



## Brexit: The transitional period will end in 100 days

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### 1 Background

On 1 February 2020, the United Kingdom (UK) politically ceased to be a member of the EU. In order to mitigate the exit for the economies of both the EU and the UK, a transitional period expiring on 31 December 2020 was agreed. For the duration of the transitional period, the existing customs and VAT rules between the EU and the UK continue to apply. The UK's withdrawal from the EU has therefore not yet triggered any legal changes (see KMLZ VAT Newsletter 02/2020). The deadline for a possible extension of the transitional period beyond 31 December 2020 has expired. Legal changes in the movement of goods between the EU and the UK will therefore become unavoidable as from 1 January 2021.

### 2 Possible conclusion of a free trade agreement

Since March 2020, the EU and the UK have been engaged in intensive negotiations on a free trade agreement, which is intended to shape future economic and legal relations. So far, however, not even the foundations of such an agreement have been laid. The negotiating situation is currently very difficult. The UK is in the process of adopting its so-called "Internal Market Act". This would violate a major provision of the withdrawal agreement. The EU has already announced that it will pursue this matter before the ECJ if the UK ultimately breaches the withdrawal agreement. Meanwhile, time pressure is building up in the EU for a mutual understanding on the content of a free trade agreement. Consensus must be reached by mid-October, at the latest, if the free trade agreement is to enter into force on 1 January 2021. We will keep you informed of the progress of the negotiations through our newsletters.



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### 3 Border controls

Irrespective of the timely conclusion of a free trade agreement, border controls and customs formalities will be required for the movement of goods between the EU and the UK as from 1 January 2021. People who transport goods across UK borders will be able to engage a representative as regards the necessary customs formalities. A [list](#) of companies acting as customs representatives in the UK is available on the internet. The UK customs authorities have also published comprehensive [information](#) on customs clearance on the internet.

As a result of the ongoing Corona crisis, the UK has announced a phased introduction of border controls. This is intended to compensate for the lost preparation time due to the COVID 19 pandemic.

- **Stage 1:** For ordinary goods from within the EU, it is initially only necessary to keep proper records of the goods imported into the UK. There is a six-month deadline for filing a complete customs declaration for these goods. Only then will customs duties become due. It is not required to lodge any form of security as regards the customs duties owed. For excise goods and goods subject to special controls (e.g. toxic chemicals), a customs declaration must be filed at the moment the goods are brought into the UK as of 1 January 2021. Live animals, certain animal products and plants with a high risk factor are subject to a declaration requirement before they are brought into the customs territory. Veterinarians will carry out physical checks at the place of destination or any other authorised place.
- **Stage 2:** As from 1 April 2021, all goods of animal and plant origin must be cleared for customs prior to importation and require health documents.
- **Stage 3:** From 1 July 2021, all goods must be declared and import duties paid at the time of importation of the goods. Veterinary checks will, at this time, be carried out at the border.

The EU will also reinstate customs supervision and control of goods imported from the UK. There is no information yet on a phased introduction of border controls similar to the UK model.

### 4 Replacement of the EU Common External Tariff

The UK has already published its own new customs tariff. This will also apply to imports of goods from the EU, if negotiations to conclude a free trade agreement prove to be unsuccessful. The "UKGT" (UK's Global Tariff) is intended to be easier to handle, provide for lower customs duties than those of the EU and be based on British pounds instead of euros. All tariffs below 2% will be eliminated without substitution. Customs duties on goods, not produced in the UK, will also be eliminated. This concerns, for example, olives and refrigerators. Products related to renewable energy, energy efficiency, CO2 capture and recycling will benefit from reduced tariffs. Tariffs on agricultural, automotive and fishery products will remain in order to protect the existing UK industry in these sectors. A simplification of the calculation of duties on agricultural products has been announced. However, the UKGT still provides for agricultural components and additional duties. It is not yet known how these will be calculated in the future.

### 5 Customs authorisations

In principle, as from 1 January 2021, only persons established in the UK will be able to obtain or make use of customs authorisations. The only exception will be the temporary admission procedure. Companies that have a place of business or a permanent establishment in the UK are also deemed to be established in the UK. Companies established in the UK who already have customs authorisations, because of their trade with third countries, will be able to use them for trade with the EU.