

Trading with the EU after a “No Deal” Brexit

18 January 2019

The Withdrawal Agreement, which was roundly rejected by Parliament on 15 January 2019 following agreement in principle with the European Union on 25 November 2018, provides that VAT and customs processes in relation to trade between the UK and the EU will not immediately change when the United Kingdom leaves the EU at 11pm GMT on 29 March 2019. The Agreement envisages that the status quo would remain until the end of the transition period on 31 December 2020.

However, should, as is looking increasingly possible, the Government not sign the Withdrawal Agreement, there will be fundamental changes in relation to VAT and customs for businesses trading between the UK and the EU with effect from 29 March 2019, unless the Article 50 clock is suspended.

Currently, goods bought and sold between businesses in the UK and other EU Member states (known in the VAT world as acquisitions and dispatches) are not subject to customs duty and VAT is dealt with by business, not the importing customs authority.

By contrast, imports (that is goods brought from outside the EU into the EU) are subject to import VAT and customs duties. Customs duties are determined by the Trade Tariff and detailed information is required when goods cross the border to identify the applicable rate of duty. Similarly, the export of goods outside the EU may be subject to local sales tax and customs duties which are collected directly by customs authorities in the importer's country. The 'No Deal' Brexit described in this paragraph would impose these import and export VAT/sales tax and customs duties obligations from 29 March under WTO terms.

HMRC have issued [letters](#) to businesses which trade with the EU, as customer or supplier, to advise of three precautionary actions which can be taken now to prepare for the event of a 'No Deal' Brexit. In these circumstances, not taking these actions will leave businesses exposed to delivery delays when trading with the EU after 29 March.

These actions are as follows:

1. Register for an Economic Operator Registration and Identification (EORI) number.
2. Consider engaging with a customs broker to make import and export declarations on your behalf. To

make declarations yourself appropriate software is required.

3. Contact your haulier to find out what additional information they will require in order to move goods to and from the EU. Because imports are subject to customs duties, detailed information is required by Customs which is not the case when trading within the EU.

Businesses which already trade with businesses located outside the EU will already have an EORI number and will have arrangements for imports and exports in place. Such businesses should contact their agents and hauliers in order to ensure that these arrangements will be extended to transactions with EU-based businesses.

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Dixon Wilson
22 Chancery Lane
London
WC2A 1LS

T: +44 (0)20 7680 8100
F: +44 (0)20 7680 8101
DX: 51 LDE

www.dixonwilson.com
dw@dixonwilson.co.uk