



# Impact of Brexit on the Food and Drink Industry

Lorna Kelly, BDO Customs and International Trade

# BREXIT

- UK leaving the EU = Leaving the EU Customs Union & Leaving the Single Market
- 29<sup>th</sup> March 2019 at 23.00
- Open Question
  - Will there be a transition period to 31<sup>st</sup> December 2020?
  - When will we know?
  - Is there sufficient time to prepare?
- What about a Trade Agreement?





# BREXIT

## What is the EU?

- **Free Movement of Goods - Customs Union**
- Free Movement of Capital
- Free Movement of People
- Freedom to establish and provide services

## IRELAND IMPACT

The commitment to an open land border does not extend to the sea.



The country's largest sea port at Dublin, **half of whose imports come from the UK**, is currently expanding to cater for a huge increase in customs checks: including new posts and inspection points.



## IRELAND IMPACT

IEA estimates that with the UK considered a “third country”, the number of customs declarations handled by Irish authorities will soar to 20 million post-Brexit, from 1.3 million in 2016.

*Some 80% of goods leaving Ireland for continental Europe reportedly travel through the UK.*

€20  
Million

## IRELAND IMPACT

Last October an Irish Revenue Commissioners report concluded that Brexit would bring an 800% increase in customs declarations, involving a big increase in staffing levels.

HMRC advise business will be affected by £20bn

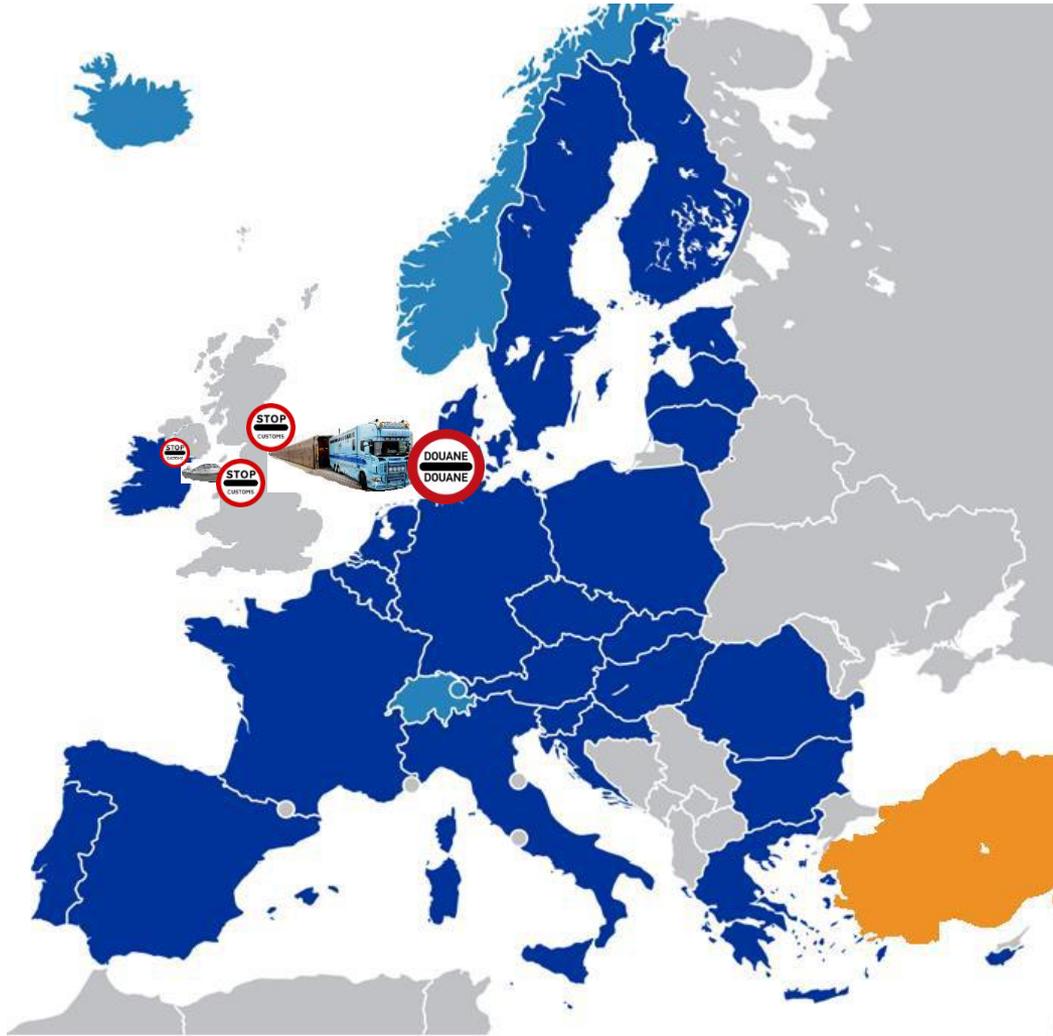
800% 

£20bn

# GOODS MOVEMENT



# FUTURE GOODS MOVEMENT



# FREE TRADE AGREEMENTS

- Preferential Trade Agreements provide reduced duty rates for “originating goods”
- What does “originating” mean
  - Added Value rules (usually 60%-70%)
  - Change of Tariff heading rules
  - More than minimal assembly
  - Specific Rule requirement

# BREXIT - FREE TRADE OPTIONS?

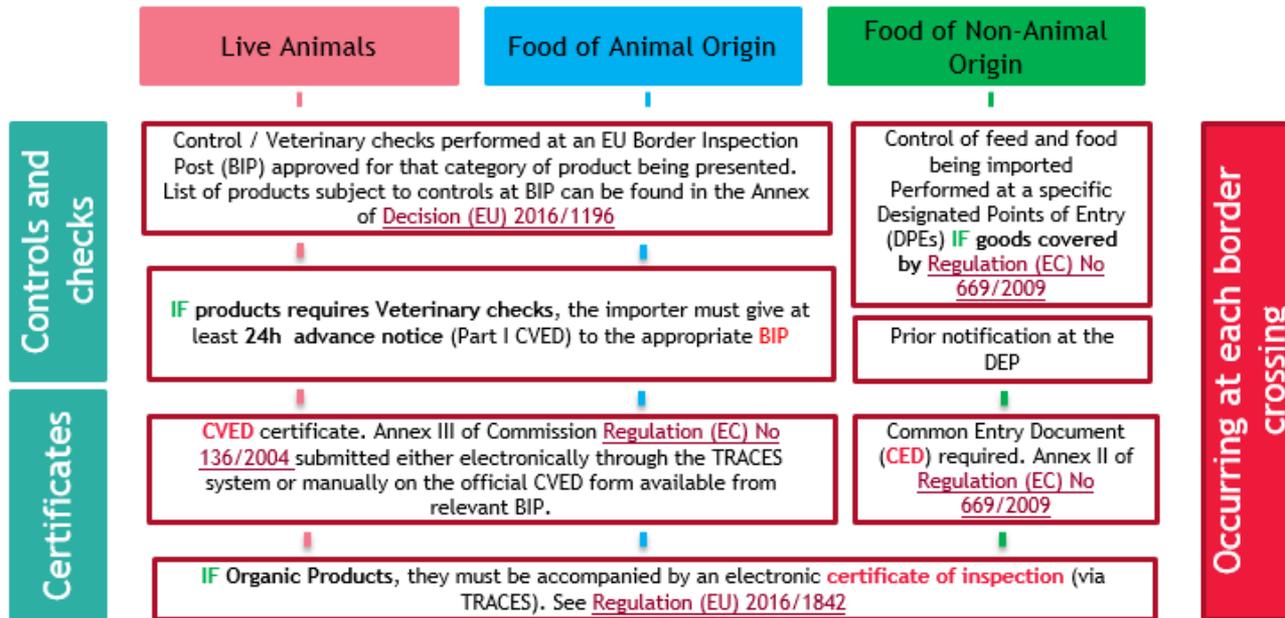
## EFTA/EEA : Norway, Switzerland, Iceland, Lichtenstein

- Goods benefit from zero/reduced customs duties if they can provide proof of originating status (EUR1)
  - Generally requires 40% - 60% added value or
  - Change of Tariff Heading.
- Requires Import & Export Documentation
- Requires management of rules of origin and proof of origin
- Restrictions on agricultural products
- IT based border controls

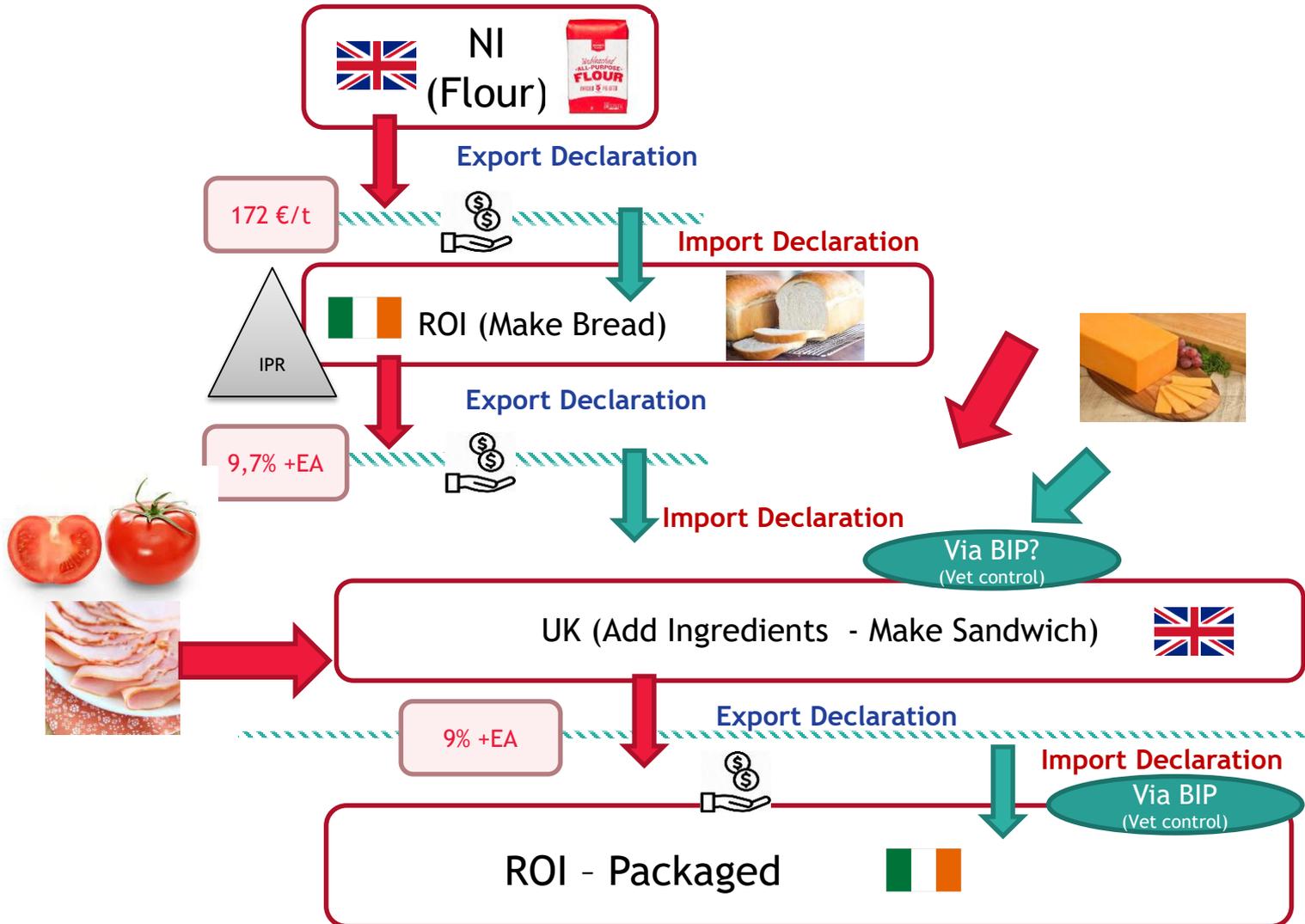
## Canada

- Goods benefit from zero/reduced customs duties if they can provide proof of originating status (EUR1)
  - Generally requires 40% - 60% added value or
  - Change of Tariff Heading.
- Requires Import & Export Documentation
- Requires management of rules of origin and proof of origin
- Covers 92% of products

# CONTROLS



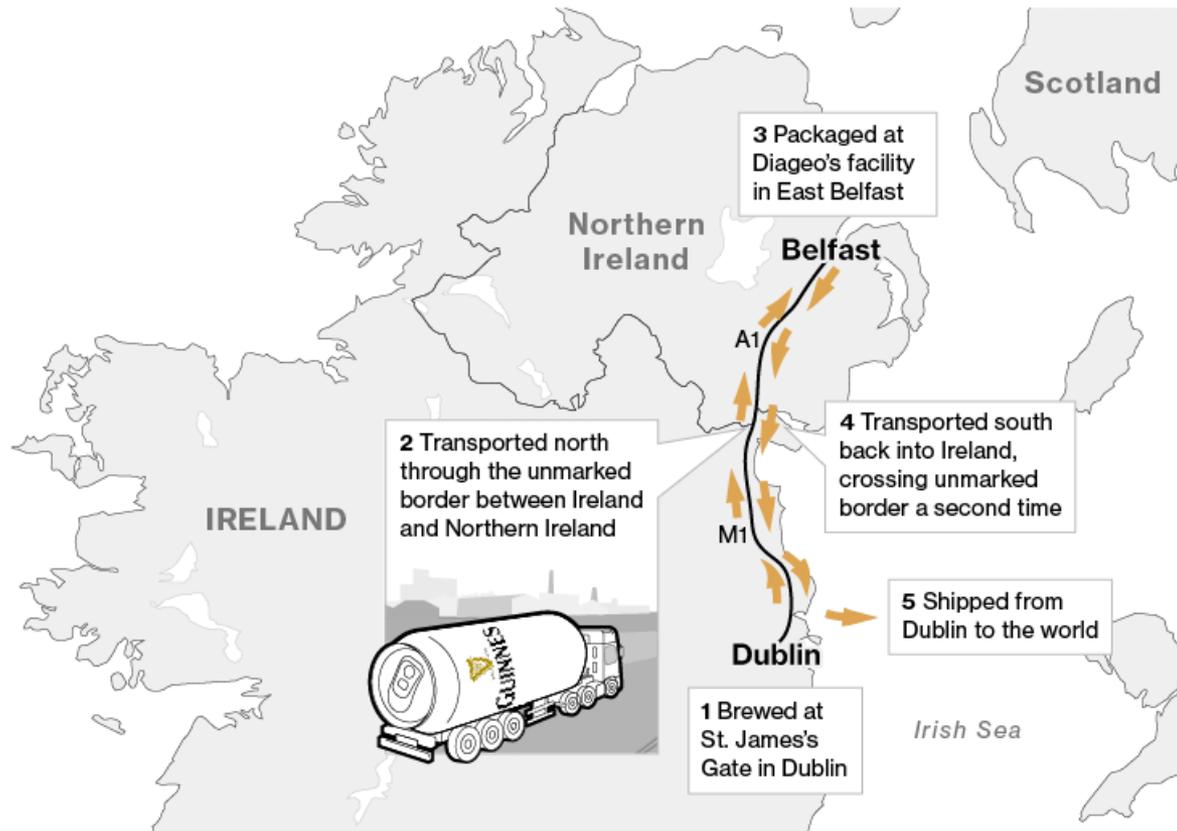
# SANDWICH - SUPPLY CHAIN EXAMPLE



## EXAMPLE - DIAGEO

### A Hard Border Could Create a Significant Challenge for Diageo's Supply Chain

How a can of Guinness is produced



### Hard Border Cost for Diageo

**13,000**

Border crossings per year

**€100**

Expense added for 0.5-1 hour delay

**€1.3 million**

Additional cost per year



# AGRICULTURAL DOCUMENTATION & BIPS

## Imports:

- EU Certification of producing plants
- Origin Certification
- Importer Registration
- Notice Periods
- Controls on products of animal origin
- Veterinary Checks and presentation at BIPs
- CVED/CED

## Exports:

- Health Certs for Exporters



# Custom Documentation

- Import Clearance Documentation - SAD/C88
- Export Clearance Documentation - SAD/C88

48 Boxes  
Completed by  
Clearance Broker

Single Administrative Document (SAD) - sample of information required

**Box 2** - Consignor

**Box 33** - Commodity Code

**Box 8** - Consignee

**Box 34** - Country of origin code

**Box 12** - Value Details

**Box 37** - Procedure code

**Box 14** - Declarant

**Box 42** - Item Price

**Box 20** - Incoterms

**Box 44** - Additional information(Freight, insurance, licences)

**Box 22** - Invoice Value

**Box 47** - Calculation of taxes

# Support Documentation Required for Customs

1. Invoice - The commercial invoice contains the basic information on the transaction and is always required for customs clearance. Provided by the supplier to the customer and the Clearance Agent (CA).
2. Airway Bill/MAWB - B/L issued by the Shipping Agent (SA) to the freight forwarder, confirming that the goods have been received on board. The B/L serves as proof of receipt of the goods by the carrier, obliging them to deliver the goods to the consignee
3. Certificate of Origin - Issued by Chambers of Commerce to Suppliers/Manufacturers Confirms that the goods in a particular shipment have been wholly obtained, produced, manufactured or processed in a particular country.
4. Packing List - The Packing list is an inventory of the incoming cargo required for customs clearance and accompanying the commercial invoice and the transport documents. (No specific form is required).
5. Agricultural Certs



# IMPORT DUTY COSTS

- Customs Controls are applied at the EU Border
- Affects and Impacts on all goods moving into and out of the EU
- Customs duties range from 0% - 14%
- Agricultural levies can bring this up to 50%
- Excise charges on Oil, Tobacco and Alcohol
- Import VAT

# CUSTOMS DUTIES

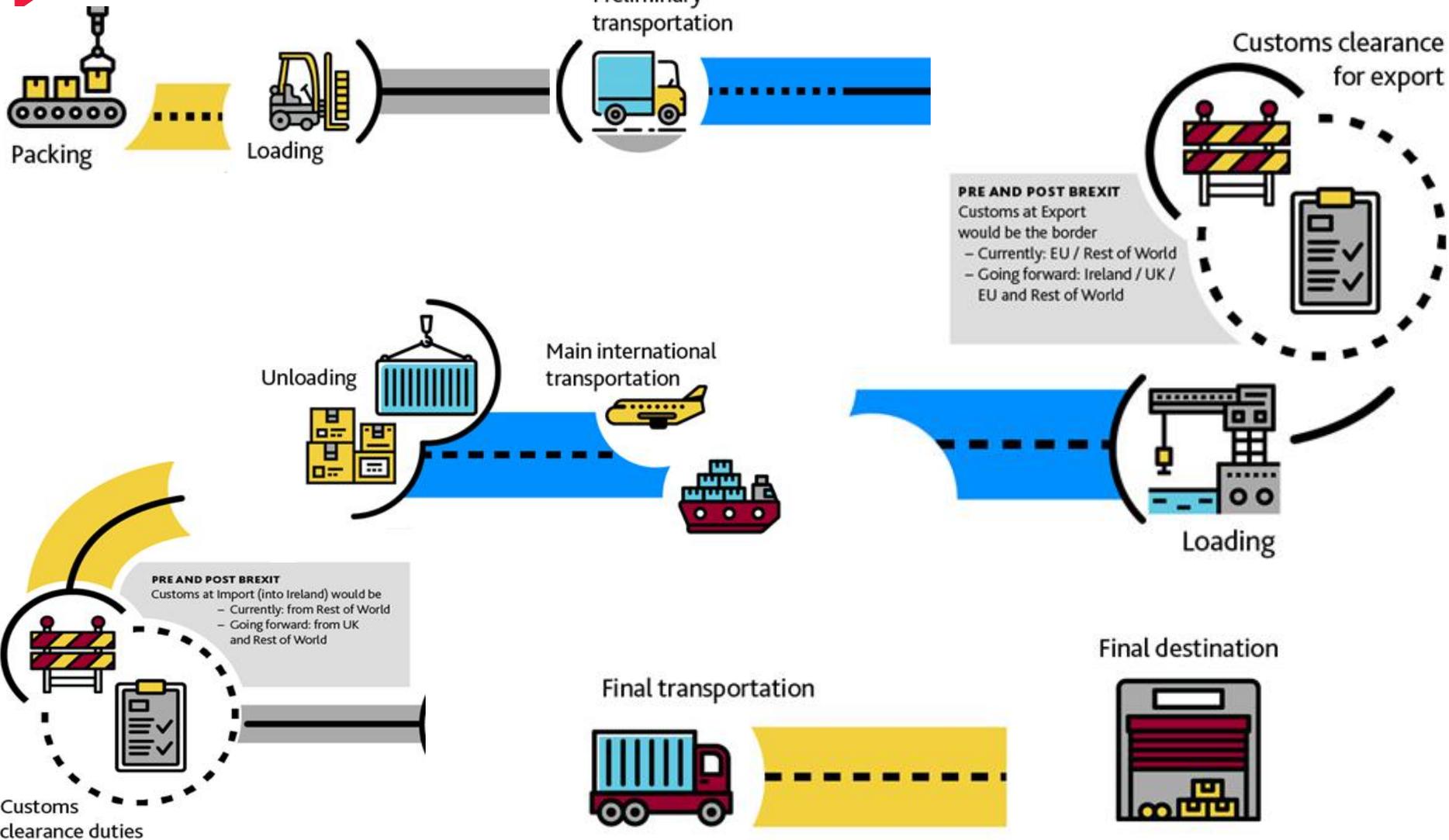
## Specific Rates (averages)

- **Eggs (Birds' eggs, in shell, fresh, preserved or cooked)**
- Milk (bulk 3.5% fat)
- Soft Drinks
- Sandwiches
- Beef (Carcases and half-carcases)
- Milk (Of a fat content, by weight, not exceeding 1 %)
- Cheese (Cheddar)
- Hams and cuts of domestic swine
- Chicken (Legs and cuts thereof)
- Molluscs
- Fish (Cod)
- Mushrooms
- Biscuits
- Mustard

## Average Duty Cost

**30.40/100KG.**  
21,8 €/100 kg/net  
9.6%  
9% + EA  
12,8 + 176,8€/100 kg/net  
13,8 €/100 kg/net  
167,1 € / 100 kg / net  
77,8 € / 100 kg / net  
46,3 € / 100kg / net  
20%  
12%  
6,4%  
9 +EA MAX (24,2 +AD S/Z)  
9%

# Movement of Goods





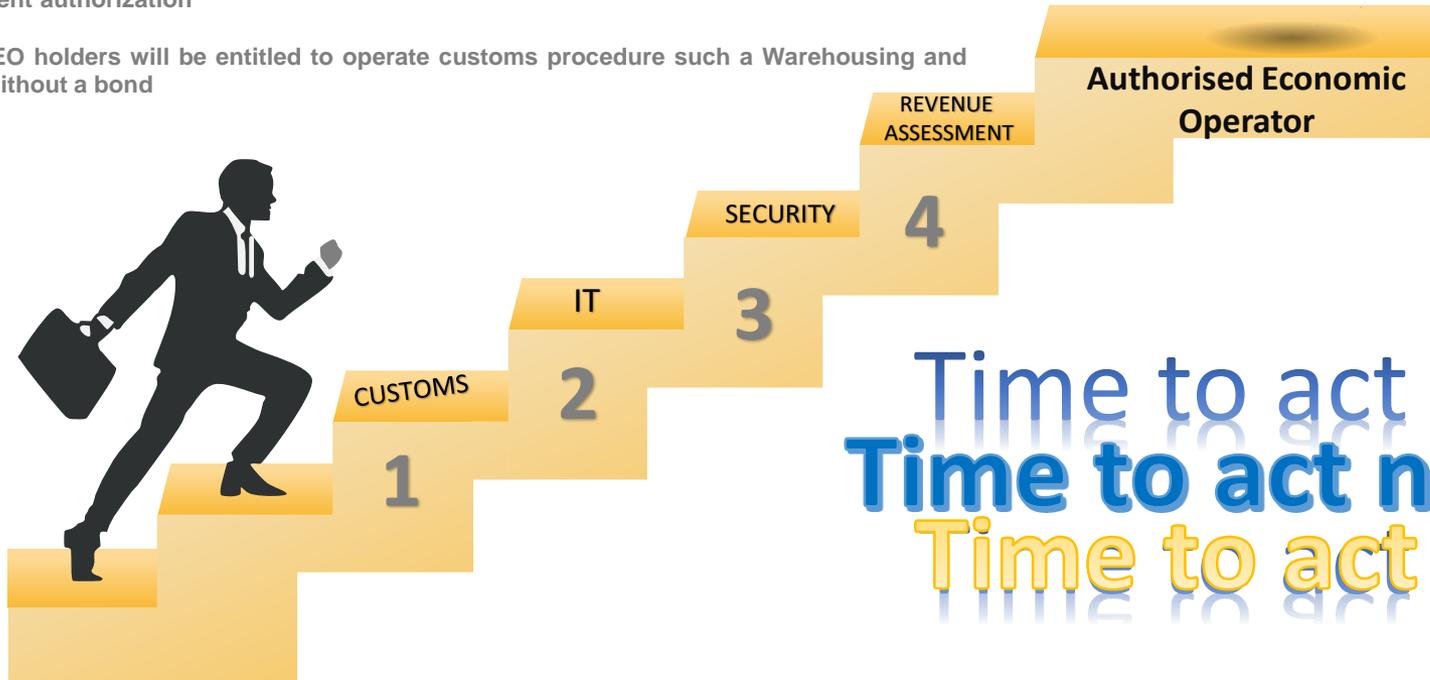
# Questions for Suppliers

- Terms of Sale
- Security of Supply
- Acting as Exporter
- Acting as Importer
- Costs

# TRUSTED TRADER STATUS

## What are the benefits?

1. Access to customs authorizations such as Inward Processing, Deferred Payment and other simplifications
2. Potential to reduce delays at border
3. Remove bond requirement for processing and warehouse suspension procedures
4. Reduce deferred payment guarantee requirements
5. Financial benefits as follows:
  - a) AEOs will obtain a reduction of 30% on the bond guarantee for obtaining a deferred payment authorization
  - b) AEO holders will be entitled to operate customs procedure such a Warehousing and IPR without a bond



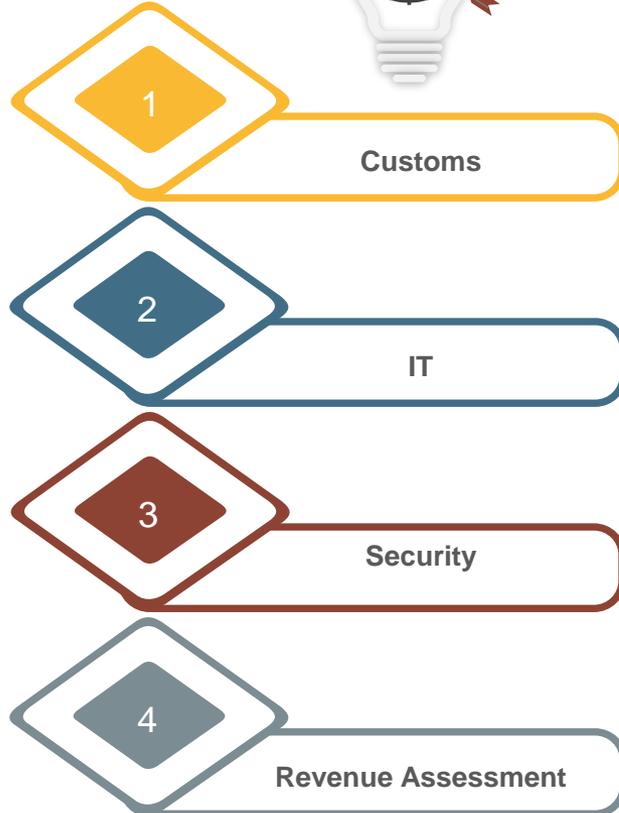
Time to act now!  
**Time to act now!**  
Time to act now!

# TRUSTED TRADER STATUS

## How to....



## Crafting A Strategy



- Classification and Part Master List
- Origin
- Valuation
- Agent SOP
- Internal Audit of Declarations
- Disclosure
- Compliance
- Professional Competency

- IT Procedures & SOPs
- Systems and Programs Used
- IT Security
- Backup & Controls
- Traceability of goods from import to export
- Co-Storage Controls

- Threat and Risk Assessment must be completed
- Building Security
- Storage
- Production
- Loading and Unloading Procedures
- CCTV and Access
- Secure Supply Chain from Purchase to Sale
- Know Your Customer
- Employee Awareness
- Use of security companies
- Use of security companies

- 2-3 days Revenue Assessment

# BREXIT TIME LINE

Review Supply Chain  
 Identify affected Products  
 Apply best /worst case tariffs  
 How will you avoid delays?  
 Request Grants

Work on Applications for  
 Customs Procedures  
 Should you apply for  
 Trusted Trader Status?  
 Can you?  
 Develop SOPs for  
 Customs Declarations



Issue instructions to Agents



What Customs  
 Procedures will you  
 need?  
 What training is required?  
 Draft Plan

WORK ON IT  
 SYSTEMS

Lodge  
 applications  
 with Customs

BREXIT  
 Customs  
 Authorisations

**NOTE IT MAY TAKE UP TO  
 6 -12 MONTHS FOR YOUR  
 APPLICATION TO BE  
 PROCESSED. Be ready by March  
 2019.**



# BREXIT ON THE AGENDA





## BUSINESS ISSUES

*"We have sought to highlight our concerns over the past 12 months, without success. Far from Project Fear, this is a dawning reality for Airbus...."*

# AIRBUS

*"It might be easier to move headquarters now than wait to see the outcome of Britain's exit negotiations with the EU" (Panasonic FT August)*

# Panasonic<sup>®</sup>

*"We're not growing our supply chain in the U.K., we're curtailing it until we see clarity."*

**COMBiLiFT**  
LIFTING INNOVATION



**BDO**

# CLIENTS TYPICAL QUESTIONS

What does leaving the EU mean? (in terms of trade)

What is a Hard Brexit?

What is a Soft Brexit?

What is the cost of Tariffs if no Trade Agreement?

What would the impact be of a Trade Agreement?

What are the potential delays?

What are the Documentation and Compliance Costs?

Does a Trade Agreement mean 0% duty?

Are Customs Declarations required if there is a Trade Agreement?

# PLANNING AHEAD

# BREXIT - ISSUES FACING IMPORTERS & EXPORTERS

01

Increased controls on Cross Border Trade

02

Controls on Exports and Imports through Sea and Air Ports

03

Import/Export Declaration requirements

04

Risk of tariffs - dependent on the type of trade agreement (if any) the UK negotiate with the EU

05

Introduction of non-Tariff Barriers

06

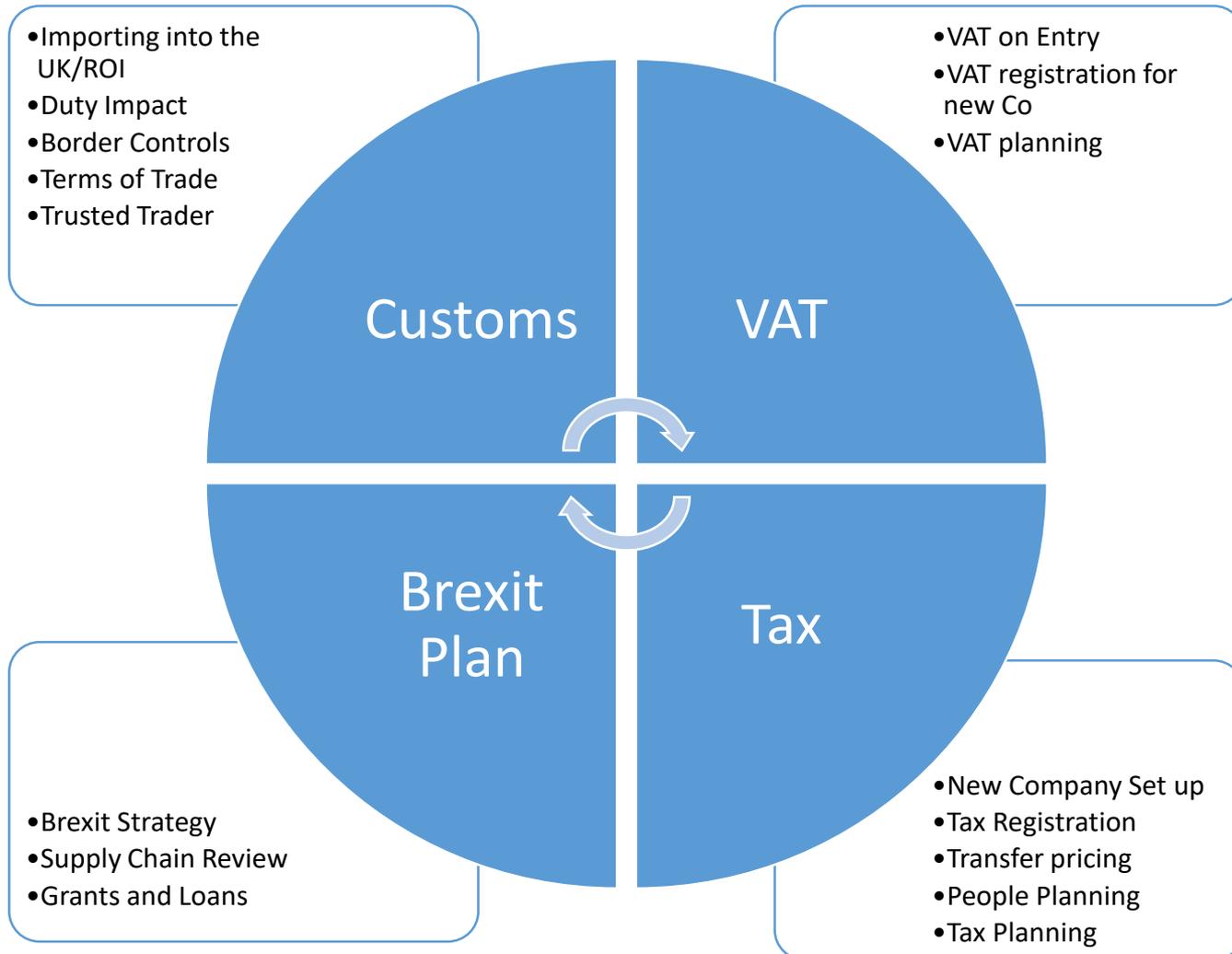
Payment of Import VAT (as opposed to intra- EU VAT rules)

07

Deferred Payment Requirements and Comprehensive Guarantees

- All leading to:
  - Cash flow impact
  - Increased costs
  - Delays
  - Difficulties in accessing supplies

# BDO ALL TAXES APPROACH



# CUSTOMS APPROACH

1. Review Supply Chain
2. Review Contracts
3. Identify Tariff Headings
3. Assess Potential Cost of duties
4. Assess Compliance Costs
5. Assess requirement for duty savings procedures
6. Assess need for new VAT Registration, Tax Registration, Company Set Up etc.
7. Determine need for Authorised Economic Operator Status



# BREXIT RESOURCES

**BDO** IRELAND

SERVICES INDUSTRIES INSIGHTS ABOUT

Search

## Prepare for Brexit

Helping you prepare your business for Brexit

FIND OUT MORE

OVERVIEW BREXIT NEWS HOW TO START PREPARING FOR BREXIT? PREPARE A BREXIT PLAN HOW WILL BREXIT AFFECT CUSTOMS COSTS? VAT AND BREXIT TAX IMPLICATIONS OF BREXIT IMPACT OF BREXIT ON MERGERS & ACQUISITIONS

<http://www.bdo.ie/en-gb/industries/bdo-brexit-taskforce>

# BDO IRELAND SERVICES

