



KGH BRIEF ON

EU – UK Trade and Cooperation Agreement

Facilitating trade for sustainable growth



A Maersk Company

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TARIFFS FROM DAY 1

1.246

PAGES

**CUSTOMS DECLARATIONS
REQUIRED**



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Summary

New relationship with far-reaching changes

UK LEFT EUROPEAN UNION ON 31ST OF JANUARY 2020

United Kingdom left the EU on 31st January 2020. On 1st January 2021, the transition period is ended and the consequences of leaving the Single Market and Customs Union, and all EU policies will come into force.

FAR-REACHING CHANGES

This will bring far-reaching changes, affecting citizens, businesses, public administrations and stakeholders in both the EU and the UK.

NEW FREE TRADE AGREEMENT

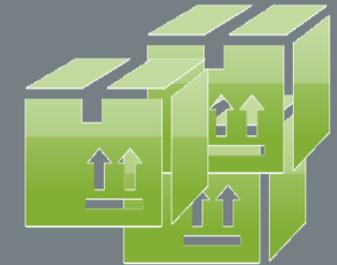
To limit the disruption insofar as possible, the EU and the United Kingdom have spent the past year negotiating the terms of a new "Trade and Cooperation Agreement" to govern their future relations now that the UK is a third country in relation to the EU.

VALID FROM 1ST OF JANUARY 2021

On 24 December 2020, an agreement in principle was reached at negotiators' level. Both parties will now advance with the signature and ratification of the Agreement, in line with their respective rules and procedures, with a view to its provisional application from 1 January 2021

Changes in Regard to Goods

Consequences of the UK's choice to leave the EU, Single Market & Customs Union	Benefits of the EU-UK Trade and Cooperation Agreement
UK goods no longer benefit from free movement of goods, leading to more red tape for businesses and adjustments in EU-UK supply chains	Zero tariffs or quotas on goods traded, ensuring lower prices for consumers – provided agreed rules of origin are met
Customs formalities and checks on UK goods entering the EU, with more border delays	Traders can self-certify the origin of goods sold and enjoy 'full cumulation' (i.e. processing activities also count towards origin, not just materials used), making it easier to comply with requirements and obtain zero-tariff access
VAT and, where applicable, excise duties (e.g. on alcoholic beverages, tobacco products, etc.) due upon importation (including for online purchases)	Mutual recognition of trusted traders programs (Authorised Economic Operators) ensures lighter customs formalities and smoother flow of goods
UK producers wishing to cater to both EU and UK markets must meet both sets of standards and regulations and fulfil all applicable compliance checks by EU bodies (no equivalence of conformity assessment)	Common reference definition of international standards and possibility to self-declare conformity of low-risk products make it easier for producers to cater to both markets
UK food exports must have valid health certificates, and (phyto-) sanitary border checks will be carried out systematically	Specific facilitation arrangements for wine, organics, automotive, pharmaceuticals and chemicals
New UK Border Operating Model from January 1st with a phased approach January-June. From June fully implemented. https://www.gov.uk/government/publications/the-border-operating-model	Specific measures to facilitate legitimate trade by addressing administrative barriers for traders, especially for 'trusted traders'. Like i.e. cooperation at 'roll-on roll-off' ports and also on exploring the possibility of sharing import and export declaration data, including by setting up pilot programs where appropriate. This aims at reducing administrative burdens on business



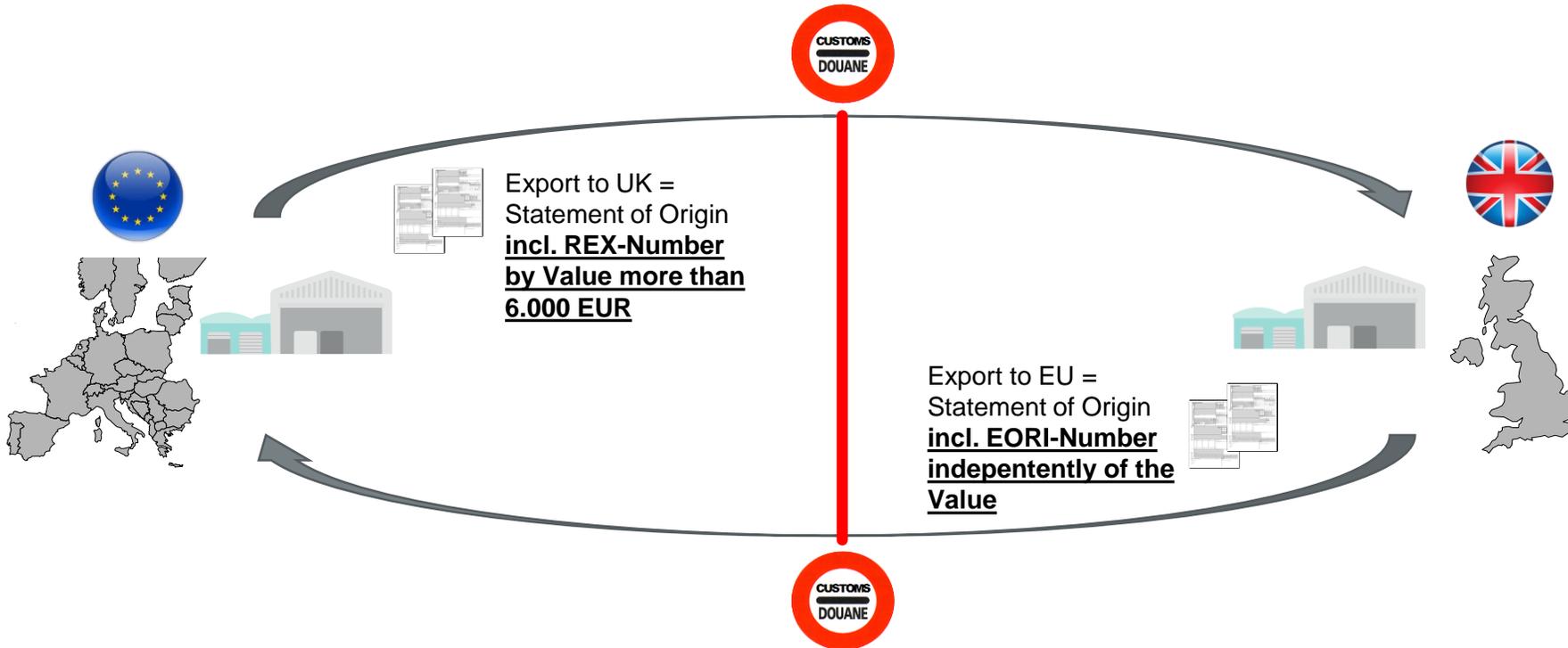
TRADE IN GOODS

References:

<https://ec.europa.eu/info/sites/info/files/eu-uk-trade-and-cooperation-agreement-a-new-relationship-with-big-changes-overview-of-consequences-and-benefits.pdf>

Origin of Goods

Zero Tariffs only for goods of EU/UK origin!



OBS! If the origin of the goods are not documented in accordance with the regulation at the time of submitting a direct or supplementary import customs declaration customs duties need to be declared which will result in a cumbersome process to reclaim these. We urge everyone to secure the process of issuing correct statements of origin.

- The regulations regarding origin of goods are described in
 - Article ORIG.19 “Statement of Origin” and
 - Annex ORIG-4, of the Trade and Cooperation Agreement
- To avoid Tariffs a statement of origin on an invoice or on any other document that describes the originating product in sufficient detail will be needed.
- HMRC already published the requirements that are needed for the statement of origin:

<https://www.gov.uk/guidance/claiming-preferential-rates-of-duty-between-the-uk-and-eu-from-1-january-2021>

AEO

Mutual Recognition of Authorised Economic Operator schemes



- Cooperation between the customs authorities of EU and UK is a part of the agreement
- One important topic in this is the establishing of a mutual recognition for the Authorized Economic Operator program
- See Article CUSTMS.2

Additional Information

- **SPS:** The UK and the EU will maintain separate regimes regulating human, plant and animal health. The agreement places a duty on both sides to ensure that any sanitary and phytosanitary (SPS) border controls are “proportionate to the risks identified”.
- **Standards:** On standards, there is no mutual recognition of conformity assessments in the deal, meaning manufacturers will have to get their products approved separately by regulators in both markets. They may also have to run two separate production processes if U.K. and EU specifications differ, adding costs.
- **VAT controls:** The UK and the EU have also agreed to work together and exchange information on customs and VAT matters to prevent fraud and recover unpaid duties.
- **Northern Ireland:** The rules for application of the Northern Ireland protocol (NIP) does not change. All procedures posted in the special Border Operating Model for NI (GB-NI, NI-GB) are still in force. The risk evaluation becomes easier since the zero tariff agreement reduces fiscal risks.

Summary

- **No duty or quotas**, in either GB-EU or EU-GB flows for qualifying goods. No need for a deferment account to pay customs duties if you only trade between UK-EU.
- **Excise duty** is still payable and should be considered if the client is involved in the importation of wines, spirits, tobacco etc.
- **UK VAT** is handled through the VAT return and is merely accounted for at importation – providing the company is VAT registered. If not, VAT is payable on the import declaration.
- **Safety & Security (ENS)** declarations are required for all EU imports (not required for GB imports until July 2021).
- **Rules of origin apply.** Likely to be a soft touch (by both sides) initially but thereafter origin becomes very important (and vital in deciding if goods qualify for duty free trade).
- For **SPS goods**, export health (or phytosanitary) certificates are required from day one. Not needed for GB imports until April 2021 and not needed initially for trusted traders in GB-NI flows.
- The use of **TRACES NT** is required for all movements of SPS goods to EU (including NI) even if/when an export health certificate is not required initially.
- The use of the UK equivalent system, **IPAFFS** (for GB imports) is not required until April 2021.
- For **GB imports** it is through the phased approach possible to use a **simplified declaration** procedure (EIDR) and presenting the supplementary import declaration after the border crossing (and later). However it is essential to note that the importer is fully responsible for keeping full track in compliance with the regulation and also to present a declaration if there is an inspection at the border or an enquiry afterwards by a competent agency.
- **All other declarations** are required from day one: EU exports, GB exports, EU imports and transit all start from day one.
- **Port systems**, such as PBN, GVMS, SI Brexit, all go live (to some extent) from 31st December according to UK Government announcements.



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