How does Brexit affect trade and how will Brexit affect my business?

This document deals with the issues that are most likely to affect small and medium sized businesses. With a little over 6 weeks to go until the transition period ends, it is still unclear if any sort of free trade agreement will apply between goods and services moving between the EU and the UK.

The first step is to organise an impact assessment. If you haven't already begun, here are some questions to kick-start the planning and discussion processes. (This list is by no means exhaustive or authoritative.)

Employment and services	Do you employ any EU citizens, in the UK or in the EU, or do you plan to?	See section 7 below
	Does your business rely on any specialist or service located in the EU – even if you ordinarily communicate with a UK branch of the business?	
	Do any of your staff need to travel to EU countries?	See section 5 below
	Does your business have any European trade union obligations?	Not covered here
Operating standards	Do any standards govern the work you do, such as European EN standards?	Not covered here
Import/export and logistics	Does your business import or export goods to or from the EU?	See section 3 below for operational aspects and section 8 for VAT aspects
	Do you use an agent or utilise license schemes?	
	Do you or any of your suppliers temporarily store goods in a warehouse based in the EU, even if they're manufactured elsewhere (such as China)?	
	Do you work with fulfilment agencies?	
Taxes and money	Is your business VAT registered or do you operate under the MOSS agreement?	See section 8 below
	Does your business hold money in EU financial institutions, or use any other financial instrument located outside the UK?	Not covered here
	Does your business rely on funding or grants that comes from the EU? (Notably, even some funding that appears to come from the UK government is often backed by the EU.)	Not covered here
Manufacturing	Does your business own any patents, trademarks or registered copyrights?	Not covered here
	Does your company manufacture products that must certify to EU safety, security or ecological standards?	Not covered here
Information technology	Is any of your data hosted in an EU country (including cloud storage)?	Not covered here
	Do any employees travelling within the EU have mobile phone coverage for both data and calls?	Not covered here
Data	Do you hold personal data about people based in the EU on UK servers?	Not covered here
Miscellaneous	Do you dispatch goods or documentation to the EU via postal or courier services?	See section 3 below

1. Importing goods to GB from the EU in 2021 and beyond

Importing from within the EU will be subject to a similar process that is already in place to imports from outside the EU. This involves:

The importer will need to register as such by obtaining an EORI number. This is a 12 digit number prefixed by the letters GB. This is required to be quoted on all documentation – the lack of an EORI number may result in goods getting held up at borders.

On arrival in the GB the goods being imported will need to be declared using a Entry Summary Declaration. This means that the goods are eligible for both import VAT and customs duties. The link below describes this situation.

https://www.gov.uk/prepare-to-import-to-great-britain-from-january-2021

Please note that customs tariffs are different to VAT. Assuming the goods you import or export are liable, VAT will be collected in addition to tariffs and also collected in a different way.

For the first six months following the end of the transition period (up to 30 June 2021), you can optionally make a supplementary declaration for imported goods from the EU. This means you record the goods in your own record keeping, account for the VAT if you're eligible, and make the declaration of tariffs up to six months after the goods were imported.

To make use of simplified declarations, you'll need to:

- Apply for authorisation
- Get a CHIEF [Customs Handling of Import and Export Freight] badge (and have software that can access CHIEF) https://www.gov.uk/government/publications/import-and-export-request-for-chief-access-c1800
- Have a duty deferment account.

https://www.gov.uk/guidance/setting-up-an-account-to-defer-duty-payments-when-you-import-goods

2. Selling Services to the EU

Generally, businesses in the UK will continue to be able to sell services into the EU countries after the transition period ends in the same way as they have been.

Despite this principle, you can't just assume you can provide services without setting up a company locally. Whether you can or not will depend mainly on how often, for how long and how regularly you want to provide services. If however your customer base is predominantly elsewhere (presumably in the UK) and the services that you sell into a EU country are infrequent and irregular in timing, then you should be able to carry on as before.

Be aware too that some sectors have specific rules that will need to be adhered to: financial services; some healthcare services; private security services; gambling services; notary services; temporary work agency services; telecommunications, broadcasting and electronic services.

3. Exporting goods to the EU

To export goods, the rules as of 1 January 2021 are again similar to those used currently when exporting goods to non-EU countries. As with importing, you'll need an EORI number beginning with GB. The big change for most businesses will be a new requirement to make customs declarations. Again, you might choose to use a UK-based freight forwarder, customs agent or fast parcel operator to ease the administrative requirements.

Additionally, some goods may need export licenses or certificates. As an alternative, the simplified declaration procedure can be used for some kinds of exported goods.

https://www.gov.uk/guidance/using-simplified-declarations-for-exports

This means you don't need to provide as much information as a full declaration up front, and can instead use a pre-shipment advice declaration.
https://www.gov.uk/guidance/making-a-declaration-using-a-pre-shipment-advice

But you still need to provide the rest of the customs export information at a later date. To use simplified declarations, you'll need to be authorised by HMRC and be registered to use the National Export System.

You can also simplify export paperwork requirements using the entry in declarant's records procedure, although this only applies to goods that don't need a pre-departure declaration.

https://www.gov.uk/guidance/making-an-export-declaration-in-your-records

Note that VAT will not apply to most exports, which is to say, they should be zero-rated.

4. Exporting goods to non-EU countries from the UK

Upon the end of the transition period, the UK will no longer be part of existing trade agreements between the EU and certain non-EU countries.

The government is hoping to put trade agreements in place. But until then, the UK will export to non-EU countries using the World Trade Organisation (WTO) Most Favoured Nation (MFN) rules.

The list of countries this applies to currently include the US, which is the UK's largest trading partner.

This means you must use the US import and quota tariffs agreed under WTO rules, which can be viewed on the WTO Market Access Conditions (MAC) website.

You might find that there are already product testing, certification and conformity agreements in place. For example, the UK and US have agreed to mutually recognise each other for these conformity assessments.

In any event, it's very likely that – following the end of the transition period – exports to non-EU countries will need to consider on an individual basis.

The government has provided individual guidance for each country that will updated as more information becomes available.

5. Business travel to most EU countries

Existing passports can still be used following the end of the transition period on 31 December 2020. This applies to existing burgundy-coloured UK passports that have EU markings.

But you'll need to have at least six months left until expiry if you wish to travel to most EU countries (with the notable exception of Ireland). If your passport expires sooner, then you must apply for and receive a new UK passport.

Additionally, passports over 10 years old since the date of issue will need to be renewed even if they had 'extra months' added to the 10-year total following a previous renewal.

It's not yet understood how state-provided travel/health insurance will work when travelling to the EU after the end of the transition period (that is, EHIC and similar). Private travel insurance is, of course, available.

6. My business is based in the UK and only has UK customers. Will I be affected by Brexit?

There are virtually no businesses in the UK that won't need to make changes at the end of the transition period. The question is one of degree and all businesses should examine their processes.

While the UK leaving the EU presents many business opportunities, it's likely the end of the transition period will affect businesses in many subtle ways that will take some forethought to plan for.

For example, you might be a car maintenance business serving only UK customers but the replacement parts you require might not be manufactured in the UK. Even items manufactured outside of the EU might be centrally warehoused in the EU before being dispatched to you. There may be delays at ports for goods in customs clearance areas in the initial period following the end of the transition period.

Additionally, there may be extra costs involved with customs import duties that you formerly didn't have to pay, and significant administrative overheads, including utilising an EORI number.

You may need to source new local suppliers to avoid possible delays and/or plan for these delays and fees in your existing procedures.

You might hold data on EU citizens who are customers, or suppliers, in which case sharing it with suppliers or customers in the EU might not be permissible for some time until agreements are in place (see 'How will Brexit affect the GDPR?' below).

The business might have a trademark that you wish to continue to protect outside the UK.

If you've utilised an EU trademark (EUTM), you might need to register it afresh in whatever intellectual property protection mechanisms are put in place for UK businesses trading overseas following the end of the transition period.

A service-based business might fall into the classification of serving only domestic customers with no direct reliance on EU sources – for example, a marketing agency.

However, even then the business may hold personal data on EU citizens (see 'How will Brexit affect the GDPR?' below), or potentially even use a website that has an .EU domain, in which case you'll no longer be able to use that domain unless your business has its principle place of business within the EU.

The business might also rely on EU citizens for staffing. This might not just be in your front-line staff but potentially within ancillary or support roles, such as office maintenance or cleaning. These might be sub-contracted through agencies, of course.

If nothing else, all UK businesses will serve a client base that will be affected by Brexit changes, so some forethought on how the end of the transition period will apply to your business is necessary.

7. Will I still be able to employ EU citizens after Brexit?

Yes.

Until 30 June 2021, you'll need to continue to check the right to work status of any EU/EEA/Swiss job applicants in the same way as before Brexit/the end of the transition period.

As of 1 January 2021, EU citizens moving to the UK for work will need a visa. To get this, they'll need to show they have a job offer from an approved employer sponsor.

https://www.gov.uk/uk-visa-sponsorship-employers

Therefore, if your business recruits from the EU, then you should apply to become an approved sponsor, which typically takes eight weeks from the date of application.

In order to remain working in the UK, your existing employees who are EU, EEA or Swiss citizens – and who are already in the UK as of the end of the transition period – will need to apply to the EU Settlement Scheme by 30 June 2021.

Two kinds of statuses are awarded:

- Settled: For those who've lived in the UK for a continuous five-year period as of 31 December 2020
- Pre-Settled: For those without five years continuous residence at that date.

Notably, the requirement to apply to the EU Settlement Scheme does not apply to Irish citizens.

8. Changes to VAT when the transition period ends.

The Government has said that it intends for there to be as few changes as possible to the way that VAT operates on EU transactions after the transition period ends. With that in mind it is worth recapping the current rules.

Current VAT rules

- VAT is charged on most goods and services sold within the UK and the EU;
- VAT is payable by businesses when they bring goods into the UK. There are different rules depending on whether the goods come from an EU or non-EU country;
- goods that are exported by UK businesses to non-EU countries and EU businesses are zero-rated, meaning that UK VAT is not charged at the point of sale;
- goods that are exported by UK businesses to EU consumers have either UK or EU VAT charged, subject to distance selling thresholds;
- for services the 'place of supply' rules determine the country in which you need to charge and account for VAT.

Proposed VAT rules after 29 March 2019 if there's no deal

- **Import VAT on goods imported into the UK**

In a no deal scenario the current rules for imports from non-EU countries will also apply to imports from the EU. The government will introduce postponed accounting for import VAT on goods brought into the UK. This means that UK VAT registered businesses importing goods to the UK will be able to account for import VAT on their VAT return, rather than paying import VAT on or soon after the time that the goods arrive at the UK border. This will apply both to imports from the EU and non-EU countries.

All goods entering the UK as parcels sent by overseas businesses will be liable for VAT (unless they are already relieved from VAT under domestic rules, for example zero-rated children's clothing).

- **UK businesses exporting goods to the EU**

Consumers: Distance selling arrangements will no longer apply to UK businesses. UK businesses will be able to zero rate sales of goods to EU consumers.

Businesses: VAT registered UK businesses will continue to be able to zero-rate sales of goods to EU businesses. But they will not be required to complete EC sales lists. UK businesses exporting goods to EU businesses will need to retain evidence to prove that goods have left the UK, to support the zero-rating of the supply similar to non-EU countries' exports. As each country would have its own customs rules, UK businesses should check the relevant import VAT rules in the EU Member State concerned.

UK businesses selling their own goods in an EU Member State to customers in that country will continue to be required to register for VAT in the EU member states where sales are made in order to account for the VAT due in those countries. This applies where the place of supply is not the UK - i.e. where the goods are held outside the UK before being sold.

- **UK businesses supplying services into the EU**

The current main VAT ‘place of supply’ rules will remain the same for UK businesses.

Digital services: UK businesses supplying digital services to non-business customers in the EU, the existing B2C ‘place of supply’ rule will continue to operate. VAT on services will be due in the EU member state within which the customer is a resident.

Insurance and financial services: It is possible that input VAT deduction rules for financial services supplied to the EU may be changed. More information will be updated in the due course.

- **EU VAT IT systems**

The UK will stop being part of EU-wide VAT IT systems such as the VAT Mini One Stop Shop (MOSS).

MOSS: Businesses that want to continue to use the MOSS system will need to register for MOSS non-union scheme in an EU member state. The non-union MOSS scheme requires businesses to register by the 10th day of the month following a sale. You will need to register by 10 April 2019 if you make a sale from the 29 to 31 March 2019 and by 10 May 2019 if you make a sale in April 2019.

EU Tour Operators’ Margin Scheme: The Tour Operators Margin Scheme is an EU VAT accounting scheme for businesses that buy and sell on certain travel services that take place in the EU. HMRC expects a minimum impact on this scheme in a no deal situation.

- **Other matters**

EU VAT refund system: UK businesses will no longer have access to the EU VAT refund system. UK businesses will continue to be able to claim refunds of VAT from EU member states by using the existing processes for non-EU businesses.

EU VAT registration number validation: UK businesses will be able to continue to use the EU VAT number validation service to check the validity of EU business VAT registration numbers. UK VAT registration numbers will no longer be part of this service. HMRC is developing a system so that UK VAT numbers can continue to be validated.