

Chamber Brexit Briefing- July 2020

1. The Transition period and the Negotiations

The UK formally left the EU on 31 January 2020 and immediately entered an 11-month transition period. During this period, the UK will continue to follow all the EU's rules and its trading relationship will remain the same.

Since February, there have been several rounds of intense negotiations to develop a trade deal before the December deadline this year. Apart from the first round of negotiations, the subsequent three rounds were held via videoconference due to Covid-19 restrictions. A timeline of the previous meetings can be accessed [here](#).

On 12 June, the [UK announced at a meeting of the Withdrawal Agreement Joint Committee](#) the longstanding position that it would not seek an extension to the transition period beyond 31 December 2020, in line with the Withdrawal Agreement.

The week of 6 July 2020 saw the UK and EU negotiating teams meet in London for continuing discussions. When the talks ended on 9 July 2020, Michel Barnier Tweeted: "This week's discussions confirm that significant divergences remain between the European Union and Great Britain." Further information on this set of discussions [here](#).

Sticking Points

Poor progress in negotiations has been due to certain "sticking points" that will need to be addressed ahead of any agreement. [The EU's position](#) remains, based on the Political Declaration, that there will be no economic partnership without:

1. Robust guarantees for a level playing field – including on state aid – to ensure open and fair competition among businesses
2. A balanced, sustainable, and long-term solution for European fishermen
3. An overarching institutional framework and effective dispute settlement mechanisms.

Upcoming Negotiations

Following the UK's rejection of an extension to the Transition period, 15 June saw [a high level meeting](#) between Prime Minister Boris Johnson and European Commission President Ursula von der Leyen, David Sassoli and President of the European Council Charles Michel took place where they agreed to inject new dynamics and intensify the talks with the aim of creating the "most conducive conditions for concluding and ratifying a deal before the end of 2020". Negotiations so far have shown little progress. Discussions have been intensified over the summer, and it is intended to have a further six rounds of negotiations between 29 June and 21 August with the hope of a deal being struck before the [European Council summit on 15-16th October](#), so as to provide sufficient time to ratify any agreement in place by both the European and British Parliaments.

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The sixth round of negotiations are ongoing this week starting on the 20 July taking place in London. The agenda for this round of the negotiations can be found [here](#).

2. UK Preparations/Border Document

The UK Government has continued outlining its plans for the end of the transition period with the publication of details of a [£705 million funding package](#) for managing the UK's borders, including new border control posts and recruitment of 500 additional Border Force staff. The [border plan](#) was made public on 12 July to provide clarity and certainty for traders and the border industry. The plan relates to provisions for the external borders of England, Scotland, and Wales.

A specific plan for [measures concerning Northern Ireland will be issued in the coming weeks](#). It is expected that Northern Ireland will continue to follow some EU rules on agricultural and manufactured goods even after the transition period.

Funds will be allocated to building port and inland infrastructure (£470 million) and IT systems and staffing (£235 million). The IT allocation will include development of Revenue and Customs systems, purchase of new equipment, construction of new data infrastructure to improve border flow and management and recruitment.

A temporary light-touch regime will be introduced to help businesses to adjust to the regulatory changes. It is proposed that the [implementation of these border controls will be split into three stages](#) up until 1 July 2021 for goods travelling between the EU and UK.

The border plan advises several actions that traders need to take to prepare for the end of the transition period including:

- Get a **customs intermediary**. Intermediaries can help traders find the information needed to complete formalities and submit the required declarations, thereby simplifying the declaration processes for traders.
- **Apply for a duty deferment account**. Traders who import goods regularly may benefit from having a duty deferment account. This enables customs charges including customs duty, excise duty, and import VAT to be paid once a month through Direct Debit instead of being paid on individual consignments.
- **Prepare to pay or account for VAT on imported goods.**
- **Ensure you have International Driving Permits.**
- **Apply for a GB Economic Operator Registration and Identification (EORI) number**. This is required for all businesses moving goods into or out of the UK.

After the transition period, the UK Government has announced it will operationalise import controls on goods moving from the EU to the UK, in a manner similar to the UK's current treatment of Rest of World (RoW) goods.

- From **January 2021**: Traders importing standard goods, covering everything from clothes to electronics, will need to prepare for basic customs requirements, such as keeping sufficient records of imported goods. Traders will also need to consider how they account for and pay VAT on imported

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goods. Traders will then have up to six months to complete customs declarations. Export declarations will be required for all goods. Traders importing and exporting goods using the Common Transit Convention will need to follow all of the transit procedures - these will not be introduced in stages.

- From **April 2021**: All products of animal origin (POAO) – for example meat, honey, milk or egg products – and all regulated plants and plant products will require **pre-notification** and the **relevant health documentation**. Any physical checks will continue to be conducted at the point of destination until July 2021.
- From **July 2021**: Traders moving **any goods** will have to make **full customs declarations** at the point of importation and pay relevant tariffs. Full Safety and Security declarations will be required, while for commodities subject to sanitary and phytosanitary (SPS) controls, these will have to be presented to BCPs and there will be an increase in physical checks and the taking of samples.

3. European Commission Communications

On 9 July 2020, the European Commission published a detailed Communication – [‘Getting Ready for Changes: Communication on readiness at the end of the transition period between the European Union and the United Kingdom’](#) – designed to assist national authorities, businesses and citizens prepare for the inevitable changes that will arise at the end of the transition period. It underlines the inevitability of the changes that will occur to cross-border exchanges between the EU and the UK as of 1 January 2021– irrespective of whether an agreement on a future partnership has been concluded or not.

It covers **trade in goods, trade in services, energy, travelling and tourism, mobility and social security coordination, company law and civil law, data, digital and intellectual property rights** and EU international agreements.

The Communication does not seek to prejudge the outcome of negotiations and does not examine the possible implications of a failure to reach an agreement, nor does it consider the need for contingency measures.

Northern Ireland

The Protocol on Ireland and Northern Ireland will become applicable at the end of the transition period and represents a stable solution that will continue to apply alongside any agreement on the future partnership, subject to the future consent by the Northern Ireland Assembly to its continued application. It provides a legally operative solution that avoids a hard border on the island of Ireland, protects the all-island economy and the Good Friday (Belfast) Agreement in all its dimensions, and safeguards the integrity of the EU Single Market as well as the UK internal market.¹

In accordance with this Protocol, Northern Ireland will remain aligned to a limited set of Union rules, notably related to goods, and the Union Customs Code, VAT and excise rules will apply to all goods entering or leaving Northern Ireland. This avoids any customs checks and controls on the island of Ireland. Checks and controls will take place on goods entering Northern Ireland from the rest of the United Kingdom, for example on food products and live animals to ensure adherence to sanitary and phytosanitary (‘SPS’) requirements.

¹ European Commission “Questions and Answers on the United Kingdom's withdrawal from the European Union on 31 January 2020” https://ec.europa.eu/commission/presscorner/detail/en/QANDA_20_104

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All goods entering or leaving Northern Ireland must fully comply with relevant Union rules and standards. EU customs duties will apply to goods entering Northern Ireland unless the Joint Committee sets out a framework of conditions under which these goods are considered not to be at risk of entering the EU's Single Market. Based on such a framework, no customs duties will be payable if it can be demonstrated that goods entering Northern Ireland from the rest of the UK are not at risk of entering the EU's Single Market.

Irish Government Preparations

In an [Irish Examiner interview](#) on 6 July 2020, Minister for Foreign Affairs Simon Coveney warned that “time is running out”, adding that the chances of agreeing a full trade deal in the time available are “totally unrealistic”. The Minister confirmed that he is to bring a significant Brexit memorandum, including the views of eight Government Departments to prepare the country for the increased chance of no-deal.

How customs might work

What might happen when a firm in Northern Ireland orders goods from the rest of the UK deemed “at risk” of then entering the EU?



Useful Links

- [The Transition Period](#)
- [The Withdrawal Agreement](#)
- [The Withdrawal Agreement Joint Committee](#)
- [The Political Declaration](#)
- [The NI Protocol](#)
- [Communication from European Commission on Preparing for Brexit](#)