



# Brexit

The key info. you need to know.



The UK's departure from the EU has caused significant complications and delays for online businesses selling internationally.

On the 1st January 2021 the way UK businesses sell into the EU changed. Many retailers struggled to pivot and implement the new processes quickly, causing delays to international orders and leading some to press pause on cross-border selling completely.

In the overview below we'll be covering the key information for retailers post-Brexit, along with some solutions and advice for selling into the EU efficiently with the new regulations in place.

## What has changed?

- All EU exports now need Customs Declarations
- The Country of Origin for goods needs to be provided
- All goods need an HS code (Harmonized Commodity Description)
- Duty charges are payable for exporting certain goods
- VAT is payable on imports to the UK
- Some cross-border shipping services have longer delivery times



## UK border changes.

The main shift for retailers is the introduction of a customs border between the UK and the EU, meaning the same restrictions for moving goods to non-EU countries now apply to EU countries and Northern Ireland.

You will now need to provide a customs declaration for all goods exported to the EU. From the 1st July 2021 these will need to be provided in advance and shipping courier services will not be able to proceed with delivery until the correct documentation is provided. Most leading shipping providers are able to accept these electronically when an item is booked for collection.

### In order to complete these declarations you will need:

- 1.** A VAT number for the registered business.
- 2.** A GB EORI (Economic Operators Registration and Identification) number. You need an EORI number whether you deal with customs declarations directly or appoint someone to deal with customs on your behalf. Find out how to apply for your EORI [here](#).
- 3.** The commodity codes (or HS codes) for goods. These Harmonized System codes are universal and classify goods for import and export. They are used to calculate the rate of duty owed and import VAT. You can find out more about these codes [here](#).

**4.** The Rules of Origin (RoO). You need to be aware of where all the parts of your goods may have come from. If goods or parts of goods are produced outside the UK, this may affect the origin of the good.

**5.** Access to HMRC systems either directly, or via an intermediary. Traders not using an export intermediary can find more information [here](#). If you are using a 3PL or other fulfillment provider they should be able to act as an intermediary for you. More on this below.

The official gov.uk advice for getting ready to export goods to the EU post-Brexit is linked [here](#).



## Tax and Tariffs.

### **VAT is now applicable to goods entering the UK from the EU countries.**

However, import VAT is levied on all imports of goods valued over £135 according to the existing rates in place with the RoW (rest of the world) countries.

UK VAT registered traders will be able to account for import VAT on their VAT return using postponed VAT accounting.

Non-VAT registered countries (and those not using postponed VAT accounting) will need to pay import VAT through the customs process.

Reduced import customs duties are available for certain product categories. Find out more [here](#).

### **The Temporary Storage Model.**

Your warehouse facilities may be eligible to operate under the Temporary Storage Model. This process allows a facility to store goods imported from the EU under 'customs control' for up to 90 days before they are released to free circulation. This will mean traders can defer making a customs declaration and paying duties and taxes for up to 90 days from the date the goods are presented. You will need to check if your facilities comply and can find out more [here](#).

### **VAT is now applicable for UK goods entering the EU.**

EU member states will now treat goods imported from the UK in the same way they treat imports from other non-EU countries. This means that associated import VAT and customs duties are payable when goods enter the EU. Usually the country will charge VAT at its local rate.

However, the UK has agreed a Free Trade Agreement with the EU, which means some traders exporting certain goods are able to benefit from tariff and quota free exports. More details on the FTA can be found [here](#).



## Rules of Origin (RoO)

There are strict processing requirements for all items exported into the EU. To be able to qualify for zero VAT under the free trade agreement, traders must be able to prove they meet the Rules of Origin for goods and are able to identify the nationality of the goods on all customs paperwork.

It is important to know the product supply chains in order to ensure that goods meet the percentage threshold for content origin. Unclear RoO information is the primary cause of order delays, confiscated items and customs refusal.

You can find out more about RoO [here](#).

In summary, the VAT and duties owed on goods exported to the EU depend on the individual HS code and RoO of the goods.

## Cross-border shipping.

There are two options for shipping goods to EU customers. DDP and DAP.

DDP (Delivered Duty Paid) is where the retailer is responsible for all paperwork, customs duties and works with the shipping provider to clear customs. This means the customer receiving the goods does not have to pay any fees on delivery.

In this instance, the shipping provider has the goods cleared in the EU by a partner, such as a fulfilment provider, intermediary or customs agency.

DAP (Delivery At Place) is where the customer receiving the goods is responsible for all import costs. The seller is responsible for the delivery of the goods including transport, but expressly excludes the handling of any customs duties. If shipping cross-border using DAP services, it is advised to make sure this is very clear to customers purchasing from EU countries to avoid confusion at the doorstep.



## How Brexit is impacting eCommerce businesses.

### **UK businesses selling into EU countries.**

Many UK businesses were not prepared for the new demands on cross-border trade from the 1st January 2021. It takes time and personnel resources to fully understand the new processes for selling into the EU and to meet the correct paperwork requirements.

One barrier has been the RoO and supply chain transparency for meeting customs restrictions and achieving zero tariff rates.

Some shipping providers have also struggled with customs restrictions over the last few months and many have caused long delays (up to 15 days in some circumstances) and lost customer orders.

For some retailers, setting up an EU based warehouse has been the quickest option to overcome these barriers and continue to sell easily to their EU customers. However this solution is not cost-effective for all businesses and takes some time to set up.

The end consumer has also suffered in some instances, with price increases being necessary to cover additional costs to ship goods into the EU.



# How Zendbox can help.

There are a few options available for eCommerce businesses who wish to continue cross-border trade with as little disruption to their existing business operations as possible. The most efficient solution for businesses (who do not already operate their own EU warehouse) is to partner with a 3PL or fulfilment provider with strong operations both in the UK and the EU.

However, the location of goods is not the fundamental solution. Finding a fulfilment provider who can efficiently manage your customs paperwork, shipping providers, returns and overall customer experience is key to your cross-border success.



## Zendbox can help with the following fulfilment solutions:

- Automated customs declarations: you input the HS codes and RoO for your SKUs directly into your Zendportal account and we take care of the rest. We'll automatically populate customs declarations and calculate the correct fees per order.
- DDP shipping managed by Zendbox: we ship all packages to Europe using tracked services with Delivery Duty Paid. As we partner directly with the shipping providers, we deal with all duty payments upfront to ensure your packages never face border delays.
- Managed shipping relationships: our MagicShip automation ensures that the most cost effective and trusted shipping service is used to deliver your orders into the EU. As we manage our shipping partners for you, we'll take care of the paperwork and ensure all EU customer returns are compliant too. We only use shipping providers who have maintained a good service post Brexit, so you can be sure that your orders won't face any unnecessary delays.
- Our operations team are BIFA (British International Freight Association) qualified specialists and can help with any questions or advice around your specific needs.
- EU warehouse location: if you have a strong customer base within the EU, a localized warehouse option may be the best solution for you. Our EU warehouse is due to open in a matter of weeks and we are already in the process of setting up retailers ready to fulfil from this location.





If you are looking to sell into the UK, Zendbox works with global brands to ensure importing goods into the UK is managed efficiently and follows government guidelines. We can manage import VAT, customs clearance and fulfilment logistics on your behalf.

With these automations in place, you can continue to sell into EU countries and beyond. Zendbox operates global fulfilment services, meaning you can find new customers and grow into more international markets all from one reliable fulfilment platform.

