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The Ultimate Business Network

Briefing Paper

The Border with the European Union

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How will the UK/EU border operate from 2021?

The transition period with the EU ended on the 31 December 2020 meaning the UK is now outside the EU Single Market and Customs Union. The UK is no longer a part of the EU customs territory and is now a third country operating its own external border with the EU.

Goods are no longer able to move freely between the UK and the EU and businesses now face customs checks on their goods and have to pay customs duties where required. Acknowledging the impact that the coronavirus has had on businesses' ability to prepare for these changes, border controls will now be introduced by the government in three stages up until the start of 2022.

This phased approach only applies to goods moving between Great Britain and the EU and therefore does not apply to Northern Ireland which is covered under the Northern Ireland Protocol of the Withdrawal Agreement.

The stages are as follows:

From January 2021:

Traders importing standard goods (ranging from clothes to electronics) are now subject to basic customs requirements such as keeping commercial records of the goods they have imported. They also need to consider how they will account for and pay VAT.

Businesses can defer completing the required customs declarations and paying tariffs (where due) for up to six months from the point of import. However, if you are importing controlled or excise goods (such as alcohol or tobacco) then you are required to complete full customs declarations. Businesses also need to complete customs declarations for any goods they are exporting.

The government have also confirmed that Safety and Security declarations will not be required on imports from the EU for the first 12 months but they are still required for all exported goods.

It is important to note that if you import and export goods using the Common Transit Convention then you need to follow all of the procedures required from the start as they are not being phased in. The convention removes the need for additional import/export declarations when moving goods across multiple customs territories and allows any duty to be paid at the final destination.

The government's new border IT system 'Goods Vehicle Movement Service' (GVMS) was introduced in January but only for transit movements.

From October 2021:

Products of animal origin (e.g. meat, milk or egg products) and plant products that have been imported will require pre-notification and the appropriate health documentation. Any physical checks that are necessary will continue to take place away from border control posts at the point of destination.

From January 2022:

Businesses will no longer be able to defer and must submit full customs declarations and pay the relevant tariffs at the point of importation. Full Safety and Security declarations will also be required for goods entering Great Britain. The GVMS IT system will also be made available for all imports and exports at border locations that decide to introduce it.

Checks on animals, plants and products will take place at border control posts instead of the point of destination.

Next Steps:

Businesses can take a number of steps now to prepare for these changes including:

- Apply for an EORI Number
- Decide whether you need to use a Customs Intermediary
- Apply for a Duty Deferment Account
- Prepare to Pay or Account for VAT on Imported Goods
- Check whether you have the correct International Driving Permits
- Familiarise yourself with International Commercial Terms (Incoterms)
- Find the correct commodity code for your goods
- Calculate the customs value of your goods
- Check the UK Global Tariff for the new tariff rates that apply to your products
- Consider using customs simplifications and facilitations

Please see below for further detail on the steps you can take to prepare and click [here](#) to read the UK government's border operating model.

How will the changes to the UK/EU border affect my business?

Customs Declarations

UK businesses that trade with the EU need to ensure that they are ready to submit customs declarations when moving goods between the UK and the EU. Businesses tend to use a customs intermediary (such as freight forwarders, customs broker etc) to submit customs declarations on their behalf. If you import goods from the EU and plan to defer customs declarations then you (or your intermediary) need to be authorised for Customs Freight Simplified Procedures and apply for a duty deferment account.

Businesses importing controlled goods have had to complete a standard customs declaration since January 2021 and obtain the appropriate license or certificate (where required). If your controlled goods are entering the UK through borders locations that do not have existing customs control systems (where a declaration is required for imports) then you will have until the end of the next working day to notify HMRC that the goods have entered the country.

Exporters have had to complete standard customs declarations since January 2021 and there is also a requirement for an EU import customs declaration.

Import VAT

Goods being brought into the UK from the EU are now subject to import VAT following the same rates and structure as are applied to imports from the rest of the world.

However, there are different rules applied to consignments that do not exceed £135 in value. If your business is importing goods in a consignment not exceeding a value of £135 (excluding excise goods), then you are no longer required to pay import VAT at the border and will instead account for it on your UK VAT return.

VAT registered business that choose to defer their supplementary declarations are required to use postponed VAT accounting. This means that they do not need to pay import VAT when the goods arrive in the UK and can defer by accounting for import VAT on their VAT return. Non-VAT registered traders who choose not to (or are not eligible) defer customs declarations can report and pay import VAT through the usual customs processes or defer the payment using their Duty Deferment Account. Non-VAT registered traders who choose to defer their customs declarations are required to pay any import VAT via their Duty Deferment Account.

Customs Duties

The EU Common External Tariff no longer applies to imports and a UK-specific tariff has taken its place. The UK Global Tariff sets out the new tariff rates on imported goods (click [here](#) for further information) and you will need to calculate the tariff due (if any) on your goods. If your business has deferred declarations during the first six months then you need to pay the duty when the supplementary declaration is submitted. Exporters should refer to the '[Check duties and customs procedures for export goods](#)' on gov.uk to find out what documentation they need, as well as any applicable tariffs.

Moving Goods on a Temporary Basis

Businesses should consider using an ATA Carnet customs document to temporarily move goods between the UK and the EU. The Carnet allows goods to be moved temporarily without paying customs charges and is valid for a year from the date of issue.

What steps should businesses take to prepare for these changes?

The changes to the UK/EU border mean that there are a number of actions that businesses need to take to ensure that they are ready to continue trading with the EU.

Apply for an EORI Number

Businesses require a GB Economic Operator Registration and Identification (EORI) number to be able to continue moving goods into or out of the UK. Businesses can apply for an EORI number online (5-10 minute application). If a business already has an EORI number then it is important to check that it starts with GB. If it does not then they will need to apply for a new one. Businesses making customs declarations in the EU require an EU EORI number.

Click [here](#) for further details.

Decide whether you need to use a Customs Intermediary

Most businesses hire a customs intermediary to manage responsibility for fulfilment of key paperwork such as customs declarations on their behalf. If a business decides not to use an intermediary then they will need to submit customs declarations themselves via the Customs Handling of Import and Export Freight (CHIEF) system or the new Customs Declaration Service. To be able to do this they will need to apply for access to HMRC systems and purchase compatible software.

Apply for a Duty Deferment Account

Businesses should apply for a duty deferment account (DDA) if they import goods on a regular basis. Having a DDA will enable them to pay any customs charges (such as customs duty, excise duty and import VAT) on a monthly basis through Direct Debit as opposed to paying it on each consignment. HMRC have implemented new rules that allow most businesses to use duty deferment without needing to obtain a Customs Comprehensive Guarantee (CCG).

Prepare to Pay or Account for VAT on Imported Goods

VAT registered traders can account for import VAT on their VAT return by using postponed VAT accounting. Traders who do not use postponed VAT accounting need to report and pay import VAT through the customs processes but can defer the payments using a DDA.

Make sure you have the correct International Driving Permits

If your business is responsible for transporting goods across the border then you need to ensure that your drivers have the correct documentation to do so (e.g. international driving permit, passport with 6 months validity).

Familiarise yourself with International Commercial Terms (Incoterms)

Incoterms are a set of eleven internationally recognised rules that clearly define where the responsibility lies between a buyer and a seller for the delivery of goods. They clarify which party is responsible for customs procedures and the costs involved in delivering the goods including shipping, insurance and duty. It is imperative that businesses have a firm understanding of their obligations when buying or selling goods.

Find the correct commodity code and calculate the customs value of your goods

It is important that businesses find the correct commodity code for their goods so that they can calculate the rate of duty and import VAT they need to pay. Businesses will need a commodity code to submit customs declarations and to check whether they need a license to move their goods. Businesses will also need to ensure that they have worked out the customs value of their goods to be able to make a customs declaration and calculate any duty. Click [here](#) for guidance on how to work out the value of your goods.

Check the UK Global Tariff for the new tariff rates that apply

Businesses can use the new UK Global Tariff tool to check the tariffs that apply to their products from countries that the UK does not have a trade agreement with. Click [here](#) to access the UK Global Tariff tool.

Consider using customs simplifications and facilitations

Businesses should consider using Simplified Declaration Procedures to reduce the process requirements at the border. It allows traders to use a simplified customs declaration or entry in business records upfront. Traders will then be required to submit a supplementary declaration no more than four weeks later. It is important to note that you (or your intermediary) will need to become authorised to make these declarations. Find out more [here](#)

Businesses should also familiarise themselves with customs facilitations such as inward and outward processing, temporary admission, authorised use and customs warehousing. These special procedures will enable you to suspend, reduce or claim relief on the payment of customs duties and VAT under set conditions.

How can the Chambers of Commerce help?

We are committed to ensuring that businesses are kept informed of Brexit announcements made by the government following the end of the transition period. We have produced a number of briefings outlining important policy announcements such as the changes to the UK immigration system and the UK Global Tariff. Businesses can access further support through our International services which offer advice on all aspects of international trade and a range of accredited training courses to help businesses with import procedures and export documentation.

Click [here](#) for further information on the Black Country Chamber of Commerce international services

Click [here](#) for further information on the Coventry & Warwickshire Chamber of Commerce international trade support.

Click [here](#) for further information on the Greater Birmingham Chambers of Commerce International Business Hub.