

Hard or soft Brexit?!

The United Kingdom and the European Union have still not reached a final agreement about Brexit. According to Ralph Antonise, Customs & Compliance Supervisor at Base Logistics, companies can, however, already start preparing themselves. For Antonise, preparing for Brexit is now part of the daily routine, and he says roughly two exit scenarios are possible. Some hard nuts though do have to be cracked before that time.

Hard Brexit

"The most far-reaching option is a hard Brexit. In that case, the British will step out of the European Union and immediately lose all their trade benefits. The UK then becomes, just like China and the United States, a so-called third country," he explains. That means in any case that the trade tariffs and rules of the World Trade Organization (WTO) will apply.

WTO trade rules are essentially basic rules for countries that do not have a free trade agreement. This option will therefore cost the trading parties more money, because other import duties may also apply. In addition, various types of customs documentation are required after a hard Brexit. This will create a serious amount of extra paperwork for companies and, especially immediately after Brexit, substantial delays.

If the EU and the UK do not reach an agreement on time, the hard Brexit will take effect on 29 March 2019.

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Soft Brexit

Less extensive, the word actually says it all, is a soft Brexit. Antonise says: "In case of a soft Brexit, the United Kingdom will still be closely associated with the EU. As a result, trade will not be excessively impeded and the British will still have to comply with European rules."

In this scenario, customs documents will still be required to prove the so-called Community Status. The 'free transport of people' agreement will also continue to exist in case of a soft Brexit.

Higher prices, longer transit times

The two scenarios mentioned above are likely to affect tariffs and lead times in the transport sector. Long waiting times may arise on both sides of the border due to border controls. It is also possible that transport companies will not yet have the required permits as soon as Brexit starts.

Other practical problems could also arise, such as driving licenses that are no longer recognized, changed environmental standards and new standards for trailer dimensions. As a result, the total transport capacity could be greatly reduced.

All in all, the above-mentioned risks could increase transport prices significantly.

Current negotiations

The current negotiations are actually not yet about the market situation after Brexit. First, the EU and the UK need to agree on important issues such as civil rights, the final bill (the amount the British have to pay to the EU) and the border between Ireland and Northern Ireland. "If no agreement is reached about that, then a large part of the EU politicians do not want to talk about a future trade agreement at the moment either," Ralph Antonise states. "And that will lead to a hard Brexit on 29 March 2019, without a transitional period."

If the parties do come to an agreement about the disputed issues, then a far-reaching trade treaty will be formed after Brexit. This will require a transition period, which will then in any case last until 31 December 2020. That period will be used for the negotiations and in theory could be extended.

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Preparations

Whatever scenario the parties come to an agreement about, European companies can already prepare themselves. Below are six tips that can help you prepare for Brexit.

- Apply for an EORI number. You need this number after Brexit in order to continue trading with the UK. Subsequently, make sure that you are able to file a declaration in the Customs systems.
- Let Customs indicate under which customs tariff your goods have to be classified, with a 'Binding Tariff Information' document.
- Check whether you need customs authorization. This could be the case, for example, if you have a customs warehouse or if your imported or exported goods are returned after processing. For example, a customs permit is also required for repair shipments.
- Determine whether an 'Authorized Economic Operator permit' (the so-called AEO status) is required for customs authorizations that you must apply for. For this, you must be able to be regarded as a reliable market participant.
- Make sure you have an 'Article 23 permit'. With this license in hand, you will not have to pay VAT immediately on import.
- Apply for an export license for Dual-Use goods if you export goods with a dual-use character or products for the defense industry.

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Advice or guidance

Base Logistics can advise and guide you to ensure that you are prepared in time for Brexit.

Contact Ralph Antonise, Customs & Compliance Supervisor at Base Logistics. Telephone number +31 (0)88-555 2217 or customs@baselogistics.com.

Useful link for you about Brexit

<https://bit.ly/2S8mUpj>

