to Brexit paperwork which is ridiculously time consuming for the port authorities and then we've having to pay additional charges which are completely out of all proportion as companies like ourselves have to get raw materials here.

We have already had two problems with imports from Austria and now we have another from Germany so we will now have to let our customers down. Not being able to give a confirmed delivery date is causing our customers to look to our competitors. The potential impact of these delays, lack of information and additional costs could lead to job losses here and there is a real possibility that due to cancelled orders we won't survive."

Nathan Pammenter, Managing Director, P&P Safety Limited

"We have been lucky in some ways as business has been at its highest level in over a year but this has created a double-edged sword as 90% of our business is EU export. The issues related to Brexit have been very challenging such as double duty, document and system changes, incoterm changes, country of origin etc.

We had to adapt to how and when we ship our deliveries meaning massive increases in cost due to using dedicated vehicles rather than groupage services that face massive delays in the EU customs clearance, the UK side of things on imports from our parent company in China have actually improved with UK VAT now changing to postponed VAT accounting and removing nuisance duty rates has been a help. The EU side of things has been very different with many deliveries on groupage services getting withheld in customs for between 5 to 20 days so far. Lucky our goods don't expire!

Having to pay double duty within the EU is adding an additional 3 or 4% to our cost but we will be implementing inward processing so duty is not paid in the UK. Again, the UK have been sensible and it can be back dated to 1 January this year so even though we pay double duty at the moment we know we will recoup this when we get the time to implement the inward processing."

Manufacturer, Burton

"E-Commerce to the EU is now very difficult and this is having a serious impact on small exporters and digital retailers – if they want to continue to sell in the EU they need VAT registrations in EU members states and some are now looking to transfer operations to the EU. The EU is setting up a new system from July 2021 which may help E-commerce companies retain access to the EU markets but this will just put them on a level playing field with US and Chinese – E-Commerce giants, many small firms will withdraw from the market due to the extra costs."

Freight Forwarder, Birmingham

E-commerce & VAT

There have also been various media reports highlighting the recent changes to the UK VAT rules which require retailers from outside the UK to register for UK VAT to be able to sell to UK consumers. Prior to the 1 January 2021, VAT was added as goods enter the UK, now foreign-mail order sellers are required to collect the sales tax on behalf of HMRC and pay it directly to them if the sale value is less than £135.

This could potentially deter some EU companies from continuing to supply UK consumers and some companies have announced that they have suspended exports to the UK temporarily until their UK VAT registration has been finalised. UK consumers may also be put off from purchasing items directly from EU companies as depending on the value and the origin of the goods, the items they purchase (exceeding £135) are now subject to import duty and import VAT along with additional charges imposed by couriers on shipments between the UK and the EU.

UK businesses are facing the same challenges with EU consumers required to pay charges (such as VAT and import duty) up front with various media sources highlighting examples of EU customers sending goods back due to the increased fees. Goods being returned are then subject to further paperwork which results in additional costs for the business such as UK import duty and VAT. Businesses based in the UK are also having to register for VAT in each of the EU countries they sell into and this brings further complications with different EU members states having different registration and reporting requirements.

Freight Costs & Delays

We have received reports that UK businesses are facing increased delays and transport costs due to a myriad of issues including Brexit, COVID-19 and a global shipping crisis.

A survey conducted by the Chartered Institute of Procurement & Supply showed that more than half of UK companies importing or exporting goods through the EU border had experienced delays since January 1st with 27% of respondents believing new paperwork requirements to be the primary cause of it. The results from the British Chambers of Commerce's recent Brexit survey also found that 49% of exporters are facing difficulty in adapting to the changes in the trade of goods following the implementation of the UK-EU Trade and Cooperation Agreement. This is further compounded by the delays related to COVID testing. A number of businesses we have spoken to are having to bring in goods via air freight which costs significantly more than by road.

Traffic flows at the border remain down on previous years with the Road Haulage Association reporting that the volume of exports going from British ports to the EU, fell by 68% compared with January 2020. However, it is important to note that the UK government does not recognise this figure. Recent media reports suggest that EU hauliers are increasingly reluctant to take jobs in the UK because of the increased costs and bureaucracy, and the EU hauliers that do come to the UK are often returning without cargo to ensure they are not delayed. Unlike exports, full controls on UK imports have not yet been introduced and when they take effect in July, this is only likely to exacerbate matters.

We have also received reports that goods movements have been delayed as traders were unable to access transit documents which are required for transit procedures. Transit procedures allow traders to move customs formalities away from the border (suspending import duties and other charges) to the point of destination. So, for example, if a UK company was exporting to Italy via France, by delivering the goods under transit procedure this would allow them to enter France (the point of import) without having to provide a customs declaration and VAT etc. The goods would then be cleared at an Italian customs office.

To carry out transit procedures, customs intermediaries need to put up a comprehensive customs guarantee. This is essentially a financial guarantee which is used to cover any customs duty, excise duty and import VAT on the goods. In some instances, freight forwarders and other intermediaries have used up their existing guarantees and are having to apply to HMRC to increase the size of them. This has caused delays as they are unable to issue transit documents and provide guarantees until they have been authorised to do so by HMRC.

Recruiting Skilled Workers

It is difficult to get the complete picture in terms of how difficult firms are finding it to recruit skilled workers from the EU now that freedom of movement has come to an end and the UK's new points-based immigration system is in place. This is predominantly due to the pandemic with many businesses now closed and putting recruitment on hold whilst restrictions on international travel are also in place.

However, there are early signs that some UK businesses are not going ahead with acquiring a sponsorship license which is now required for them to bring in skilled workers from the EU. We are receiving reports that this is largely a result of the costs associated with it which include the application fees and the various applicant fees as well as the length of the process.

UK employers have to make a decision as to whom will be responsible for covering the costs with employers often keen to recoup some of the fees from the migrant worker. However, if these costs and fees are being deducted from the worker's wages then they run the risk of falling below the minimum salary level required to bring them into the country. After they have bought a worker in to the country, there is also ongoing compliance in terms of reporting back to the Home Office via a sponsorship management system. We have had feedback that some UK employers are not willing to proceed with a sponsor license as they view it as too costly and too much of a burden from an administrative perspective.

UK businesses looking to post workers overseas are grappling with issues around; where would the workers be paid? What will happen in terms of them being tax resident or regarding National Insurance Contributions? This is slowing the process down along with uncertainty around the various COVID national travel restrictions and the different national regulations they need to navigate in each EU member state.

Delivering Services in the EU

UK businesses that supply services in the EU no longer have the same level of access to the EU market as they have enjoyed previously. Firms now have to check the national regulations of each country they are providing services in as the rules differ between the different EU member states. Employees having to travel to the EU to carry out work need to check the entry requirements of the country they are doing business in. Whilst the UK-EU Trade & Cooperation Agreement includes provisions around short-term business travel and a limited list of permitted activities that can be carried out, many business travellers will find they require a visa/work permit and authorisation to provide services in the EU. Again, with restrictions on international travel and lockdown measures in place across Europe, it difficult to assess the impact these changes are having on firms at this early stage. This is likely to become clearer once lockdown measures are eased and the economy starts to re-open.

Chamber Support

The items raised above are just some of the issues facing the businesses community as they get to grips with the new post-Brexit trading environment. We are keen to find out more about how businesses are being impacted by the new trading arrangements with the EU and any additional support they would like to see from government to help them adapt. Businesses can contact the Chamber outlining their experiences via kbm@birmingham-chamber.com

“Our freight costs for both imports and exports are seeing a substantial increase on those prior to the 1st January and the lack of preparation by European suppliers generally for the additional customs processes is creating long delays in the clearing centres, resulting in a wider lack of available vehicles to actually collect and transport our goods. In addition, long delays and obstructive practice within the French Customs clearing department particularly is creating very substantial delays to the transport network.

Despite very extensive investment on our part over the last 12 months to introduce compliant processes and documentation, the confusion and different standards in the various customs clearing points around Europe is creating further delay as new information, different formats or alternative details are expected before they will clear the goods for onward movement into Europe. It’s incredibly confusing and time-consuming – and there’s no common approach to the same type of goods going to the same locations. Even more chaotic and with exceptionally long delays is the trauma of trying to get goods into Ireland!

All of our consignments now attract a processing charge by our freight partners, so this additional cost, along with the cost of administering the increased paperwork burden equates to a 10-20% increase in costs. Whilst we can pass on these costs, they accumulate to make us much less competitive in a market dominated by our European competitors.

To counter the significant delays in importing the few products that we do from Europe, we have had to substantially increase our stock-holding to ensure it doesn’t impact on our production schedules. This impacts significantly on cash flow – at a time when, because of the Coronavirus lockdowns both here in the UK and in our sales markets in Europe and around the world, cash flow is massively under pressure.”

Peter Atmore, Head of Global Sales and Marketing, Fracino

“The costs involved for sponsoring migrant workers under the new skilled worker route are incredibly high for both employer and employee. These include the cost of the licence itself, visa fees, skills charges for businesses, the cost of issuing the Certificate of Sponsorship and the annual Immigration Health surcharges which were recently increased.

The new immigration system was supposed to be simpler than the previous Tier 2 (General) system and was marketed that way by UK Visas & Immigration. In reality this is not the case. The requirement to carry out a resident labour market test was removed but a large chunk of the administration behind the test is still in place for the purposes of proving the role is a “genuine vacancy” which is extremely burdensome. The rules on salary requirements are overly complex. It is easy to see why some employers have simply refrained from applying for the licence.”

Educational Institution, Birmingham

"Delays in moving goods across the border between the UK & the EU are frustratingly long in some case between 10 and 14 days to receive goods. Nothing is arriving on time which is impacting on our ability to service customers in the UK and the rest of the world, nor can you track where your goods are as the hauliers can only tell you that they are stuck in customs. Customers in Northern Ireland are no longer purchasing due to the difficulties of trading.

We are facing a number of challenges relating to the UK establishing their own versions of what were existing regulations, all of which are resulting in additional costs to the business. All of our products have to be CE marked to allow them to be sold both in the UK and Europe and this requires the management of detailed technical files and 6 monthly surveillance visits from our notified body. With our removal from the EU the UK Government has determined that we need our own version of this standard to be called the UK CA mark. As a result, we will have to obtain approval to the new UKCA mark, even though it is effectively still the same standard as the existing CE mark. Basically, we will now have to hold 2 separate approvals to allow our products to be sold in the UK and the EU. Our notified body has informed us that we will now need to be audited twice by the same company under the UKCA mark and the EU CE mark, which will result in our fees for accreditation effectively doubling."

Manufacturer, Birmingham

Brexit has had a massive impact on our business as we expected and were worried it would. The deal came far too late for us or our logistics partners to prepare and understand requirements and new processes to try to avoid duty in trade with EU. We have experienced days of delays on exports due to customs brokers and freight forwarders being unable to cope. We expect to have a massive increase on duty payments as we move goods (of all origins) between our warehouses in EU and UK and we may even need to move our packing warehouse facility from UK to Poland to try to avoid this and support our customers. We are also investigating option of inward processing relief.

Manufacturer, Birmingham

"As far as Brexit impacting on our business, we have found that products have been hard to get hold of since January for obvious reasons with the new tariffs and import paperwork since Brexit came into play at the start of the year. However, we invested in fast moving products in December to ensure that we wouldn't run out of stock and could therefore continue to service our customers through these tough few months until the dust settles and everyone gets used to the new rules.
Products have obviously gone up and we have to take into consideration the import taxes etc, but our customers have understood the reason for this and we have costed our jobs accordingly. What we and many of our competitors are looking for is British based companies to get our product from."

Wholesaler, Solihull

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