

**Ask the Expert Session - Brexit with Fergus McReynolds & Richard Rumbelow**  
5<sup>th</sup> December 2018

**Fergus McReynolds:** First question comes from Mike Hague-Morgan at Autocraft Drivetrain Solutions

**Q: My question is about import duties, under WTO rules, in the event of a Hard Brexit. Do we know if the UK government will enforce the import duty? Do they have an option not to enforce it? If they did enforce it then is there any way for manufacturers to reduce, offset or defer the impact (other than try and pass the cost onto our customers!!!).**

In the event of a no deal brexit, the UK would operate under a schedule for goods trade which has been laid before the WTO (the international organisation which sets global trade rules) for ratification. This is an on-going process the UK's schedule broadly follows the current EU schedule and commits the UK to reduce tariffs and "bind" their customs duties to levels which can't be raised. These binding duties are set out in individual WTO member's Schedules of Commitments. The rate at which each country actually applies its tariff may be at, or below this "bound" WTO level.

The expectation is that the UK will operate under these conditions should we leave without a trade deal with the EU. Due to WTO rules, in the absence of a trade deal between the UK and the EU, should the UK wish to reduce tariff rates below those set out in the schedule they would be obliged to offer the same reduced rate to any country considered a Most Favoured Nation (MFN). This would mean that the UK would have to offer tariff reductions to countries such as US and Canada without any need for other countries to offer any benefit in return.

For more information on the impact of Tariffs under a no deal scenario, please visit EEF's Brexit Hub for a Step-by-Step guide to preparing for Trade with the EU. EEF's Brexit Hub here <https://www.eef.org.uk/business-support/our-services/brexit>

**Fergus McReynolds:** Another question on managing your workforce comes this time from Kevin Rough at Daniaman

**Q: My team travel to Europe regularly for short stays to attend meetings and conferences etc what are the implications on travel in the event of: The exit deal with the EU being agreed, and secondly a no deal scenario?**

Under the deal, the transition period which would run from 29th March 2019 until 31st December 2020, unless it was agreed to be extended, provides for the same conditions of movement which apply today and the responsibilities which exist under national legislation for short stays. Beyond the transition period the Political Declaration section IX of Part Two on the Future Economic Partnership sets out the ambition of the UK and the EU to provide for visa-free travel for short-term visit and they will explore the possibility to facilitate the crossing of their respective borders for legitimate travel.

Under a no deal scenario, After 29 March 2019, UK citizens will be considered third country nationals under the Schengen Border Code and will therefore need to comply with different rules to enter and



travel around the Schengen area. There are currently 26 EU and non-EU member states in the Schengen area and a small number of EU states not in the Schengen area. The EU strives at achieving full visa reciprocity with the non-EU countries, and it would follow that should the UK offer a visa-free travel the EU would aim to offer the same however it would be subject to a negotiation. For non-Schengen EU countries (Romania, Bulgaria, Croatia, and Cyprus)\* access for 3rd country nationals remains a national competence and will be subject to the entry requirements for the country you're travelling to.

\*the Republic of Ireland is also an EU member state which is not a Schengen state, but the travel provisions of the Common Travel Area will continue to apply between Ireland and the UK.

**Richard Rumbelow:** A further good question concerning the introduction of new HMRC import software (i.e. Chiefreplacement) from *Numatic International Ltd*

In 2013–14, HMRC began the process of replacing its customs system, known as Customs Handling of Import and Export Freight (CHIEF), following changes to European Union (EU) legislation. It was recognised that this change would have been costly and difficult to make on CHIEF's ageing technology.

HMRC instigated a programme to replace CHIEF with a new Customs Declaration Service (CDS). Planning for the new system started before the EU referendum in June 2016. In 2015, around 55 million customs declarations were made by 141,000 traders. The UK's exit from the EU could see the number of customs declarations which HMRC must process each year increase fivefold to 255 million. HMRC began measures to ensure the scaling-up of the CDS service can handle the upward forecasts of customs declarations, ensuring a viable contingency option is in place well before January 2019; and communicating this with traders.

In September 2018, HMRC reported to Parliament that elements of the exports solution processing transfer needs, would be moved back from January to March 2019. They also confirmed that CHIEF would dual run alongside CDS, with the option to run CHIEF beyond January 2019.

In October 2018, HMRC confirmed that they remained on track to meet the planned goal of implementing all required changes to CHIEF by January 2019 to cope with any potential Day 1 volumes. HMRC has issued a range of communications to business and other groups in late summer and early autumn 2018, and plan further communications later this year and into 2019. The information includes advice on what businesses can do in the event of a no deal exit from the EU, covering matters such as Customs, Excise and VAT procedures that would apply.

**Fergus McReynolds:** Another great question from Kevin Rough at Daniaman, which has had me reading up on the provisions of the EU Marine Equipment Directive.

**Q: We are currently registered to the MAREd European database of suppliers for maritime equipment approvals which we believe assists customers to identify and specify our products. In a no deal hard BREXIT scenario will we continue to register and access the database?**



As Mared is the co-ordination group for the Notified Bodies assigned by the Member States, under a no deal scenario the UK notified bodies will no longer be recognised by the EU. I would recommend that companies with registrations submitted through UK notified bodies consult their European network to discuss the applicability of UK registrations and the possibility to transfer these to EU based notified bodies as a precaution to prepare for no deal.

**Richard Rumbelow: A question concerning whether tariff code auditing will happen in the aftermath of Brexit, if so how frequently would you expect? This has been submitted by Numatic International Ltd**

From August 2018, the UK Government began the publication of Technical Notices that set-out how the UK economy would operate in the event of a No Deal. HMRC published Technical Notices on matters such as Customs, Excise and VAT procedures, with advice on the actions businesses may want to consider taking to mitigate potential impacts. In September, HMRC also wrote to 145,000 businesses over the VAT threshold who currently only trade with the EU to encourage them to look at the existing Rest of the World guidance on GOV.UK to become familiar with what no deal arrangements would look like. This letter was also published on GOV.UK. It will be worth looking at advice provided on the HMRC website or contacting your existing HMRC contact, to understand if they are planning any tariff code auditing exercises at the time that the UK exits the EU under a No Deal situation, or during a Transition period.

**Fergus McReynolds:** A final question from Kevin Rough at Daniaman

**Q: How do I model the potential tariff implications of a no deal hard BREXIT scenario on the products we manufacture and export?**

An excellent way to model the tariff implications of a no deal Brexit would be through EEF's Brexit Toolkit. The EEF Toolkit is designed to help businesses deal with trade and migration issues arising as a result of Brexit. Our self-audit trade tool delivers a report to help companies plan for the cost of trading with the EU after the UK leaves the European Union.

The Toolkit allows you to find out the tariff code of your products and the duty amounts of the components or finished items bought or sold.

A video demonstration of the Toolkit is available here: <https://www.brexittoolkit.co.uk/>

The Toolkit is available to EEF core members at a cost of £250 and to members of EEF Affiliate organisations at £450

For more information please see EEF's Brexit Hub [here](#)

**Richard Rumbelow: A further question from Numatic International Ltd, this time on the likely impacts to the borders and precautions to make in response?**

The Border Delivery Group—under HMRC responsibility—has a cross government role, providing co-ordination and assurance planning across all the work which is necessary to ensure UK borders continue to be effective and efficient, as the UK exits the EU.



The Group has undertaken significant work in assessing the capability and resilience of UK border operations and is advanced in developing critical and detailed contingency and scenario plans affecting the operational arrangements of UK ports, airports and other access facilities. The work models for the scenario of No Deal and a Transition period.

The Group's work has been developed alongside key operators in the transport, logistics and key business sectors. The work has also included identifying key sectors and products that would be provided with priority access at UK ports of entry/exit. They are developing a communications plan for engaging more broadly with businesses to ensure all are adequately prepared for how border operations will be conducted affecting customs, transport and other arrangements. It is expected that these plans will be communicated in the near future, certainly in the event of a No Deal.

As part of your assurance planning work, we would encourage UK business to review their existing logistics and freight movement commitments, discuss this in detail with your supply chain and customers, and endeavour to secure necessary commitments on how your product and components will be transported between the UK and EU in future.

**Richard Rumbelow:** A question on information available through the EEF Brexit Tool Kit on tax and duty relief schemes available to business. Thank you Numatic International Ltd

The Tariff implications model that is available on EEF's Brexit Toolkit provides all the relevant information on relevant tax and duty relief schemes that are applicable to your business. Once all the relevant information has been uploaded into the self-audit trade tool, it will deliver a report. The report will reference all the relevant relief schemes.

A video demonstration of the Toolkit is available here: <https://www.brexittoolkit.co.uk/>.

**Richard Rumbelow:** Numatic International has posted a further Question, asking if any official guidelines has been published that helps clarify the position for items that could come under multiple classifications. For instance a 'part of' item that also has individual classification? How would this affect spare parts vs finished goods? Old terminology was established with the use of umbrella codes.

It is expected that HMRC will issue further and more detailed information to help inform UK business on the approach they will be adopting to multiple classifications. It is advisable to use your existing HMRC contacts, and other HMRC helpline facilities to ascertain when such guidance will be issued and importantly how it will be applied.

**Fergus McReynolds:** A great question from Numatic International Ltd which required a bit of investigation as it is an excellent example of some of the EU procedures which are expected to be brought into UK law through the secondary legislative process.

**Q: What happens to the Intrastat report after March the 29th?**

Under a deal scenario the transition period will provide for EU procedures to continue so the Intrastat provisions will continue to apply until the end of the transition period. In addition the



Government have tabled a secondary legislative Statutory Instrument called 'The Statistics of Trade (Amendment etc.) (EU Exit) Regulations 2018'. The purpose of this instrument is to amend EU regulations which are being brought into force in the UK by the EU Withdrawal Act, to ensure that UK legislation is in place to collect information required for trade statistics after the UK leaves the EU. I would also recommend contacting HMRC to ask if there will be any changes to the collection of this data.

**Richard Rumbelow: Numatic International asks how HMRC will be applying compliance and enforcement measures for incorrect tariff code assignments?**

I would expect that HMRC will come forward with further information that will help inform UK business on the approach they will be adopting towards compliance and enforcement measures. The change that is taking place is significant, and many UK businesses will need time to adjust and understand new and perhaps unfamiliar customs and tariff reporting requirements. It would be worth contacting existing HMRC advisers, and other HMRC helpline facilities to ascertain the likely approach that HMRC will be following.

**Richard Rumbelow: A question has been posed that asks what are the most appropriate procedures for going through tariff code revalidation when dealing with a high number of items. Possibly there are some experts in the field that could be useful to work with in order to ensure that the codes are correct? Thanks to Numatic**

As part of Brexit assurance planning work, it is worth identifying all relevant matters concerning tariff and customs procedure matters. An excellent way to model and understand tariff and related implications would be through the EEF's Brexit Toolkit.

For more information please see EEF's Brexit Hub here (<https://www.eef.org.uk/business-support/our-services/brexit>)

It would also be prudent to seek the advice of specialist freight forwarders, customs agents and other specialists that can provide the necessary detailed advice and support.

**Fergus McReynolds:**

Thank you all for your time this afternoon, should you have any further questions please do not hesitate to send them in and we will get back to you.

I would also like to highlight EEF's range of support to members including:

- Our EEF Brexit hotline - **0808 168 5874**
- A new [Brexit hub](#) on the EEF website – where you can find our guidance and analysis on the process, including the technical notes published by the Government in the event of a no deal outcome.
- Our [STEP BY STEP BREXIT GUIDE](#) – this covers the basic steps business should take to prepare for a Brexit “no deal” scenario.
- You may also find the [EEF Brexit toolkit](#) useful. Here you can check your product exporting/importing journey and its cost and admin processes. It guides manufacturers through the trade aspect of preparing for the no deal scenario. And now we have a new

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## Meet the Expert – Brexit

Fergus McReynolds & Richard Rumbelow  
Wednesday 5<sup>th</sup> December 1-3pm



migration section, which helps businesses future proof their workforce against new legislation and settlement rules.

- You can also email the Brexit team directly at [Brexit@eef.org.uk](mailto:Brexit@eef.org.uk)

I would also suggest that you join us at our [National Conference and Dinner on 19th February 2019](#) to hear directly from key policy makers, Senior Politicians, industry and thought leaders for a day of analysis and inspiration – just one month from the UK's departure from the EU. I hope to see you there.