

EURIS Brexit Advice: How to plan for a No-Deal scenario July 2020

EURIS is issuing advice to members to allow for early planning for the undesired outcome of a no-deal Brexit. Much of the advice will still be useful and some necessary under most FTA scenarios too. We would advise all member companies to review our checklist and act on the recommendations set out below.

1. Map and Audit Supply Chains

Supply chain mapping is an essential early step in Brexit planning. Knowing where your inputs come from, and what product category they fall into can help assess the possible tariffs that might apply. Even if a company is ready for Brexit, it will be disrupted if a supplier is not prepared and cannot meet its contracts.

Recommendation: *Discuss Brexit readiness with your critical trading partners and ensure they have contingency plans in place. It is also worth considering alternative transit arrangements in case your existing transport routes become blocked or bottlenecked. UK Border guidance states that lorries arriving with goods without correct declarations will be held pending corrections and subject to fines.*

2. Consider Authorised Economic Operator (AEO) status

This status allows faster clearance at borders if a company's procedures are deemed as compliant by authorities in both countries.

Recommendation: *Consider applying for AEO status which entitles simplified customs procedures and faster clearance at borders. The Institute of Export and International Trade cautions "achieving Authorised Economic Operator status is a time-consuming and often daunting exercise". The process, which involves filling out a complex form takes a long time, so this should be an urgent priority.*

3. Know your employees' nationalities

While existing employees who are EU nationals can be expected to receive the necessary residency status, it is important to plan for cut-off dates and any differential status that might apply to new arrivals to the UK.

Recommendation: *Consider upgrading your IT system to be able to track the nationality status of employees. Doing so may not only help with compliance, it could also help to assess the extent to which the business has historically been reliant on EU workers.*



4. Ensure adequate cash flow for additional inventory

Brexit poses a cash flow problem for trading companies because more complex port procedures could mean businesses need to be prepared to carry out more inventory, tying up additional working capital.

Recommendation: Consider whether you will need to hold more inventory to buffer against potential delays at the border and small businesses should consider whether to apply for a [government backed loan as these are interest-free for the first 12 months](#).

5. Establish your corporate customs infrastructure

HM Revenue & Customs estimates the number of customs declarations will rise from 55m to 255m annually. British companies will need to fill in customs declarations for all goods crossing the EU border when the UK leaves the single market. The Government has published (on 13 July 2020) [the plans for the UK-EU Border for Import & Export of Goods from January 2021](#). Europe's position is that there will be changes regardless, and that they will applying [full third country import checks from the end of the transition period](#)

Recommendation: If you are not yet familiar with them, prepare to use Import/Export Declarations for trade within Europe in a no-deal scenario, the Single Administrative Document is likely to be applied to all trade between the UK and EU. [Detailed guidance is available](#). Also review your customs internal infrastructure and consider how to increase its capacity and understand whether you have time-sensitive deliveries that could be impacted by additional customs procedures and plan for what you might do to mitigate this.

6. Assess whether you are affected by EU free-trade agreements

Using a bilateral trade agreement can save costs on tariffs but will increase bureaucracy because businesses must prove each good is sufficiently British to qualify for zero rates. With the trade-weighted EU average tariff of only 2.3 per cent for non-agricultural goods, some exporters will decide to pay rather than face compliance costs, so companies will need to take a strategic decision after auditing their processes. If you are part of an EU supply chain which takes advantage of preferential tariffs under an EU FTA, UK content may no longer qualify post-Transition.

Recommendation: Understand the EU's Rules Of Origin (for 'third nations' outside of a trade deal) and how they would apply to your products, e.g. the evidence you would need to provide to gain customs clearance. Speak to your trade association representative about this as they will be able to help.

7. Audit all international contracts, renegotiate some

The legal provisions for importing and exporting that define who is responsible for shipping goods across borders is important and has significant tax implications. It is particularly important that contracts adequately clarify the terms for trade across EU borders, including how VAT is dealt with. In the event of no deal, you will need to ensure that contracts and





International Terms and Conditions of Service reflect that they are now an international exporter or importer.

Recommendation: *Audit all your international contracts and consider whether any need renegotiation. Note: Some intra-EU contracts will not include incoterms, the legal provisions for importing and exporting that define who is responsible for shipping goods across borders. This is especially important for VAT and deciding responsibility for some other taxes, duties and tariffs.*

8. Understand your Intellectual Property rights

Intellectual property protection, including patents, trademarks, registered designs and copyright could all change after Brexit. The British Government's Brexit IP website seeks to reassure companies that such protections will still apply in the EU after Brexit, but it says it cannot give the same assurances for the UK. The Government says European patents will still apply in the UK but, according to the website, the UK is "exploring options" in other IP areas, such as trademarks and designs, because in many cases these will lapse after Brexit.

Recommendation: *Understand whether your IP rights might change after Brexit and take protective steps.*

9. Check your CE Marking status

In a no-deal scenario, the testing and certification applied by your UK Notified/Approved Body may not be recognised by the EU as validating a CE mark on your product. For all CE marked products, anticipate that you will need to also apply UKCA marking either immediately post-Transition or at some point afterwards. For products traded into, from or through Northern Ireland, UK(NI) marking may also be required if a UK Notified/Approved Body has issued mandatory third-party certification.

Recommendation: *Your UK Notified Body may have opened an EU27 operation and made arrangements to transfer and re-issue this certification to ensure EU-validity but check this. If they have not, consider options for transferring to an EU Notified Body.*

LIA footnote- *almost all lighting products are self-certified for CE marking purposes and therefore DO NOT require mandatory testing by a notified body. A valid test certificate issued by a UK test laboratory can still be used as evidence of compliance for the purposes of CE marking. You will not need to re-test in a European laboratory.*

