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Post - BREXIT Transition

Trading Readiness



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Executive summary



Regardless if you were pro or against it, BREXIT will affect all trading activities between the EU economic zone and UK. New rules on import, export, tariffs and data will apply as of 1 January 2021.

To keep your business moving you have to get ready as soon as possible (HMRC website).

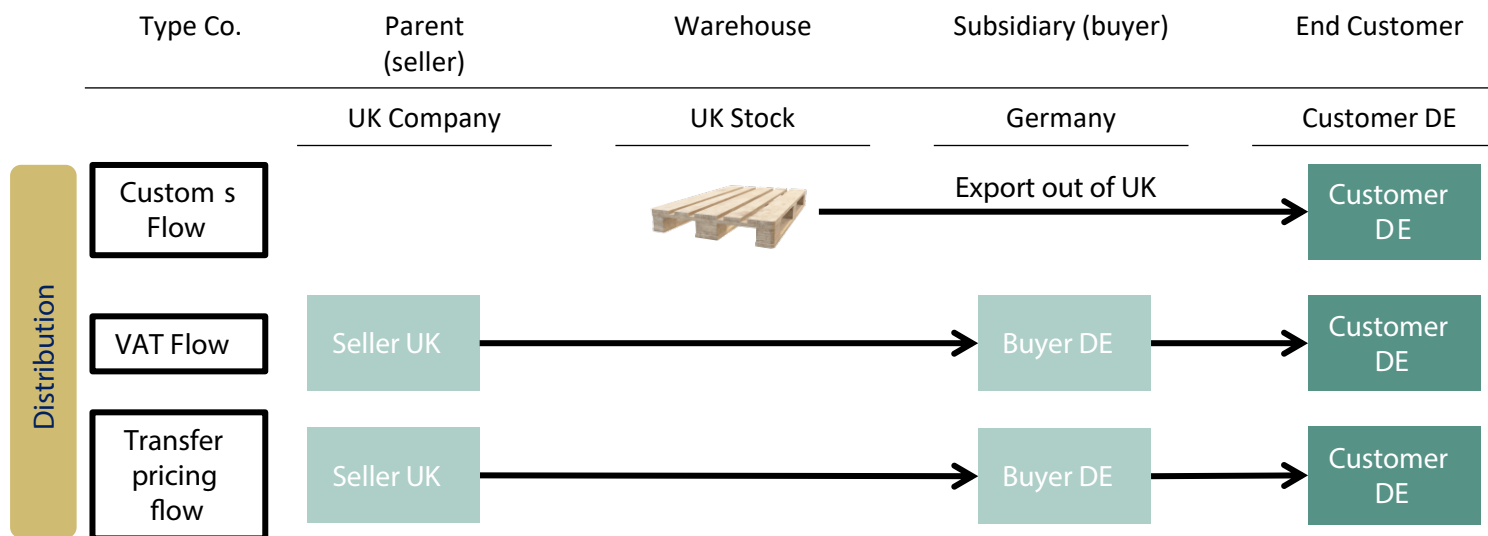
This document focus on the impacts in trading goods using two business cases, one import and one export.

We highlight the changes in the following areas:

- Customs flows
- VAT flows
- Transfer Pricing flows, for companies in a same group

Please note that the cases presented might not be representative of the business model in your company and we recommend the use of expert advice for implementation.

Business Case 1: Sales of goods from UK to DE



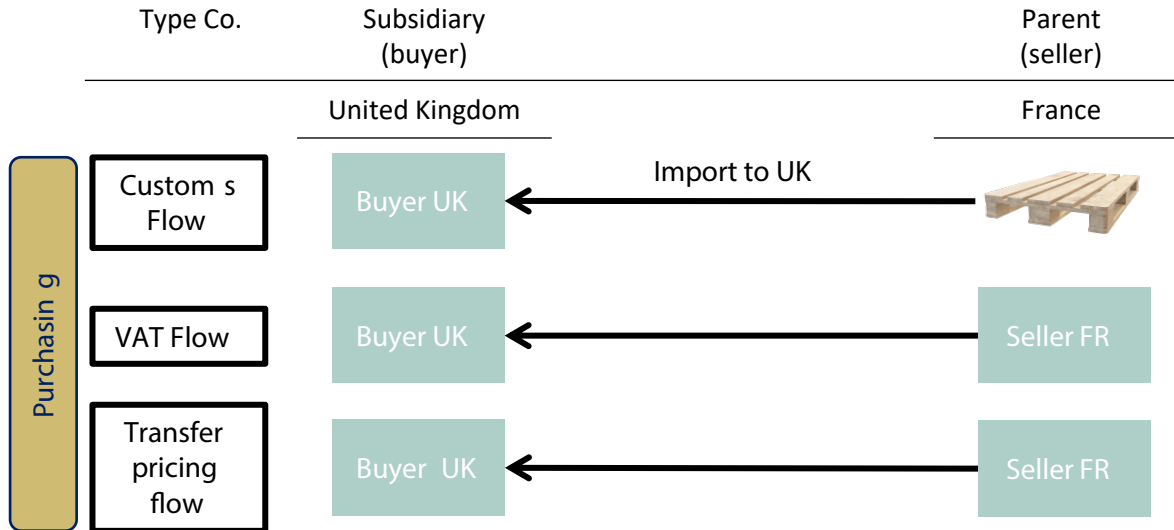
| | Pre -BREXIT | Post -BREXIT Transition |
|------------------|-----------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Customs Flows | <ul style="list-style-type: none"> Shipment within the EU (UK to DE) Subject to Intrastat reporting | <ul style="list-style-type: none"> Export from UK to EU (DE) Import DE from UK Subject to Extrastat reporting (import & export) |
| VAT Flows | <ul style="list-style-type: none"> EU Delivery of Goods Art. 138 Directive 2006/112/EC | <ul style="list-style-type: none"> Export at 0% of VAT |
| Transfer Pricing | <ul style="list-style-type: none"> As per Value Chain | <ul style="list-style-type: none"> As per Value Chain |

GAP Analysis: Business Case 1



| | Transaction | Post -BREXIT Transition |
|------------------|-------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Customs Flows | Export of goods | <ul style="list-style-type: none"> • Export license may be required • Register for the National Export System • Simplified procedures are possible for Common transit routes • Additional Safety and Security declarations • Potential Customs Tariff |
| | Import of goods (buyer) | <ul style="list-style-type: none"> • Quality inspection and release • Potential Customs Tariff |
| VAT Flows | Export at 0% | <ul style="list-style-type: none"> • Proof of customs export • Commercial evidence of export • Supplementary evidence of the export |
| | Import | <ul style="list-style-type: none"> • Import VAT applies (as per country of destination, Germany 19%) |
| Transfer Pricing | GDP | <ul style="list-style-type: none"> • Increased complexity for compliance purposes (e.g. safety, security, quality inspection and clearance) |

Business Case 2: import of goods to UK from FR



| | Pre -BREXIT | Post -BREXIT Transition |
|------------------|---------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Customs Flows | <ul style="list-style-type: none"> • Shipment within the EU (FR to UK) • Subject to Intrastat reporting | <ul style="list-style-type: none"> • Import from EU (FR) to UK • Export UK from EU (FR) • Subject to Extrastat reporting (import & export) |
| VAT Flows | <ul style="list-style-type: none"> • EU Delivery of Goods Art. 138 Directive 2006/112/EC | <ul style="list-style-type: none"> • Import VAT in UK at 20% • Export VAT in the EU (FR) at 0% |
| Transfer Pricing | <ul style="list-style-type: none"> • As per Value Chain | <ul style="list-style-type: none"> • As per Value Chain |

GAP Analysis: Business Case 2



| | Transaction | Post -BREXIT Transition |
|------------------|-----------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Customs Flows | Import of goods (buyer UK) | <ul style="list-style-type: none"> • Several options exist: <ol style="list-style-type: none"> 1. Deferred declarations 2. Standard import procedure <ul style="list-style-type: none"> ○ Must register to CHIEF platform 3. Simplified Declaration procedure <ul style="list-style-type: none"> ○ Require HMRC approval ○ Must register to CHIEF platform ○ CHIEF compliant software ○ Set up of a duty deferment account 4. Goods in Transit (if re-export) <ul style="list-style-type: none"> ○ Transit declaration ○ Must be an authorized consignor |
| | Export of goods (seller FR) | <ul style="list-style-type: none"> • No impact. Standard export. |
| VAT Flows | Import (buyer UK) | <ul style="list-style-type: none"> • Import VAT thru standard VAT Return • Monthly Intrastats • Simplified Import VAT Accounting (SIVA) |
| | Export (seller FR) | <ul style="list-style-type: none"> • No impact. Standard export. |
| Transfer Pricing | GDP | <ul style="list-style-type: none"> • Increased complexity for compliance purposes (e.g. safety, security, quality inspection and clearance) |

Impact on ERP setup and QMS



| Table | Impact |
|---------------------|--------|
| VAT Codes | Yes |
| Ship from | No |
| Ship to | No |
| Plant Location | Yes |
| Incoterms | No |
| Fiscal Rep | Yes |
| Transfer Pricing | Yes |
| Invoice templates | Yes |
| Reporting templates | Yes |

- The impact on the ERP setup has to follow strict GxP processes and is subject to further audit for the QMS
- The Corporate QMS may have to be amended
- New warehousing sites to be assessed for GDP and ensure provider is GDP compliant

Other Considerations



- It is uncertain if there will be the possibility to appoint a Fiscal VAT Limited Representative in the UK.
- Customs Tariffs are not yet decided (at December 1, 2020)
- Manufacturing companies in the UK which will import raw materials may apply for an Inward Process Relief license (IPR) to suspend duties payment, if the finished goods are destined for export.
- Bonded Warehouses are possible for customs duties and import VAT suspension.
- New Free Ports might be created in the UK to ease import of goods.
- A complete review of the Corporate QMS might be required .

Next steps



1. Analysis of trading flows, inbound and outbound.
2. Assessment of potential contractual impacts:
 - Incoterms
 - Revenue recognition
3. Regulatory preparedness assessments:
 - Manufacturer's import license
 - Wholesale distributor license
 - QMS

Who we are

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Founded in 2009, headquartered in Switzerland with a European network, BA Business Innovation Sàrl is a boutique management consulting firm which provides an alternative and independent perspective on Leadership and Strategy.

We shift Change Management to foster Innovation and boost companies' Value Creation to improve Patients Journey.

We are proud that 100% of our contracts were extended.



Rui Teixeira, Founding partner

Rui is an international senior finance professional and is known for his exceptional change management and digitalization skills.

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Simon Massel, CPA & Certified Tax Expert

Simon is an international senior tax professional and is known by the nickname of "Nightmare of Tax Authorities" because of his numerous successful tax audits.

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Thank You

