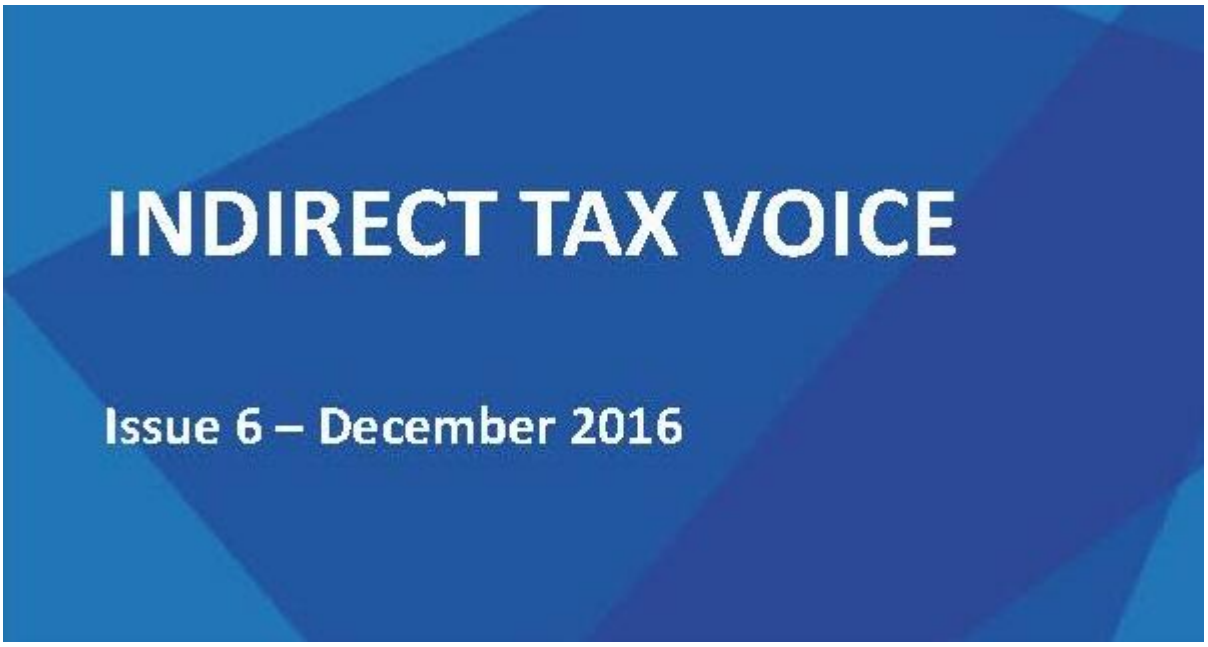
Customs duty: Brexit and the Union Customs Code

Indirect Tax | Tax voice



20 December 2016

The CIOT held its annual Indirect Taxes Conference in London on 27 September 2016

A separate morning session was dedicated to Customs Duty issues, dominated by Brexit and chaired by Jeremy White, a barrister at Pump Court Tax Chambers and regular presenter at CIOT conferences.

Jeremy was joined by Julian Ogden of pladis (also Chair of the VAT in Industry Group) to explore steps that could be taken now to plan for what the post-Brexit future might look like; advocating the approach of using our experience of looking back to help inform us move forwards.

Uncertainty is the main risk – how can we manage this?

We were advised to focus on modelling our customs duty profile; to gain a better understanding of our customs duty liability and the footprint of our supply chains. Understanding where the big changes are likely to impact is an effective way to manage risk and quantify (even with best-guestimates) how much the different trading models might cost your business.

Delegates were provided with a checklist of practical steps for importers and exporters to take, covering classification, origin, valuation, commercial policy and security (guarantees).

What are the different models?

As the UK looks to continue doing business with Europe, the Brexit trading models currently under negotiation are:

1	**Customs Union** Full unfettered access to single market for goods and service	Lowest cost and minimal change for taxpayers. UK's starting point but considered highly unlikely to be achieved.
2	**Bilateral Agreements** ‘Swiss’ option	Restricted acces to single market. Return to import/exports. Additional clearance costs, duty liability and transport delays expected.

3	**European Economic Area Member** ‘Norwegian’ option	Re-imposition of import/export processes. Additional clearance costs, duty liability and transport delays expected. Likely imposition of agricultural levy on certain products to and from EU. Substantial contribution to EU budget required.
4	**Free Trade Agreement** ‘Canadian’ option	Covers goods only. Services require separate arrangements.
5	**No access Agreement** ‘World Trade Organisation’ option	The ‘hard’ Brexit option. Highest costs with increased customs duty plus agricultural levy. Re-imposition of import/export processes. Additional clearance costs, duty liability and transport delays expected.

How will the UK deal with a large increase in the volume of goods being imported?

Concerns were raised about clearance procedures and the real financial costs, administrative burdens and probable time delays of clearing items into the country through re-introduced import processes.

Additionally, the impact of setting up bank guarantees and deferment accounts will not only take time but also divert available funding from other areas of the business.

HMRC’s current border system, CHIEF, is already stretched to capacity. Work has been ongoing to replace CHIEF for a number of years (before Brexit was even anticipated) and this is due to be delivered in 2017. Will it cope?

Union Customs Code…experiences so far

Jim Repper and Carol Dicker of HMRC gave delegates some very useful insights into HMRC’s experience of the UCC since its introduction in May 2016. As directly effective international law, the UCC replaced the Community Customs Code with the aim of modernising trade practices and seeking to offer greater facilitations to compliant businesses. It has affected all importers of goods.

The UK was instrumental in securing essential transitional arrangements for IT and administrative practices. Delegates fed back that HMRC were much better at communicating and assisting with the changes than other Member States they had experienced. There was a sense of HMRC and UK taxpayers working through this implementation together.

Delegates were encouraged to help and support HMRC with UCC and forthcoming changes; recognising that it is in everyone’s interests to get involved, understand the main areas of risk and, where possible, shape the future landscape.

Silvia Button of The VAT Consultancy spoke very helpfully on her practical experience of guarantees and special procedures post the UCC coming into force. Guarantees used to facilitate the prompt arrival of imported goods continue to be an issue for both business and HMRC. The application and approval process, as well as ongoing monitoring of limits can be time consuming. The use of online forms was seen as a step forward but the inability to save certain forms for completion at a later stage or review is a hindrance.

What should I do now?

The key messages were to conduct due diligence now – know the different Brexit models and exercise your EU rights, while you still can.

Finally, we were reminded that if customs duty rises, VAT rises too!