

Three Weeks On: How is Brexit impacting businesses?

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On Christmas Eve the UK and EU had an announcement– they had agreed a trade deal. There would be no cliff-edge no-deal scenario, instead, provisions for wide reaching tariff free trade would take effect from 1st January. Many felt reassured that, after a year of pandemic disruption, Brexit at least had finally reached a satisfactory conclusion.

Flash forward to the 4th January when many employees began to return to the workplace after a Christmas break and it's a more unsettling story. With no time to fully understand and adapt to the specific terms of the deal before it came into effect, businesses, particularly SMEs with limited resource for pouring over the minutia of a 1,246 page legal document, are only now finding out what it means in practice.

A trade deal is, and always was going to be, a very different level of access to EU markets to full EU membership and participation in its institutions. But there's no denying that this additional friction is costing businesses time and money.

The Greater Birmingham Chambers of Commerce is home to our [International Business Hub](#). Within it we employ Department for International Trade International Trade Advisors, an Innovate UK EDGE funded team, international trade training and critically for this moment – an international trade documentation team.

They are specialists in the main types of paperwork businesses need to get their goods through customs and on to their destination – which trust me, can be eye-wateringly complicated.

While they deliver a commercial service, as a not-for-profit business membership and support organisation, we are also committed to helping all local businesses navigate through this – so they have been offering free advice too. The phones have barely stopping ringing.

Many businesses are asking them questions along the lines of:

- Why have I been told I need to pay tariffs or tax on these goods, don't we have a trade deal?
- I've been told I need [x] documents to get our goods into/out of the EU – how do I get them? Or – how do I find the very specific information I need to complete them?

Most of these issues can be connected back to:

Understanding Rules of Origin: tariff free trade between the UK and EU only applies if rules of origin are met – i.e. the goods can be shown to be substantially of UK or EU origin. Given the global nature of today's supply chains this can be complicated for many businesses and guidance is dense and not easy to interpret. It also presents a major challenge to those businesses who import from third countries – such as China – and distribute across the EU. For those businesses, they are hit by tariffs on entry into the UK and then again on entry into the EU, risking undermining business models as businesses must choose between absorbing the costs or passing them on to customers.

VAT: the UK is no longer part of the EU VAT regime. This means that all movements are treated as imports or exports and, as a result, subject to EU or UK VAT. Even if businesses' goods qualify for tariff free trade, VAT still applies and a number have been caught out by needing to pay this additional tax.

Typically, it is the party responsible for importing the good that is responsible for paying VAT; although it is very much advisable for businesses to check the terms of their contracts to be sure. International trade is governed by Incoterms – international commercial terms – which offer clear definitions of where responsibility transfers from seller to buyer.

Some businesses have opted to take the pain of VAT in order to retain customers which comes with its own complexities. There isn't a single EU VAT authority so businesses have to individually register with each relevant EU nation's VAT authorities. It's a big, complex headache for SME businesses in particular.

Completing customs declarations: these are now required on all imports from and exports to the EU (although the UK Government is allowing businesses importing into the UK up to 6 months from 1st Jan to file them). As well as being lengthy and complicated themselves, particularly on imports, they also often require businesses to have specific information such as Commodity Codes (which pop your goods in a clear category and clarify the associated tax, duty and licenses associated with it) and Customs Procedure Codes (which identify the customs and/or excise regimes which goods are being entered into and removed from).

Getting this right, particularly for those unused to the legalese many of these terms are defined in, can be challenging and time consuming.

Carnets (Temporary Export Licenses): it's not just people selling goods that need to be mindful of changes to trade with the EU – if you're taking “things” of value in to the EU, for anything from an expo to a car rally to a concert, it's got to be appropriately documented.

Carnets are documents that confirm to customs authorities that you're only taking the good into their market temporarily – it is not going to be sold on and effectively become an export. This is a whole new area for businesses used to being able to come and go freely.

What else?:

The above are just the core areas our international trade documentation team are spending significant amounts of time talking businesses through. But they aren't the only areas of significant change and challenge.

We run “[Brexit Clinics](#)”; digital sessions where businesses are able to speak in small groups with guest experts on all aspects of trade for free advice and support. Through these, we are seeing growing numbers of questions about business immigration (different rules apply in different EU states), delivery of services (notable by its very minimal mentions in the EU-UK trade deal), maintaining conformity with dual regulatory regimes – and the complexities of trade with Northern Ireland.

These are the primary issues that we are encountering from businesses in our area. However, as the recent protests from the fishing industry and concerns raised by hauliers have demonstrated – Brexit is complex and has implications specific to almost all industries. It is, after all, the single biggest change to the UK's political and trading relationships for a generation.

Throughout Brexit negotiations we have been warning of the risk to small businesses of significantly increasing admin. Customs declarations, rules of origin, VAT, meeting rules on providing services are all very technical and complicated and cause costly headaches if they go wrong. Time and expertise, whether invested in in-house or brought in from expert advisors, come at a cost.

Some of this will be manageable and can be put down to “teething problems”, adapting to new procedures. Some will require fundamental changes to business models or significant lobbying of the UK and EU to rectify unintended consequences.

A Brexit deal may be done, but the long term fall out from it on UK business practices, competitiveness and supply chains remains to be seen.