



Brexit

Guide

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What is Brexit?

Brexit is the common name for the event of the UK leaving the European Union; an organization of countries that currently has a policy of behaving as if it were one country for the purposes of trade etc.

On leaving the EU, the UK will become a separate trading state and will no longer be subject to EU rules and treaties etc.

Status Changes

When you set up in business or expanded to a new location or product line then there were lots of new considerations to be reviewed for impact. If any of your original assumptions have changed as a result of Brexit, then you will need to reassess the situation and possibly make changes accordingly.

- Are you the same person or trading entity - as regards nationality and recognition?
- Have you the same status/qualifications/rights - to trade, sell your products or use systems etc.?
- What about your customers? Are they still in the same jurisdiction or across a border?
- Have your products/services retained the same licenses etc. or do they need re-certifying, packaging etc.?
- What about the staff or subcontractors that you use? Do they need re-certifying or licensing?

As a result of the above review there may be a lot more admin to do, maybe as a one off or maybe ongoing, especially if products are now crossing borders as they will need documentation.

Additionally, products that cross borders may incur new tariffs that may be higher or lower.

Actioning everything is likely to cost extra, so you may need to reassess your costings & insurance too.

Rule Changes

As a member of the European Union the UK introduced many rules into UK law, that matched EU rules – these will not change as a result of Brexit e.g. VAT rules. However, there were many treaties and recognition agreements etc., negotiated over the time we were a member of the EU, that used to apply to the UK as a member, but will no longer apply when we leave. The UK will need to arrange their own treaties and recognition agreements and set their own trade tariffs.

As part of the withdrawal agreement the UK will be able to continue to use some of the EU agreements until new agreements are in place, or until 31st December 2020. However, if no new deal is agreed in time, then old pre-EU agreements or world trade tariffs etc. may apply. The government has been putting new agreements etc. in place as quickly as possible but trade tariffs are one of the most difficult to arrange in advance of actually leaving the EU.

As regards how other EU members are to be treated within the UK, some new rules have been agreed e.g.

- Continued mutual recognition of qualifications
- Rights to continue to live and work in the UK.

Whichever country you have trade or staff relations with, you will need to check the official status for your position.



Brexit in Practice

Dates and deals are constantly shifting. So do your reviews of status, find out the new rules and what you need to be doing now and when Brexit happens, so you are all prepared.

Sign up for updates on your trading areas from HMRC and your trade associations.

Business & Property Ownership

As the UK splits from the EU, the nationality or residency of managers or owners may change as well as the business. This can have a big effect on partnerships, subsidiaries and other European specific entities.

- Has this changed the balance, nationality or location of the business/trade?
- Is the business subject to new restrictions or requirements e.g. on equity or accounts production?
- Has this changed how the business is perceived e.g. some countries do not recognise an LLP?
- Is the business subject to new regulations e.g. those of a different territory?
- Can you continue to trade or own the business/property or do you need to consider more major changes e.g. sale, merge or move?
- Will staff and owners be taxed differently as a result?

Do see HMRC guidance at <https://www.gov.uk/guidance/structuring-your-business-if-theres-a-no-deal-brexit> or talk to your DNS accountant to establish your position and options.

Staff

As the UK splits from the EU then so new VISA's and work requirements will be introduced. It is your responsibility to check that your staff are allowed to work in the UK, or wherever you get them to work. This is an ongoing responsibility not one to do just the once. You will need to confirm that any EU citizens working for you are still allowed to, or you as the employer face a fine of up to £20,000 per illegal worker.

EU citizens and their families who have been living in the UK for over 5 years are allowed to apply for settled status but you can not assume they have applied or been accepted.

Similarly, if you have staff working elsewhere then you need to check if their working status has changed or they now need VISA's etc. For detailed guidance per EU country see

<https://www.gov.uk/government/collections/providing-services-to-eea-and-efta-countries-after-eu-exit>

Travelling on Business

After Brexit, you will be crossing borders when traveling to the EU so will need a valid passport, insurance etc.

If you are visiting the EU on business after Brexit then there may be extra restrictions associated with your reasons for travel. Specifically, you may be treated as working in that country, when providing services, paid or as a volunteer, on tour, or even just visiting for meetings or conferences. Make sure that you as employer have checked in advance before you or your staff travel. For detailed guidance per country see <https://www.gov.uk/government/collections/providing-services-to-eea-and-efta-countries-after-eu-exit>

If carrying goods then there are simplified rules if they are worth less than £873 (£900 after Brexit), otherwise full export documentation will be required.

Qualifications

When providing services then your professional qualifications may need to be recognised, sometimes in order for you or your staff to work in that country.

While the UK was in the EU then there was mutual recognition of qualifications. After Brexit this will not necessarily continue. The UK has agreed to continue to recognise EU qualifications but for the recognition of UK qualification within the EU see

<https://www.gov.uk/guidance/providing-services-to-any-country-in-the-eu-iceland-liechtenstein-norway-or-switzerland-after-eu-exit#recognition-of-professional-qualifications>

Selling Services to the EU

After Brexit, you will be crossing borders when supplying services to the EU from the UK, so the supply will usually be an overseas sale for supplier (UK to EU), and an overseas purchase for the customer (from outside the EU to inside the EU).

HMRC have kindly advised that VAT rules have not changed, but such sales are no longer sales between EU member states so different rules will apply to these sales, for both suppliers and customers.

To discuss VAT further do contact your DNS Accountant

However, now you are providing services to/in another country then there may also be extra restrictions. These may be associated with who you are, your qualifications, where you are operating or what you are doing.

Make sure you have checked in advance before you agree to do this work.

<https://www.gov.uk/government/collections/providing-services-to-eea-and-efta-countries-after-eu-exit>

Product Licensing and Labeling

After Brexit, there will be separate UK certification from those of the EU. So, first question - where are your products certified – is this EU or UK? Next, do they need re-certifying in the other jurisdiction? Your customer may be able to help with this.

Also, which territories do your current certifications & labeling authorise you to sell to? Will this change? Has the origin changed? Do you need new certifications to continue to trade in these other territories too.

Finally, there is the redesign of labels and relabeling of products for these different territories.

Exporting from the UK

Customs declarations must be prepared, in advance, for goods leaving the EU and after Brexit the UK. These need to be submitted electronically on the National Export System (NES), accessed via the Government Gateway. You may wish to discuss this with freight companies and/or customers to avoid delays.

Importing into the UK

Imports from the EU will be treated the same as imports from other countries after Brexit. However, you can register for HMRC's Transitional simplification procedures (TSP). These will allow monthly payment of duties on most goods from the EU, and deferment of VAT on all imports, rather than payment at point of import. You may wish to discuss this with freight companies and/or suppliers to avoid delays.



Frequently Asked Questions

What is the EU?

The European Union (EU) is an economic and political union of 28 countries. It operates an internal (or single) market which allows free movement of goods, capital, services and people between member states.

Which countries are members of the EU?

The following countries are members of the EU

- Austria
- Belgium
- Bulgaria
- Croatia
- Republic of Cyprus
- Czech Republic
- Denmark
- Estonia
- Finland
- France
- Germany
- Greece
- Hungary
- Ireland
- Italy
- Latvia
- Lithuania
- Luxembourg
- Malta
- Netherlands
- Poland
- Portugal
- Romania
- Slovakia
- Slovenia
- Spain
- Sweden
- UK (including Gibraltar)

The following countries are not members the EU but are members of The European Economic Area (EEA) which allows them to be part of the EU's single market.

- Iceland
- Liechtenstein
- Norway

Switzerland is neither an EU nor EEA member but is part of the single market

The following Crown Dependencies are not part of the EU

- The Isle of Man
- Guernsey
- Jersey

Who is subject to Brexit rule changes?

Anyone who has dealings with the EU or under EU regulations is affected by Brexit E.g.

- Staff or products from the EU
- Staff or products travelling to or through the EU
- EU products, services or business in the supply chain
- Using EU status or regulations for contracts, licenses, labeling, quotas
- EU owners, equity, loans, property, websites

What is the Withdrawal Agreement?

The Withdrawal Agreement is an agreement on terms for an amicable split. Including settlement payments, a transition period to negotiate a new deal before the old one expires and rights of citizens currently taking advantage of free movement. The current agreement has been negotiated by Boris Johnson and is going through the official procedures to be ratified by all necessary parties.

What does No Deal mean?

No deal is when there are no replacement agreements, deals etc. While we were members, the EU deals applied. Some may continue to apply during a transition period per the withdrawal agreement. If new deals are not put in place, then we will revert to old pre 1973 deals or default World Trade rules; it is unlikely that there will actually be no rules.

When do the new rules apply?

The UK will officially leave the EU at Midnight (Brussels time) on 31st January 2020 so that is 11 pm UK time.

If the withdrawal bill is agreed, then there is to be a transition period during which old rules can continue to apply while new replacement rules, deals and agreements are put in place. If these new deals are not put in place by 31st December 2020, then a no deal scenario will arise where old (pre 1973) or default (World Trade) rules may apply.

What is the Single Market?

The single market is the system created by the members of the EU etc. applying common rules and standards to goods, services, people and capital enabling free movement between them, without the need for tariffs etc.

What is the Customs Union?

The customs unions is the agreement made between EU countries, not to charge trade Tariff on goods moving between member states and to charge the same tariffs as each other on goods coming in from outside the EU.

What is Article 50?

Article 50 is the part of the EU rules that lets us leave the EU. It says you have to say you want to leave, (which we did in March 2017) and then you can not leave for a minimum of 2 years but this can be extended or the process stopped, if all agree. We currently have an agreed extension to 31st January 2020.

Do I need a new EORI number?

An Economic Operators Registration and Identification (EORI) number is for use on import and export documentation, both in the UK and throughout the EU. As the UK will no longer be part of the EU, then your existing EORI number commencing GB will become a UK number that you can continue to use for UK declarations.

You may need to apply for a new EU EORI number if making customs declarations or asking for customs decisions in the EU after Brexit.

If you have not imported or exported before then you may need to apply for one.

Will export licences be required?

Yes some products may require licences to be exported.

Can I still use MOSS after Brexit?

Mini One Stop Shop (MOSS) is an EU reporting system, to report VAT on sale of goods across the EU. The UK will no longer be a member, so if you wish to continue to use MOSS after the UK leaves the EU then you will have to register for VAT MOSS in an EU member state. Alternatively you can register for VAT in each EU state in which you sell digitally services to consumers.

I do not sell to the EU so am I effected?

The products or services you sell may have EU certifications or qualifications that will now become UK certifications or qualifications. You need to check that these are still acceptable in the countries you are selling to, and maybe relabel, e.g. origin.

You may also need to check your business ownership and staff – their status and qualifications.

If you are buying from the EU then you may need to check what is changing, all along your supply chain e.g. new tariffs so revised costs.

What is a tariff?

A tariff is a tax or customs duty charged on goods when they cross into a country. Tariffs are set by governments, at different rates on specific goods to encourage or deter trade in that product from that country.

Will I need different commodity codes for my components?

Commodity codes are world-wide codes so should not change with Brexit. However, do check that they are correct as they will dictate the rates of VAT and duty charged.

Can I use TSP?

Transitional simplification procedures (TSP) are planned for the payment of import duties and taxes. Everyone will be able to use them after Brexit but not all goods will be eligible, and some ports may not be on board.

Under these procedures import documentation is completed online, monthly, due 4th of each month, rather than at point of import. Payment terms will be as follows:-

- Import duty – 15th of the month
- Excise duty – 29th of the month
- VAT – deferred to VAT return

What are the new rules on LVCR?

The EU currently has a 22 Euro (£15) de-minimus limit for charging VAT on imports into the EU – called Low Value Consignment Relief (LVCR) - that is due to be abolished in 2021.

When the UK leaves the EU this will no longer apply, effectively reducing the limit to nil immediately.

However, a new pay on purchase scheme is planned for the UK with a £135 limit – whereby duty is calculated and paid by the supplier online rather than at the point of import.

What about goods sent to the EU for repair and returned to the UK?

Outward and inward processing relief rules still apply for goods imported/exported for repair or processing and returned. The ATA carnet scheme is independent of the EU so still applies for goods that temporarily move.

Will there be duties on importing Hardware, causing price increases?

Yes, there may be additional duties payable on imported hardware depending on where it comes from.

Am I affected by the changes?

If you have staff or members that are EU citizens or you sell products or services to the EU then you will be effected. If not then you may still be effected e.g. if you purchase from the EU, so check how. Do ask your DNS accountant to help.

What is the effect on my income?

Your income may be affected in two ways

The first is the additional cost of assessment and recertifications or labeling. There are grants available for recruitment, new systems and training if required.

Secondly, there may be big ongoing costs as regards tariff changes as well as ongoing paperwork obligations.

Do consider reviewing your pricing model to cover these additional costs.

Are there any exemptions?

Everyone has to abide by the new rules however there are some reliefs available

- There are grants available for recruitment, new systems and training
- The withdrawal agreement includes a transition period up to 31st December 2020
- HMRC will be letting everyone use VAT deferral and pay most duties monthly under a scheme called Transitional simplification procedures (TSP)
- HMRC plans to create its own version of Low Value Consignment Relief (LVCR)
- UK has agreed to continue to recognize EU qualifications
- EU citizens living in the UK can apply for settled status

Do make sure you know your position, and if you need help then talk to your DNS Accountant.

Who must calculate and pay the VAT & Tariffs?

Customs documentation is the responsibility of the owner of the goods crossing the border. This may be the exporter or the importer or may be delegated to an agent e.g. the freight company. This document needs to identify the principal parties and the goods in order to calculate tariffs.

For some shipments (depending on goods and port) the duty etc. will need to be paid before the goods can be released, as for overseas shipments.

But HMRC are introducing new Transitional simplification procedures (TSP) for EU imports, whereby all duties can be reported monthly, VAT deferred, and duties calculated for payment monthly.

Delivered Duty Paid incoterms – will they still apply?

Incoterms are international terms of service so will not be affected. However, it is how they apply and the cost effect and admin effect that may be significantly different. Hence it is a good idea to review the impact on your business selling to other countries and it may be worth changing policies or registered for VAT within the EU.

What is TRANSIT?

Transit, or the Common Transit Convention (CTC) is a system for simplifying the transport of goods into and around Europe (and other member countries), usually by road. Goods are logged from consignee to consignor to or through offices of transit with one set of Transit Accompanying Documents (TAD) under a Customs Comprehensive Guarantee (CCG) such that

- Customs declarations are not required at each border crossing
- Duties are only paid at the end destination
- Some customs procedures may be completed away from the border(s)

How does Brexit effect Employment?

There are no changes to the rules for employing staff, it just becomes more complicated to determine the answers.

Are you allowed to work in the UK – or wherever you are working?

- UK or Irish citizen?
- VISA required?
- EU settled or pre-settled status?

Have you the necessary qualifications to do the job?

- qualifications or licences?
- valid or recognized in the country?

However, staff working in the EU etc. (excluding Ireland) may need to pay National insurance in that other country as well as the UK after Brexit.

What is Settled Status?

EU citizens and their families who have been living in the UK for at least 5 years can apply for settled status that allows them to stay in the UK as long as they wish, work in the UK, use the NHS and have access to UK pensions & benefits.

Children born to a mother with settled status are then British Citizens.

What are the implications on Branding & Trademarks?

Trademarks are licenced, and brands registered in a jurisdiction. You may no longer be registered where you thought. Additionally, there may be withholding taxes if royalties are paid cross border.

Where can I find more information on the changes?

HMRC are continually updating their details which can be found at <https://www.gov.uk/prepare-export-from-uk-after-brexit>

The Way Forward

Conclusion

Every UK business needs to review their position as most businesses will have some action to take

Be Prepared

Every business needs to react to change, and these are changes we know are coming; hence we can make plans to reduce or exploit the impact, if we get prepared.

- Look at your business
- Look at your supply chain
- Review the way you do business
- Review new needs – in house or outsourcing
- Consider applying for funding

Do talk to your DNS Accountant for assistance

Other Services

DNS Accountants are always here to help. Please ask us about

- Payroll
- PI insurance
- Business insurance
- Tax planning

About DNS

DNS Accountants is a highly respected, award winning accounting, tax planning and consulting services practice with a national presence across the UK. We have specialist expertise in helping owner managed businesses, freelancers, contractors and construction industry clients.

Since we started in 2005 we have achieved substantial growth with us now servicing thousands of clients across the UK. Our team of highly qualified accountancy professionals are readily available to provide accounting and tax support to our many clients.

Services

Our accountants take full responsibility of all your accounting solutions so that you can easily focus on your core business activities. Our accounting experts have more than 10 years of experience and are experts in resolving all bookkeeping & taxation matters. We are serving many clients on a daily basis and provide them with the best services 24/7. Our services include payroll, filing income tax returns, VAT returns, landlord property tax returns, R&D tax credits, IR35 review etc. Our other services include bank accounts, business insurance, IPSE membership, tax investigation cover, website design & development, offshore services etc. In addition to these services, we also offer cloud accounting software, named "Nomisma" it is a complete solution for all your accounting problems.

Guarantee of Service

We ensure that we provide you a good quality service at an affordable price and guarantee expertise, excellence, responsiveness & confidentiality in our services.

Awards & Accreditations

 British Accountancy Awards
2019 SHORTLISTED

 British Accountancy Awards
2018 WINNER

 British Accountancy Awards
2017 WINNER

 British Accountancy Awards
2013 WINNER

 **TOP 5**
accountingexcellence
Investing in People Award
2019

 **FCSA**
Accredited Member

 **CIMA**
Chartered Institute of
Management Accountants

 The Contracting Awards 2019
FINALIST

 PROFESSIONAL PASSPORT APPROVED ACCOUNTANCY

 **ipse**
CORPORATE MEMBER

DNS

Accounting Group



Get in Touch

DNS ACCOUNTANTS

03300 886 686

info@dnsaccountants.co.uk

www.dnsaccountants.co.uk

DNS House, 382 Kenton Road, Harrow, Middlesex, HA3 8DP