



HM Revenue
& Customs

Staged Transition

HMRC Customs and Border Design
Stakeholder Engagement

Introduction

- Following the UK's departure from the EU on 31 January 2020, we have now entered a transition period.
- The transition period began on 1 February 2020 and will end on 31 December 2020. During this time all trade continues in accordance with existing customs, excise and VAT rules and regulations. There will be no changes to processes for UK-EU trade during this period and therefore no requirement for customs declarations or tariffs on UK-EU trade.
- The Government has been clear that it will not extend the transition period.
- At the end of the transition period HMRC will implement changes to customs controls and new processes to support the flow of goods, whether or not a Free Trade Agreement has been agreed by that point. HMRC will also implement any relevant processes required for the Northern Ireland Protocol.



Introduction

- The Government has confirmed its intention to introduce full border controls after the transition period ends if no further agreement with the EU is reached.
- All goods entering the UK from the EU will be subject to the same checks and controls as goods coming from the rest of the world.
- The agreement is clear that Northern Ireland is and will remain part of the UK's customs territory.
- The UK will pursue an independent trade policy, and this will apply to the whole of the UK, including Northern Ireland.



COVID-19

- In light of Covid-19 and the limited time remaining before the end of the transition period, HMG have agreed that whilst it is still the policy intention for full controls to be introduced at the UK border, they will now be introduced in stages from January 2021 onwards.
- If the UK faces a different scenario we will monitor the impact very carefully.
- A full range of business support measures have been made available by HMG to UK businesses affected by the COVID-19 pandemic.



What staging means

- We are introducing customs requirements over a period of time and most traders will not have to make import customs declarations on 1 January 2021.
- Traders importing controlled goods (such as excise goods) will be expected to follow full customs requirements.
- VAT registered businesses who make full import customs declarations will be able (but not compelled) to use Postponed VAT Accounting which allows them to account for import VAT on their periodic (usually quarterly) VAT return.
- Traders importing non-controlled goods from the EU can delay submitting declarations to HMRC for up to 6 months after the point of import.
- Businesses will be required to keep records of their imports and to submit the information, via a supplementary declaration, after 6 months, including paying the required duty via an approved duty deferment account. To be able to submit the supplementary declaration, businesses must be authorised for CFSP or they can use an intermediary who is authorised.



What staging means

- The UK will temporarily waive this requirement on imports from the EU for 6 months.
- VAT registered businesses who are eligible to defer their supplementary declarations must use Postponed VAT Accounting to account for import VAT on their periodic VAT return which includes the date when they imported the goods. To do this they will need to estimate the import VAT due from the records of imports that they are required to keep.
- Non-VAT registered traders who choose to defer their supplementary declarations will follow the same process as they do for customs duties and will pay any import VAT due on their Duty Deferment Account.
- All VAT registered businesses currently required to submit Intrastat arrivals declarations will be required to carry on submitting these in the normal way.
- Our aim is to eliminate, as far as possible, the need for any requirements for traders before they move their goods, but traders will still need to keep sufficient records when crossing the border to later complete declarations and submit VAT returns.



Stage 1

- From 1st January 2021, there will be full customs requirements for controlled goods.
- Standard goods will be subject to minimum customs requirements, enabling greater flow and reducing overall burdens on traders.
- Traders moving **non-controlled** goods to GB will be allowed to declare their goods by making an entry into their own records. Information on what is required as part of that record can be found
- Between January and end of June, DEFRA are proposing to continue with existing checks whilst introducing new requirements for EU goods over a period of time. These will include prenotifications and health certificates (100% for regulated plants and live animals), as well as physical checks at destination or other approved facility for high risk plants and live animals.



Import Controls

The government has confirmed plans to introduce import controls:

- EU goods at the border after the transition period ends on 31 December 2020
- Anyone importing or exporting with the EU will need to complete customs declarations
- Those trading with the EU will need to operate the same processes as those trading with the rest of the world



Import controls

There are a number of reasons for implementing import controls:

- Keep UK borders safe and secure
- Collect the right customs, VAT and excise duties
- All UK exports and imports will be treated equally



Border Infrastructure

- To support the introduction of full border controls on goods moving between Great Britain and the EU at the end of the Transition period, new border infrastructure will be required.
- In July 2020 the government announced the Port Infrastructure Fund (PIF), to ensure that seaports, airports and rail terminals currently handling goods from the EU can access funds to build the necessary infrastructure to allow customs and sanitary/phyto-sanitary (SPS) checks to be carried out following the end of transition.
- To support this, the government is also taking exceptional action to build new border infrastructure inland where there is no space in ports.
- Full eligibility, application, assessment and contractual criteria for the Fund is available on the Gov.uk website
- In line with the staged approach to controls, initially from January 2021 there will be a need for infrastructure to support border movements to/from the EU. This infrastructure need is initially focussed around the requirements under Common Transit Convention (CTC) processes.



Safety & Security – Stage 1

- We will maintain safety and security standards after December 2020.
- As we will have an independent customs regime from 1st January 2021, we will collect more information on goods moving into our market, which by default would include safety and security declarations. This will help keep our borders safe and secure, so we know who's coming in and how often, what they are bringing in, and why.
- The UK will temporarily waive this requirement on imports from the EU for 6 months.
- Both the UK and EU have made clear that we expect measures on customs security to be included as part of the FTA. If the EU wants to offer a safety and security waiver to us then we will listen, but our consideration of such an ask would be guided by the clear principles we have set out of autonomy over alignment, and our border security ambitions.



Goods Vehicle Movement Service (GVMS)

- To ensure we can operationalise each of those steps, the government will introduce a new IT platform called the Goods Vehicle Movement Service (GVMS) to support the Pre-Lodgement model for both imports and exports and to facilitate Transit movements].
- The GVMS will, by the time controls are phased in July 2021, allow us to:
 - Enable declaration references to be linked together so that the person moving the goods (e.g. a driver) only has to present one single reference (Goods Movement Reference or GMR) at the frontier to prove that their goods have pre-lodged all the necessary declarations.
 - Allow the linking of the movement of the goods to declarations, enabling the automatic arrival / departure of goods in HMRC systems, so soon as goods board on the EU side so that declarations can be processed en route.
 - Automate the Office of Transit function, marking the entry of goods into the UK customs territory.
 - Allow notification of the risking outcome of declarations (i.e. cleared or uncleared) in HMRC systems to be sent to the person in control of the goods by the time they physically arrive in the UK so they know where they need to proceed to.



Exports

- If your business is exporting goods out of the UK or EU you'll need to submit a customs declaration.
- Completing a customs declaration is complicated and you may need software. You may want to get someone to deal with customs for you.
- Most declarations are submitted electronically using the National Export System. If you're going to do this yourself, rather than appoint an agent, you'll need to register for the National Export System.
- You might also need to buy third party software that can submit declarations.
- For most goods you'll make a full declaration which must be made before the goods arrive at the port of export.
- If you do not your goods could get stopped at the border.



Intermediaries

- HMRC recognises the importance of the role of intermediaries in supporting trade and understands that existing UK to rest of world trade is heavily reliant on intermediary services. We have been engaging with, and listening to, the intermediary sector throughout this process and will continue to do so.
- We have continued to listen to feedback from the industry on how we can increase support for this sector ahead of the UK leaving the EU, and as a result the Government has made a further £50m available – as announced in June.
- The additional funding will help to fund improved IT, more training and additional recruitment, all of which will increase capacity within the sector and build on the success of the grant scheme to date.



Intermediaries

- We are focusing on the intermediary sector as evidence shows that the vast majority of the UK's 'rest of world' traders use an agent or intermediary to comply with customs formalities and manage their logistics and transport needs. We expect, based on this, that the intermediaries sector will have an essential role to play as the majority of UK businesses currently trading exclusively with the EU will want to use their services to facilitate the import/export process.
- The new funding aims to help the sector scale up and meet the increased demand it will see from traders at the end of the transition period. There has also been further consultation and communication to: further strengthen engagement with the sector; gain an understanding of challenges; test proposals and provide clarity and certainty on plans for 2021.



VAT

- The Government announced at Budget that from 1 January 2021 postponed VAT accounting will be available to VAT registered businesses for imports of goods from all countries, including from the EU.
- Postponed accounting allows businesses to account for VAT on the goods they import through their periodic VAT return rather than pay that VAT at (or soon after crossing) the UK border.
- This will provide the same cash flow benefits to businesses who import goods from non-EU countries as those who import goods from the EU.
- It will provide an important boost to those UK VAT registered businesses which are integrated in international supply chains as they adapt to the UK's position as an independent trading nation



VAT

- VAT will be levied on imports of goods from the EU, following the same rates and structures as are applied to RoW imports. VAT registered importers will be able to use postponed VAT accounting.
- They will not be compelled to do so unless they import standard goods and either defer their supplementary customs declarations; or use the Simplified Customs Declarations process, where authorised to do so, and make an Entry in Declarants Records.
- Non-VAT registered importers have the same options available to report and pay import VAT as they do for customs duties.



Excise

- From January 2021, businesses importing excise goods into GB will need to complete a customs declaration.
- Excise duty will be collected following the same rules that apply to goods from the RoW, and importers will be able to enter excise goods into duty suspension as they can do now for RoW imports.
- If businesses move duty suspended excise goods to and from a tax warehouse to the place they enter and exit the UK they must use the UK version of Excise Movement and Control System (UK EMCS). UK EMCS must also be used to move duty suspended excise goods from UK warehouse to UK warehouse.
- Special arrangements will apply in relation to Northern Ireland under the terms of the NI protocol to the withdrawal agreement.



Stage 2

- From 1st July 2021, full customs requirements will be in place for all goods, and the Goods Vehicle Movement System (GVMS) will be implemented to support the control of goods at locations where pre-lodgement is mandatory.
- Safety and Security declarations will also be mandated.
- Sanitary and Phytosanitary (SPS) controls, such as physical checks and taking samples, would take place at Border Control Posts (BCPs), focusing on the highest risk goods from a biosecurity perspective initially.



Safety and Security Stage 2 - Importing

- Goods imported to the UK will need an Entry Summary Declaration submitted via the S&S GB system.
- This information will need to be provided by the “carrier” which is defined as:
 - For Unaccompanied goods – shipping or Air Freight operator
 - For Accompanied goods – haulier
- This can be done either via:
 - Trader Front End, you need a Government Gateway user ID and password, if you do not have a user ID, you can create one. The purchase of relevant software to interact with HMRC system from a Software Developer will be required.
 - Community System Providers (CSPs)



Safety and Security Stage 2 - Importing

- To submit this information you will need to register for a GB EORI number for moving goods which can be applied for via <https://www.gov.uk/eori>
- Those who currently implement Anti Smuggling Nets (ASNs) to conduct risking procedures, will not need to submit an Entry Summary Declarations.
- Special permits/licenses are required for restricted and controlled goods. Further information can be found on: <https://www.gov.uk/starting-to-import/import-licences-and-certificates>



Preparing Your Business

You will need to do customs declarations among other processes.

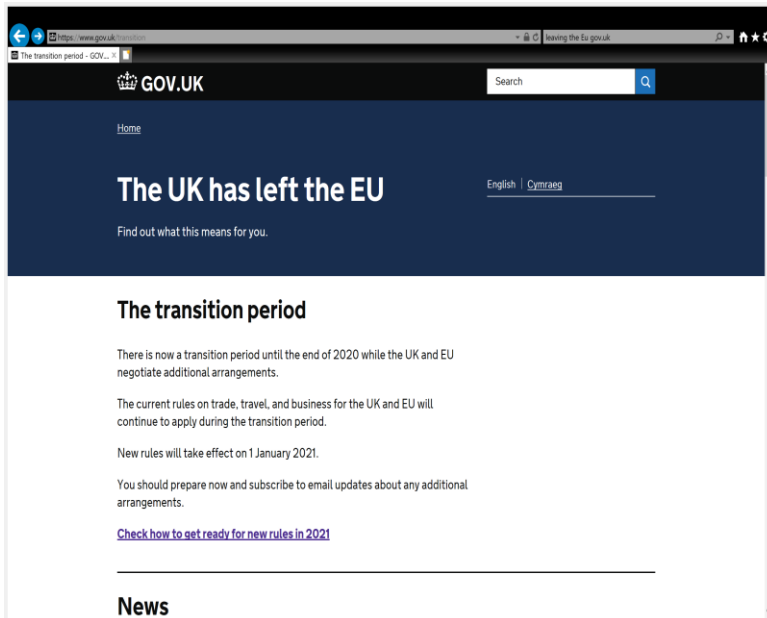
You will need to decide:

- How you want to make customs declarations
- Whether you need to get someone to deal with customs for you
- You can hire a person or business to deal with customs for you, such as:
 - freight forwarders
 - customs agents or brokers
 - fast parcel operators

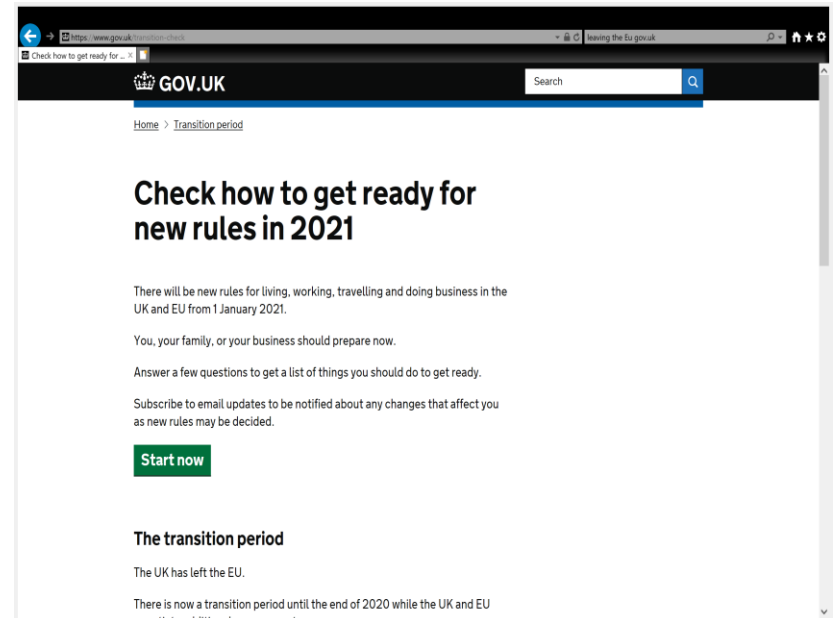


More Guidance is Coming Soon

Visit <https://www.gov.uk/transition>



Visit <https://www.gov.uk/transition-check>



Further information on customs, VAT and excise is published on GOV.UK and via other comms channels including webinars

Thank you

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