SUPPORTING OUR CUSTOMERS

POST BREXIT

January 15th 2021





CONTENT



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Current Situation



02

DHL Express is prepared



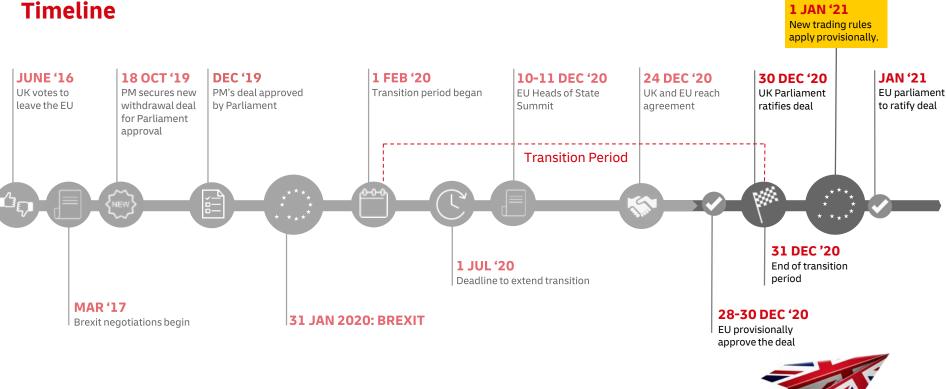
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Preparing your business





Timeline



EU-UK Trade and Cooperation Agreement (TCA)

The EU-UK Trade and Cooperation Agreement (TCA) that was announced on December 24th 2020 provides more clarity for UK and EU trade from the end of the transition period. As our own teams work through the detail of the deal, the below are the essential requirements for shipping from 1 January 2021.

- Customs Declarations are required between Great Britain and the European Union, therefore Commercial or Pro-Forma Invoices are needed.
- The EU-UK Trade and Cooperation Agreement (TCA) means that in most cases Customs duties will not be applied as a zero tariff has been confirmed for goods sent between the UK and EU, however this is conditional on Rules of Origin Requirements being confirmed when shipping. Note that VAT will still be levied.
- Changes to UK VAT requirements will still be implemented.
- Details for trade with Northern Ireland have been confirmed on 31
 December 2021.



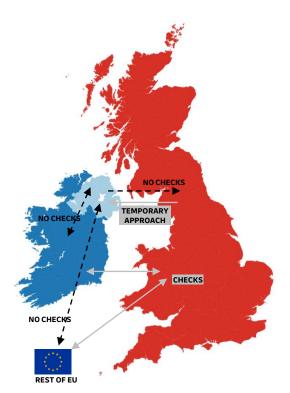
Movement of Goods between Northern Ireland and Great Britain

In December 2020 the UK-EU Withdrawal Committee Joint Committee reached an agreement on the implementation of the Northern Ireland Protocol. This agreement is unchanged by the UK-EU Trade and Cooperation Agreement.

Further guidance regarding the movement of parcels was published on 31 December. It sets out:

- A three month, temporary approach to applying declaration requirements for parcels moved by express carriers from Great Britain to Northern Ireland. This will enable parcels to continue to move as they do now in most cases until 31 March 2021.
- For goods valued at £135 or more received by Northern Ireland businesses (from Great Britain), a declaration must be submitted by the receiver within three months of receiving the goods. Further detail on how to submit this declaration is expected, however Northern Ireland businesses are encouraged to sign up to the Trader Support Services and store invoices for the goods received.
- Excise goods and restricted and prohibited goods sent from Great Britain to Northern Ireland may require a declaration.
- **Northern Ireland to Great Britain**: the majority of goods will not attract new customs processes. There is further detail on <u>qualifying Northern Ireland goods here.</u>
- **Between Northern Ireland and the EU:** no customs declarations are required for these movements, they will be treated as intra-EU.

The full guidance can be found on https://www.gov.uk/guidance/sending-parcels-between-great-britain-and-northern-ireland-from-1-january-2021.



*current working assumption



As international specialists, we are in a strong position

We already have a number of key differentiators and all the expertise needed to support you following Brexit:



3000+

dedicated customs professionals



50+ million

customs transactions each year



60+

bonded or customs warehouses in the UK / plus at least one per EU country



AEO

DHL is an Authorised Economic Operator



WHAT IS AEO?

- Authorised Economic Operator (AEO) status is an international quality mark for companies whose customs processes are secure and efficient
- AEO enables us to leverage Customs
 Freight Simplified Procedure (CFSP),
 which speeds goods release from
 Customs and allows deferred payments

DHL Express Contingency Planning



Enhancing our systems and infrastructure

Increasing our resources to manage requirements

- Minimising disruption to customer supply chains
- Delivering service quality for our customers

- a) Changes to systems and tools to enable shipping
- b) Bond capacity increased for both the UK and EU
 - 4

- a) Expanded Customs Agent capability on/off shore
- b) Mitigate transportation permit issues to ensure driver access
- c) Additional people and resources to enable increased duty and VAT collection requirements

 a) Increase in network capabilities to provide additional capacity where possible

If you need additional Time Definite services by air, please speak with your DHL account manager now



- a) A dedicated 'Brexit Control Tower' to proactively monitor our network and action contingency plans
- b) Significant and continued investment with the aim of providing as seamless a service as possible, in what may be challenging circumstances





Preparing for Customs in the EU



Already trading outside the EU?

If you're currently trading outside the EU, you'll be familiar with customs requirements. Nonetheless, the information that follows could still be useful in helping you prepare.

Please review the content on Proof of Origin, Paperless Trade, EORI numbers, Returns, and Delivery Duties Paid in particular.



Only trading within the EU?

If you're currently only shipping within the EU, now is the time to familiarise yourself with customs procedures. The following pages will highlight areas where you can make customs clearance a smoother process. There are lots of help materials available in addition to this guide.

We suggest reaching out to your local Chambers of Commerce for advice on any specific paperwork required for your products

- they can produce Certificates of Origin (COO) or ATA Carnets, for example.

DHL Express will submit customs paperwork directly to Customs on your behalf as we send your shipments. Providing the relevant documents via our Paperless Trade option will help ensure swift customs processing.



Brexit Checklist

Please find below a checklist (non-exhaustive) to help your business preparing for Customs Post-Brexit

- Check if your products are classed as document or non-document, since those are treated differently from customs perspective.
 Make use of the Customs Data Integration options of DHL Express to provide high quality data including detailed goods
- **✓** description
- Be ready to provide complete and accurate commercial or pro-forma invoice
- Check if your goods qualify for "zero tariff" (0% customs duty rate) and include the Proof of Origin statement on the Invoice Identify the commodity code (HS/Harmonized System Code) of your product and include on your Invoice and electronic data
- ✓ Apply for an EORI Number (for EU and GB)*
- Check if any product restrictions apply in the GB or EU countries you're sending to
- ✓ Check if additional licenses or certification are needed for your product
- ✓ Are you shipping goods subject to the veterinary and phytosanitary inspections?
- ☑ Check if there are special requirements for controlled exports that apply for your products
- ✓ Confirm your VAT number & the option of postponed GB VAT accounting
- Establish a deferment account for Import Duties & VAT
- ✓ Use our DHL Duties & Taxes Paid (DTP) billing service & ensure compliant returns process setup
- Are you using Paperless Trade (PLT)?

ON THE FOLLOWING SLIDES WE WILL DISCUSS EACH POINT SEPARATELY

*If you move goods to or from Northern Ireland from 1 January 2021 you'll need an EORI number that starts with XI - Specifically, an EORI starting with XI is needed if you (A) move goods between Northern Ireland and non-EU countries, (B) make a declaration in Northern Ireland, (C) get a customs decision in Northern Ireland
For more information please see https://www.gov.uk/eori.

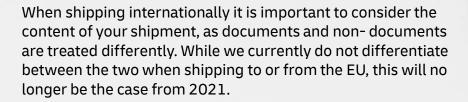


Have you checked if your shipments are classed as a document or non-document?

Yes

L

No



It isn't always obvious which category your shipment falls in to, so please <u>review our guide</u> (using the drop-downs on the right) on

https://www.dhl.co.uk/en/country_profile/import_guidelines_express.html

Incorrectly marked shipments could result in delays, or items being returned undelivered.



Do you make your Customs Data available electronically to DHL Express (including detailed goods description)?

___Yes



No



Avoid potential delays due to wrong or missing information by integrating your Shipment & Customs data with DHL Express.

Via e.g. **API** or **EDI** messages, DHL Express receives the customs invoice data together with the shipment data (including **detailed goods description**). In this way the customs clearance process can start immediately giving huge advantages in terms of quality and lead time performance:

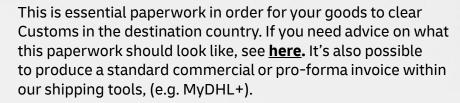
- Complete & accurate customs declaration with minimum human intervention
- Fast & automated customs clearance processes for both exports & imports
- Increased level of service quality, enabling clearance prior to arrival of goods
- Enhanced level of trade compliance towards Customs Authorities
- Enabler of risk-assessment (e.g. dangerous goods identification) prior to goods arrival

Contact your DHL representative or Electronic Shipping Solutions Team to learn more!

Have you completed a commercial or pro-forma invoice?

Yes

No



For DHL Express to clear shipments through customs on your behalf, the following must accompany your shipment:

- Commercial or pro-forma Invoice
- Any relevant licences or certificates
- A packing list (often required by destination Customs)

These documents can be submitted electronically using Paperless Trade (PLT) – or attached to your shipment where PLT is not accepted in the destination country.

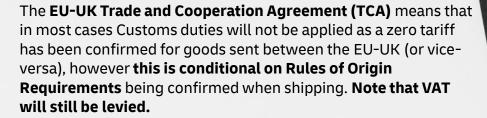
Equally essential is the **Waybill** (generated by the shipping tool). Customs will compare your shipping paperwork to the waybill details, so it's important to ensure all information is correct and corresponds.



Have you included a Proof of Origin statement?

Yes

No



Please check if your products comply with the agreed Rules of Origin in Chapter 2 of the Agreement, along with product specific Rules of Origin in the Annex. The Agreement can be found **here.**

To qualify for preferential treatment (zero tariff) at the time of import, the **Commercial or Proforma Invoice** must include a **proof of origin** statement – see next slide.

IMPORTANT

Please note that it is your responsibility to determine the Country of Origin of goods accurately and provide the relevant paperwork to DHL. Without the relevant paperwork, DHL will not be able to claim the duty relief. DHL reserves the right to charge or refuse future requests for post-clearance modification.



Proof of Origin

under the EU-UK Trade and Cooperation Agreement (TCA)

A proof of origin statement must be included on the Commercial or Pro-Forma Invoice stating that the goods originate from the UK or from the EU (where the requirements as per the Agreement for Rules of Origin are met).

- <u>For EU → UK shipments:</u> the origin statement on the invoice can be made out by **any exporter** where the value of the consignment is **6,000 EUR (currently £5,700) or less**. Above this amount the EU exporter must have a **Registered Exporter** (**REX) number** and include it in the statement.
- ► It is required to use the following **text for the origin statement on the Commercial or Pro-forma invoice**:

The exporter of the products covered by this document (Exporter Reference No. (REX or GB EORI number)) declares that, except where otherwise clearly indicated, these products are of preferential origin.

(Place and date)*

(Name of the exporter)

Do you know the commodity code for your product?



This code is also known as a HS/Harmonised System code. To identify the commodity code for your product(s) visit:

https://www.gov.uk/guidance/ask-hmrc-for-advice-onclassifying-your-goods

or

https://trade.ec.europa.eu/tradehelp/eu-product-classificationsystem

Ensure the commodity code is included on your commercial / pro-forma invoice & electronic data.

The commodity code can be used to identify the duties and taxes applicable in each country you're sending to.



Have you checked if any product restrictions apply in the UK or EU countries that you're sending to?

Yes

No

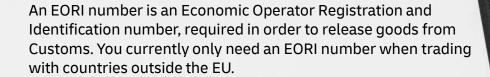


Certain goods may be subject to restrictions when shipping them between GB and the EU from 2021.

- Check if restrictions apply to the product you're sending to UK using our country profile guidance at www.dhl.com at the top right side of the dhl.com landing page.
- If your products are mentioned in the list of restricted goods, contact DHL Customer Service or your DHL representative to confirm the details of the regulation in place.

Have you confirmed your EORI number with us?





VAT-registered businesses were automatically issued with an EORI number in September 2019. Businesses without an EORI can apply for free at **www.gov.uk/eori**. Numbers will be sent by email within five working days.

As a priority, please inform our DHL team of your EORI number. Please also include it on Commercial Invoices and Waybills

to promote smooth customs processing and clearance.



Are you shipping goods subject to the Veterinary and Phytosanitary inspections, e.g. animals and animal byproducts or plant products?

Yes





Please note that as of January 1st 2021 between EU Member States and the UK, controls will apply to verify compliance with food and feed law, animal health and welfare, plant health and animal byproduct rules.

- DHL Express is not responsible for verifying if your product falls under Veterinary and Phytosanitary regulations – this requires product-specific expertise to understand the composition of the goods, manufacturing process etc.
- It is therefore important that your company product experts conduct the due diligence based on the regulatory requirements, to qualify if the products fall under the regulation (or not).

Examples of veterinary and phytosanitary goods are:

Animals and animal by-product, plants and plant products, feed and food of non-animal origin, laboratory samples of animal origin (e.g. blood or tissue), medications due to their nature or composition (e.g. lactose tablets or gelatin capsules) etc.

Are additional licences or certification needed for your product?

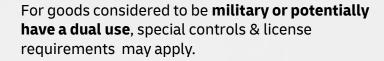
Licences are required in a number of cases:

- Goods considered to be military, dual-use, or subject to control due to trade conventions, such as Washington Convention or Kimberley Process
- CITES documentation, required for any movement of endangered species
- An ATA Carnet, for goods being temporarily exported/imported
- Certificates of Origin, required by certain destinations



Have you checked if there are special requirements for controlled exports that apply for your products?

Yes



- Please find more information at <u>Gov.uk</u> and <u>http://trade.ec.europa.eu/</u>
- To comply with Customs and Trade regulations, we may ask exporters to provide a declaration to confirm that their goods are not controlled.
- In cases where goods are subject to controls, we ask for an email pre-alert in advance.



Have you registered for **UK Postponed VAT Accounting,** and authorised DHL UK to follow this process?

Yes







In practical terms this means an improved cash flow for your business, as you will no longer be charged immediately for VAT by DHL.

There is no additional charge to use PVA with DHL Express, but if you wish to do so, you must provide confirmation to us – along with your VAT and EORI numbers – by email to emahubcmfupdate@dhl.com

More information on PVA is available on the UK Government site https://www.gov.uk/guidance/check-when-you-can-account-for-import-vat-on-your-vat-return.

PVA will be available for goods imported into Great Britain from anywhere outside the UK. For Northern Ireland it is available for goods imported from outside the UK and EU.

Postponed VAT Accounting (PVA)

From 1 January 2021 Postponed VAT Accounting (PVA) will be introduced for imports valued at <u>more than £135.</u>

PVA will allow registered UK businesses to **declare and recover import VAT on the same VAT Return, rather than having to pay it upfront and recover it later**. HMRC will provide digital statements detailing PVA transactions. This benefits your business in a number of ways, including:

- · Improved cash flow
- Fewer invoices to process from DHL, as you'll no longer receive invoices detailing VAT remittance
- Options on how you instruct DHL to clear your shipments. For example, if VAT is no longer paid upfront, do you require DHL to contact you for customs clearance? This may mean you can reduce the additional charges from DHL associated with contacting you for customs instructions

There is no additional charge to use PVA with DHL Express, but if you wish to do so, you must provide confirmation to us – along with your VAT and EORI numbers – by email to emahubcmfupdate@dhl.com

More information on PVA is available on the UK Government site https://www.gov.uk/guidance/check-when-you-can-account-for-import-vat-on-your-vat-return.

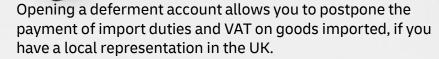
PVA will be available for goods imported into Great Britain from anywhere outside the UK. For Northern Ireland it is available for goods imported from outside the UK and EU.



Do you have a **deferment account for Import Duties & VAT?**

Ye

No



For GB Deferment Account

Apply: https://www.gov.uk/government/publications/import-and-export-deferment-arrangements-application-for-approval-c1200

Please authorise us to clear your shipments using your deferment account with form C1207N available on,

https://www.gov.uk/government/publications/import-and-export-deferment-of-duty-against-an-importers-deferment-approval-number-c1207

and advise us of your deferment account and if appropriate your CCG (Customs Comprehensive Guarantee) reference by emailing **emahubcmfupdate@dhl.com**.



UK Duties & VAT Deminimis Rules (before/after BREXIT)

Overview

| Goods Value | DUTIES | | VAT | |
|-------------------------|-----------------------------------|----------------------------------|-----------------------------------|----------------------------------|
| | Before BREXIT (up to Dec 2020) | After BREXIT (as of Jan 2021) | Before BREXIT (up to Dec 2020) | After BREXIT (as of Jan 2021) |
| Up to £15 | Exempt | Exempt | Exempt | Applied Upon Sale |
| Between £15 and £135 | Exempt | Exempt | Levied Upon Import | Applied Upon Sale |
| Above £135 | Levied Upon Import | Levied* Upon Import | Levied Upon Import | Levied Upon Import |

DUTIES

- * For Goods above £135: duties can be reduced (or 0%) if the goods qualify for Free/Preferential Trade Agreements, for example the EU-UK Cooperation & Trade Agreement (TCA) where duties are levied at 0%.
- → <u>IMPORTANT</u>: to qualify for the **EU-UK Cooperation & Trade Agreement (TCA)**, the exporter must indicate the Proof of Origin Statement on the Commercial/Proforma Invoice as required by <u>agreement</u> (on chapter 2)

The exporter of the products covered by this document (Exporter Reference No. (REX or GB EORI number)) declares that, except where otherwise clearly indicated, these products are of preferential origin. (Place and date)*

(Name of the exporter)

NOTE: Please note that it is the exporter's responsibility to determine the Country of Origin of goods accurately and provide the relevant paperwork to DHL. Without the relevant paperwork, DHL will not be able to claim the duty relief. DHL reserves the right to charge or refuse future requests for post-clearance modification.



→ For goods from £0 to £135:

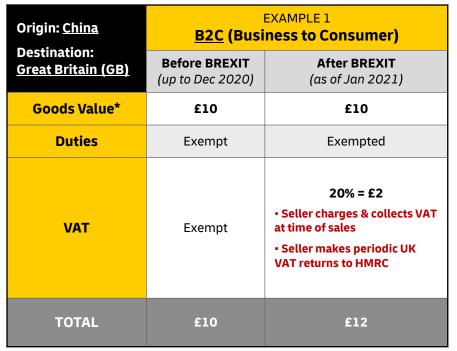
- ▶ If B2C (Business to Consumer):
- Seller must obtain a **GB VAT** Registration.
- Seller must **charge & collect GB VAT** at the **time of sales** of the goods (from GB consumers).
- Seller must make periodic GB VAT returns and pay HMRC as appropriate (https://www.gov.uk/vat-returns)
- ► If <u>B2B</u> (Business to Business):
- If selling to a GB VAT registered business, seller does <u>not</u> need to charge GB VAT, or include the transactions in the VAT return.
- Seller will need to have confirmation that his/her customer is GB VAT registered and their registration number. For more info, see link here.
- If the GB buyer is not VAT registered in GB, the VAT shall be applied upon sale (same as B2C).

→ For goods above £135:

- Goods above £135 follow the **same procedure as before (for both VAT and Duties)** i.e. DHL offers the option of outlaying Duties & Taxes on customer's behalf (upon a service fee).
- HMRC is also offering the option of **Postponed VAT Accounting (PVA)**
- PVA will allow registered UK businesses to declare and recover import VAT on the same VAT Return - for more info, click <u>here</u>

UK Duties & VAT Deminimis Rules (before/after BREXIT)

Examples: B2C & B2B



| Origin: <u>USA</u> | EXAMPLE 2 <u>B2B</u> (Business to Business) | | |
|---|---|--|--|
| Destination: <u>Great Britain (GB)</u> | Before BREXIT (up to Dec 2020) | After BREXIT (as of Jan 2021) | |
| Goods Value* | £10 | £10 | |
| Duties | Exempt | Exempt | |
| VAT | Exempt | • <u>0% VAT</u> if seller confirms that UK buyer is VAT registered in UK (due to the UK buyer being responsible for VAT accounting) • <u>20% VAT</u> if UK buyer is <u>not</u> VAT registered in UK (applied on Sales, same as B2C process outlined) | |
| TOTAL | £10 | £10 (if 0% VAT) £12 (if 20% VAT) | |

^{*}Goods Value: to determine whether a sale of goods is affected by these changes, you need to consider whether the selling price of the goods exceeds £135, exclusive of VAT. This is based on the intrinsic value (the price at which the goods are sold, excluding transport and insurance costs, unless they are included in the price and not separately indicated on the invoice). If the total invoice value is not itemized, then the total invoice value is used as base for duties/VAT assessment. It is important to note that the £135 threshold applies to the value of the consignment, not to each individual item.

UK Duties & VAT Deminimis Rules (before/after BREXIT)

Examples: C2C



C2C (Consumer to Consumer)

► C2C Goods Value Thresholds:

- Up to 39 GBP: exempted from Duties & VAT (only for personal gifts).
- Between 39 GBP and 135 GBP: exempted from Duty (but VAT levied upon Import) DHL disburses & charges customer.
- **Above 135 GBP**: Duty & VAT applies DHL disburses & charges the customer.

| Origin: <u>Singapore</u> | EXAMPLE 1 C2C (Consumer to Consumer) | | |
|------------------------------------|---------------------------------------|----------------------------------|--|
| Destination: Great Britain (GB) | Before BREXIT (up to Dec 2020) | After BREXIT (as of Jan 2021) | |
| Goods Value | £10 | £10 | |
| Duties | Exempt | Exempt | |
| VAT | Exempt | Exempt | |
| TOTAL | £10 | £10 | |

| Origin: <u>Singapore</u> | EXAMPLE 2 C2C (Consumer to Consumer) | | |
|------------------------------------|---------------------------------------|----------------------------------|--|
| Destination: Great Britain (GB) | Before BREXIT (up to Dec 2020) | After BREXIT (as of Jan 2021) | |
| Goods Value | £100 | £100 | |
| Duties | Exempt | Exempt | |
| VAT | 20% = £20 | 20% = £20 | |
| TOTAL | £120 | £120 | |

Changes to UK VAT: below 135 GBP

From 1 January 2021, UK VAT on goods valued up to £135 will be collected at the point of sale, and not the point of import.

This means that overseas businesses selling goods to be imported into the UK, valued between £0-135, will be required to charge and collect any VAT due at the time of sale. Alongside this, **Low Value Consignment Relief (LVCR) will be abolished**, meaning that VAT will be due on all sales of goods to UK consumers valued £0 - £135.* More information is available on <a href="https://www.gov.uk/government/publications/changes-to-vat-treatment-of-overseas-goods-sold-to-customers-from-1-january-2021/changes-to-vat-treatment-of-overseas-goods-sold-to-customers-from-1-january-2021.

What goods are included in these changes?

To determine whether a sale of goods is affected by these changes, you need to consider whether the selling price of the goods exceeds £135, exclusive of VAT. This is based on the intrinsic value**.

It is important to note that the £135 threshold applies to the value of the consignment, not to each individual item.



^{*}excludes all excise goods, and all C2C movements

^{**}the price at which the goods are sold, excluding: transport and insurance costs, unless they are included in the price and not separately indicated on the invoice

Changes to EU VAT

The EU will be moving to a similar VAT collection model to that being introduced in the UK, however this will be effective from July 2021.

When goods worth up to €150 are purchased from sellers outside the EU, VAT will be charged at the time of sale*.

The current €22 VAT threshold for importing goods into the EU will also be removed. This means VAT will be due on all non-document shipments from the UK to the EU.

More information is available on

https://ec.europa.eu/taxation_customs/business/vat/modernising-vat-cross-border-ecommerce_en.

*Provided the seller is registered in the Import One Stop Shop (IOSS). If not, the VAT will be collected from the consignee as per the Special Arrangements.



Do you offer a simplified returns process?

Yes

N

No



- Shipping an order to your customer pre-Brexit would fall under current European Union (EU) trade agreements.
- However if your customer then returns an item post-Brexit, it may need to have a commercial invoice to facilitate Customs clearance.

DHL can support you with understanding the Customs requirements for a compliant returns process.



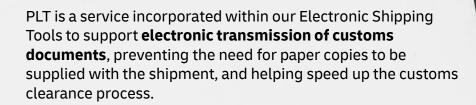
Are you using Paperless Trade (PLT)?

___Yes

Sometimes

No





- We recommend setting up and using PLT within your shipping tool where available.
- It is also worth using PLT as it provides a two-fold benefit: reduces potential delays as our data-entry team have earlier visibility and removes the requirement for physical paperwork.
- In addition, providing DHL with electronic Commercial Invoice line item data (on top of using PLT) will enable a smooth Customs Clearance.
- Please note that if original certificates or licences are required, you will need to include the original paperwork with your shipment and not use the PLT option for these documents.

Additional Information & Government Support

EUROPEAN COMMISSION LINKS:

EU-UK Trade and Cooperation Agreement

https://ec.europa.eu/info/files/eu-uk-trade-and-cooperation-agreement_en

BREXIT Overview, Publications/News, EU-UK Negotiations

https://ec.europa.eu/info/european-union-and-united-kingdom-forging-new-partnership_en

BREXIT Legislative Developments, Links to Member States

https://ec.europa.eu/info/brexit/brexit-preparedness_en

UK GOVERNMENT LINKS:

UK Government Transition Guide

https://www.gov.uk/transition

How to Import/Export to/from UK, EORI Registration, Duty/VAT, Customs Declaration

https://www.gov.uk/topic/business-tax/import-export

Export Control Guidance

https://www.gov.uk/guidance/exporting-controlled-goods-after-eu-exit

UK Government Imports and Exports Helpline

http://www.gov.uk/contact-brexit-import-export-helpline

British Chambers of Commerce Brexit Hub

https://www.britishchambers.org.uk/page/brexit-hub





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