The Border with the European Union – Preparing for the Future

Overview

On 1 January 2021 the transition period with the European Union (EU) will end and the United Kingdom (UK) will operate a full, external border which means that controls will be placed on the movement of goods between Great Britain (GB) and the EU. This will be similar to the rules that currently apply to movement of goods with non-EU countries. In this document GB means the UK excluding Northern Ireland.

This document provides a high-level overview of the actions that traders have to consider before they move goods over the border. This is based on the information provided by HM Revenue & Customers (HMRC) in their document; The Border with the European Union – Importing and Exporting Goods – July 2020, link here.

This is the second document in a series of three documents created by Pegasus to help both Pegasus Partners and customers understand the changes that are coming into force on the 1 January 2021.

Actions to Take

After the transition period, the UK Government will operate import and export controls on goods moving between the EU and GB. These controls will be introduced in three stages:
January, April, and July.

It is expected that the EU will also operate full import and export controls on goods moving between GB and the EU from 1 January 2021.

All traders will need to have considered these actions before they move goods. The UK's negotiations with the European Union will have no impact on the need to take these actions.

There are various actions traders should take to prepare for the staged introduction of customs controls. The UK Government is not seeking anything in negotiations with the EU that will change the necessity of the following requirements.

When some of these actions need to be taken will depend on whether traders are deferring their customs declarations during Stage 1 (January to July 2021). See document one in this series – The Border with the European Union – Importing & Exporting Goods.

Apply for a GB EORI Number

An EORI Number is an abbreviation for Economic Operators Registration and Identification. A trader established outside the EU needs to be assigned an EORI number if it intends to lodge a customs declaration, an Entry or an Exit Summary Declaration. This is therefore required for all businesses moving goods into or out of GB, including those deferring their Import Declarations.

Further information, including a link to apply for an EORI number, is available here. It takes approximately 10 minutes to apply for an EORI Number and it can take up to a week for HMRC to provide this to a trader. VAT registered businesses with EU trade were previously enrolled with an EORI number, so should check whether they already have a number before applying.

Get a Customs Intermediary to help you

Customs declarations can be very complicated. The majority of businesses that currently trade outside the EU use an intermediary, such as customs agents, Fast Parcel Operators (FPOs), Freight Forwarders (FFs) or brokers, to help them meet the requirements.

Intermediaries can help traders find the information needed to complete formalities and submit the required declarations, for example customs information to HMRC systems. This simplifies the declaration processes for traders. Further information can be found here. The UK Government has announced a grant scheme to support intermediaries and those businesses who want to make declarations themselves. If business decide not to use an intermediary, they will need to make declarations themselves. To do this they will need to get access to HMRC systems and to purchase appropriate software.

Apply for a Duty Deferment Account

Traders who import goods regularly may benefit from having a duty deferment account (DDA). This enables customs charges including customs duty, excise duty, and import VAT to be paid once a month through Direct Debit instead of being paid on individual consignments. VAT registered traders can instead account for import VAT on their VAT return using postponed VAT accounting, as described in document one in this series – The Border with the European Union – Importing & Exporting Goods.

To set up a DDA, traders, or their representatives, apply for a Deferment Account Number (DAN) and will get this authorised by HMRC. New rules are being introduced which will allow most traders to use Duty Deferment without a Customs Comprehensive Guarantee (CCG).

Prepare to Pay or Account for VAT on Imported Goods

VAT registered traders will be able to account for import VAT on their VAT return by using Postponed VAT Accounting from 1 January 2021. Unless they are eligible to defer their Supplementary Declarations, they will not be compelled to use Postponed VAT Accounting.

Non-VAT registered traders (and any VAT registered traders not using Postponed VAT Accounting) will need to report and pay import VAT through the customs processes. Within this context, VAT payments can be deferred using a Duty Deferment Account as outlined above. VAT on imports of goods in consignments not exceeding £135 in value will be treated differently to those goods in consignments exceeding £135.

Being Border Ready

While it is the responsibility of the trader (or the trader's agent, such as a customs agent or freight forwarder) to provide the necessary documentation to the driver of the heavy commercial vehicle (HCV) (any goods vehicle that has an operating weight exceeding 7.5 tonnes). It is the HCV driver who must present the documentation at the EU ports.

Being border-ready means that an HCV driver is carrying all the necessary documentation to get through the GB and EU port (or has been provided with the appropriate information to get the documentation).

This includes:

- customs documentation:
  - a Master or Movement Reference Number (MRN) from an Import Declaration if the goods are going to stay in the country of disembarkation (for example, goods going from GB to France), or a Transit Accompanying Document if the goods are either staying in the country of disembarkation or going to move beyond it (for example, goods going from GB to Spain via France)
  - an Admission Temporaire/Temporary Admission (ATA) Carnet if the goods are temporarily going abroad (for example, goods going from GB to France and then back to GB)
  - a Transports Internationaux Routiers (TIR) Carnet if goods are sealed and/or going to non-Common Transit Convention (CTC) member countries (for example, GB to India overland).

- Import and Export Documentation depending on what goods are carried (it is possible that a free trade agreement or sectoral deal may change some of the requirements for Import and Export Documentation). For example, EU member state authorities will check for the following on arrival at the EU port:
  - products of animal origin require an Export Health Certificate
  - plant and plant-based products require a Phytosanitary Certificate
  - fish require a Catch Certificate, Export Health Certificate and where appropriate a Captain's Certificate.

Some documentation could be electronic or physical (like the MRN barcode) while others would need to be physical (like the ATA Carnet). Please note that the list is not exhaustive; for more information, please refer to the Border Operating Model published on 13 July 2020.

In addition, there may be other forms of import/export documentation that an HCV driver will need to carry on behalf of their trader which would not be checked at the ports. An HCV driver using the accompanied Roll on Roll off (RoRo) route would need a Safety and Security Declaration before arriving in the EU. However, EU rules mean that they can be completed shortly before arriving in the EU.

Ensure drivers have correct International Driving Permits

Hauliers need to ensure their drivers have the correct documentation, for example an International Driving Permit (IDP) or an additional licence (this may be required to drive in some countries). As these requirements become clarified, then more information will be provided on the Government's – GOV.UK website.

Kent Access Permit (KAP)

The Government is developing an online Smart Freight service (SF) for the Roll on Roll off (RoRo) freight industry. The service will help to simplify and automate the process of establishing the border-readiness of a HCV.

It will ask questions relating to the expected EU import controls at the border to ensure the HCV driver has the necessary documents before they travel. The service will include an online portal for registration of goods movements and an operator application to check compliance with the service.

For the end of the transition period, two key products are being developed to upstream the border-readiness checking process to the point of loading:

1. a web-based portal for the SF service (the 'SF Portal') which enables the HCV driver, or someone acting on their behalf, to self-declare if they have all the documentation they need to take goods across the Short Straits (Dover / Calais ferries and Eurotunnel).

2. a mobile application (the 'SF app') which enables enforcement officials to confirm that a vehicle is registered on the SF portal, and to see the outcome of their self-declaration.

The SF Portal will provide support to HCV drivers or someone acting on their behalf (for example, their haulier or their trader) to allow a series of self-declarations, providing details on:

- the HCV, such as the Vehicle Registration Number (VRN)
- the country of arrival in the EU, so that any country-specific requirements can be considered
- what documents they are carrying with the goods

The SF portal would then indicate, based on the self-declared information, if the HCV driver was border-ready or not. The SF portal would give advice to the HCV driver on a 'traffic light system':

- Green: all relevant documentation has been declared present, and goods may be taken to the port

- Amber: documentation has been declared present, but goods can only be taken to the port after the HCV driver has gone to an HMRC Office of Departure or a Third Party Authorised Consignor to complete customs processes and obtain an MRN barcode
- Red: some or all documentation is missing, and goods should not be taken to port

Legislation will require any haulier using designated roads in Kent leading to the Port of Dover and Eurotunnel to be in possession of a 'Kent Access Permit' (KAP), which would be digitally issued to drivers receiving a 'green' or 'amber' result from the SF service.

Each KAP would be valid for 24 hours to cover a single trip, and police and DVSA enforcement officers could issue penalties to hauliers found heading for Dover or Eurotunnel without one. Thus, travelling in contravention of a 'red' result (being advised not to travel) or failure to use the SF portal at all and so not having a valid KAP, would be a fineable offence.

HCVs travelling to destinations in Kent, and not travelling internationally, would not be required to use the SF service.

More information on the SF service can be found here.

Some EU member states have additional national requirements for goods arriving from GB, for example:

- France requires the use of the Brexit SI system, and the MRN barcodes for multiple consignments must be compiled in to a single 'envelope' MRN that will be scanned

- the Netherlands and Belgium require that all movements are pre-notified using the Portbase and RXSeaport systems respectively; HCVs that are not pre-notified will not be allowed to leave Dutch or Belgian ports

Additional Actions for Customs, VAT, and Excise Processes

- Find the right commodity code for your goods.

- Businesses importing goods into GB should ensure they are familiar with using the 'Trade with the UK' tool which provides detailed information on tariffs, taxes and rules. The tariffs shown are those currently being applied until 1 January 2021. Use the UK Global Tariff tool to check the tariffs that will apply to goods imported from 1 January 2021.

- Exporters of goods from GB should ensure they are familiar with using the 'Check How to Export Goods' tool which provides detailed and up to date information on duties and customs procedures for over 160 countries.

- Traders should **engage with supply chains** to discuss how to work together going forward and the information required by different entities to complete customs procedures.

- Excise traders wishing to use excise duty suspension must also apply as **a Registered Consignor** or seek the services of someone who is already approved. Only Registered Consignors are permitted to move excise goods in Excise Duty Suspension and use the Excise Movement and Control System (EMCS) at import.

- Businesses exporting excise goods must also use the EMCS. Excise Duty Liability will be discharged when confirmation is received that the goods have exited GB (this is via the Customs Export Declaration).

Consider Commercial Arrangements

Individual commercial contracts and arrangements may alter the default legal responsibilities and requirements. Contractual obligations for international commercial transactions are outlined in the Incoterms rules, which are administered by the International Chamber of Commerce. These are an important consideration for traders when moving goods internationally and should be considered and understood.

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