

Loss prevention standards

Brexit: Be Prepared

The UK exit from the European Union finalises on January 1 2021, and there will be new rules for businesses. Have you considered the impact on your business?



Brexit: Be Prepared



Brexit – The Concerns for Business

The UK leaving the European Union (EU) has left businesses with a great deal of uncertainty about how they, their operations and daily business will be affected. From 1 January 2021, there will be new rules and the UK Government has released guidance to help.

There are a number of concerns and this document will cover the latest advice for businesses regarding:

- Importing from the EU
- Exporting to the EU
- Border Operating Model
- Workforce - Rights to Work in the UK
- Supply Chains
- Business Continuity



Key Points

Brexit has seen the EU lose its second-largest economy, its third-most populous country, and the second-largest net contributor to the EU budget (*source European Commission*).

The UK will no longer be a shareholder in the European Investment Bank, where it holds 16% of the shares.

After Brexit, the UK will have the final say over the laws that govern it. Under the European Union (Withdrawal) Act 2018, EU laws will no longer have supremacy over UK laws. To maintain continuity, the Act converts EU law into UK law as 'retained EU law'. Following Brexit, the British parliament can decide which elements of that law to keep, amend or repeal. UK courts will also no longer be bound by the judgments of the EU Court of Justice.

The UK will be able to control immigration from the EU and European Economic Area (EEA), and the government's 2018 white paper proposes a 'skills-based immigration system' that prioritises skilled migrants. Brexit may result in a decline in immigration from EEA countries to the UK. Any foreign national wanting to do so, more than just temporarily, will need a work permit.

After Brexit, the UK will leave the Common Agricultural Policy (CAP), which provides government financial support to farmers in the EU. Brexit allows the UK to develop its own agriculture policy. The Agriculture Bill is intended to replace the CAP with a new system. The UK will also leave the Common Fisheries Policy (CFP) that allows all EU countries to fish within 12 nautical miles of the UK coast and lets the EU set catch quotas. By leaving the CFP, the UK could develop its own fisheries policy. The UK will also leave the London Fisheries Convention that lets Irish, French, Belgian, Dutch and German vessels fish within 6 nautical miles of the UK's coast.

By leaving the EU, the UK would leave the European Common Aviation Area (ECAA), a single market in commercial air travel, which will mean negotiating new relationships with the EU. The UK has its own air service agreements with 111 countries, which permit flights to-and-from the country, and a further 17 countries through its EU membership, which are understood to have been replaced. Ferries will continue to operate, but with some new obstacles such as changes to immigration controls and customs checks.

These are some of the headlines, but there will be many other concerns for business, specific to their own circumstances.

LOSS PREVENTION STANDARDS

Importing from the EU

There are 5 Steps to take in the UK Government's latest advice.

1. The two types of importing that require different guidance:
 - a. Firstly, Importing by Post, where the importer will need to complete customs documents, and Notice 144 on [GOV.UK](#) explains this process.
 - b. Secondly, Importing Goods from Outside the EU, which has a different set of rules regarding Customs, Licensing, VAT, etc. This is not part of this document, but is covered at the following [link](#).
2. Customs declarations - Currently, UK businesses have to make formal declarations for goods imported from outside the EU. However, from 1 January 2021 this set of rules will apply to all EU countries also. The customs declarations can be completed by the importer, though specific software may be required, or by Freight Forwarders used in the import.

There will also be new rules for particular types of goods. A licence or certificate to import will be required for some types of goods coming into the UK. In addition, an inspection fee may need to be paid for some goods before they are allowed into the UK.

Animals, plants, food and agricultural products, drugs, chemicals and waste, will all require licences, and could incur additional fees. Further guidance is available at the following [GOV.UK link](#).

Marking, labelling and marketing standards which organisations must follow to import and export food, plant, seeds and manufactured goods from 1 January 2021, need consideration. [Click here](#) for guidance.

Also affected from 1 January 2021, is the process for [Importing Excise Goods](#), alcohol, tobacco and certain oils. This sees these imports treated the same from EU countries as the rest of the world.

3. An EORI number that starts with 'GB' to import goods will be needed from 1 January 2021. If one is not in place increased costs and delays could be incurred. For example, if HM Revenue and Customs (HMRC) cannot clear goods, storage and handling fees may need to be paid. If a business needs an EORI number or already has one, but it does not start with 'GB', the following UK Government [guidance](#) shows how to apply for a new one.

The process usually takes around a week. An EORI number is not required if a service is just being provided.

4. Duty and tax - Customs duties and VAT will now need to be paid on all imports. From 1 January 2021, the UK Global Tariff will apply to all goods imported unless an exception applies. The UK Government has provided a [tool](#) to check online any specific requirements. To use this service a commodity code or product description will be needed. In general, the standard rate of VAT is 20%.
5. Make the process quicker - From 1 January 2021, a customs declaration will need to be made when goods are imported from the EU. In some situations, it is possible to [delay a declaration for up to 6 months](#) after the goods have been imported, by recording the import details in your own records. There are some qualifiers, but this could smooth the initial impact on requirements in certain situations. This will only apply to non-controlled goods.

Exporting to the EU

Similarly, to importing, there are 5 recommended steps:

1. Do the new rules apply to you? If posting goods to the EU, or exporting to countries outside the EU, the following steps do not apply to a business and the existing rules apply.
2. As with importing, from 1 January 2021, a Customs declaration needs to be made when exporting goods to the EU, in the same way exports have been processed with the rest of the world. Licences and certification could also be required in respect of certain exports.
3. As with Imports, an EORI number that starts with 'GB' **will be needed** to export to EU countries.
4. VAT and zero-rate - From 1 January 2021, customers can be charged VAT at 0% (known as 'zero-rate') on most goods exported to the EU. The following [link](#) explains how and why a zero-rate could be applied.
5. Are your EU customers ready? - EU businesses importing goods will also need to prepare for 1 January 2021. This is the same as if exporting to them. Before sending/exporting any goods, checks should be completed to ensure the customer is ready to provide the appropriate import customs declarations, and that they have a licence or certificate to import the goods.

Travel to and from the EU, and Border Control

On 8 October 2020 the UK Government published an updated Border Operating Model, which provides further details on how the GB-EU border will work and the actions that traders, hauliers and passengers need to take.

A summary of the updated [GB-EU Border Operating Model](#) is as follows (from GOV.UK):

- It maps out the intended locations of inland border infrastructure. The inland border inspection sites will provide the necessary additional capacity to carry out checks on freight.
- It announces that passports will be required for entry into the UK from October 2021. The UK Government is phasing out the use of EU, EEA and Swiss national identity cards as a valid travel document for entry into the UK.
 - Identity cards are among the least secure travel documents seen at the border and ending their use is expected to strengthen UK border security.
- It confirms, after extensive engagement with industry, that a Kent Access Permit will be mandatory for HGVs using the short strait channel crossings in Kent. The easy-to-use 'Check an HGV' service will allow hauliers to check if they have the correct customs documentation and obtain a Kent Access Permit.

On 18 November 2020, UK Government guidance was issued for hauliers and commercial drivers transporting goods between Great Britain and the EU from 1 January 2021. The [guidance](#) explains:

- What documents, licence and permits will be needed including motor insurance Green Cards
- How to follow the new rules to manage traffic heading to ports
- The new border control processes

There will be separate guidance on moving goods between Great Britain and Northern Ireland.

Workforce - Rights to Work in the UK

When the UK left the EU in January 2020, a 1-year Transition Period began which ends on 31 December 2020. From 1 January 2021, free movement will end and a new points-based immigration system will apply to anyone arriving in the UK. This means if people do not already live in the UK or have rights under the Withdrawal Agreement, as an EU, EEA or Swiss citizen, they will need to meet specific requirements in order to study or work in the UK. Individuals who businesses want to hire from outside the UK, excluding Irish citizens, will need to apply for permission in advance. The latest immigration guidance from the UK Government for employers can be [found here](#).

Checking an EU Citizen Job Applicant's Right to Work

Until 30 June 2021 businesses need to continue to **check a job applicant's right to work** in the UK.

Job applicants can prove their right to work, in the following ways:

- EU, EEA or Swiss citizens can use their passport or national identity card
- Non-EU, EEA or Swiss citizen family members can use an immigration status document listed in the [Right to work checks Employer Guide](#)
- EU, EEA and Swiss citizens and their family members can use the online [Right to Work Checking Service](#)

If an applicant uses the online checking service this will generate a share code. The employer must then use the [Employers' Online Service](#) to check their right to work using this share code.

Irish citizens will continue to prove their right to work in the UK as they do now.

Note: The above links, connect directly to the relevant services, and to the UK Government guidance on this subject.

EU Settlement Scheme

Businesses with EU, EEA, or Swiss nationals, living and working in the UK before 1 January 2021, can [support](#) their employees to [apply](#) for settled or pre-settled status under the EU Settlement Scheme, to enable them to continue living and working in the UK beyond 30 June 2021. Following this application, if granted, persons will be given settled status or pre-settled status.

Settled Status

Applicants will usually obtain settled status if they started living in the UK by 31 December 2020 and have lived in the UK for a continuous 5-year period (known as 'continuous residence'). There are exceptions, and these can be found [here](#).

Pre-settled Status

For people who started living in the UK by 31 December 2020 but do not have 5-years' continuous residence when their application is made, pre-settled status will usually be given. This enables them to stay in the UK for a further 5-years from the date they are allocated pre-settled status.

An application to change this to settled status once 5-years' continuous residence has been achieved, can be made, by applying before pre-settled status expires.

Frontier Workers

This term applies to those who work in the UK but live outside of the UK, for example, coming to the UK during the week but returning home to another country outside the UK, at the weekends.

[Frontier workers](#) working in the UK on or before 31 December 2020 will be able to maintain their status but will need to register under the Frontier Worker Permit Scheme. This scheme launches on 10 December 2020. Registering in this way will only be available until 30 June 2021.

UK Citizens Working in the European Union

From 1 January 2021 any UK resident wishing to live or work in any EU country, whether permanently or on a short-term basis will need to check the particular country's immigration rules and apply accordingly to the authorities in that country.

Supply Chains

Brexit brings with it supply chain issues across all businesses buying products, from even long-standing suppliers in the EU. As detailed in the previous sections of this document, those suppliers will need to comply with new measures, and the possibility of new licencing, etc. to enable them to export to a customer in the UK.

There are also the issues of costs: product costs; logistics costs and taxes, that may be different to before Brexit.

Fully risk assessing a supply chain and considering known Brexit arrangements, is essential in ensuring a resilient service to customers. It is possible that there could be minimal impact with a direct supplier, Tier 1 in a supply chain, but smaller suppliers of components, etc., Tier 2 or 3, to a Tier 1 supplier, may be impacted by the changes and this can then impact a Tier 1 supplier's ability to supply in the same way as they did before.

The additional costs and administration required could see UK suppliers of comparable goods, previously seen as too expensive, now become a viable alternative, avoiding the customs and transport issues.

Supply Chain Risk Management and Assessment is key in removing any uncertainty. Assessing each link in the supply chain, including suppliers of a supplier, will help highlight any problem areas, enabling action to be taken to help ensure resilience in a supply chain and help provide the products as 'normal' for a customer.

Though any issues from within the supply chain may not be a business' direct fault, customers not receiving their product will experience this impact and will likely consider that as being a failure to provide the necessary service/product. Therefore, being pro-active and assessing a supply chain can protect a reputation, as well as a business.

Aviva, working with the RISCAuthority, have produced a [Supply Chain Risk Assessment Tool](#). This is a web-based solution to help organisations manage and maintain their supply chain risks, which is available free of charge to Aviva clients on our [Risk Solutions website](#).

Business Continuity

As with reviewing and monitoring a supply chain, considering the impact on a Business Continuity Plan (BCP) is also essential. Brexit comes at a time when the world is battling the Coronavirus pandemic, and this unprecedented time has seen most businesses impacted in one way or another. As a result, all organisations should be looking at reviewing and updating their BCPs. The Business Recovery part of the BCP, will have been built from priorities arising from the Business Impact Analysis (BIA) previously completed. This is the centre of Continuity Management and should be the first part revisited and reviewed. Current issues, and the impact on the existing BIA, should include not only Coronavirus, but also the effect Brexit could have on what's been laid out as a strategy for business recovery.

For example, an existing supplier located in the EU who may currently be relied on for assistance in the recovery phase, may now not be able to provide an increase in production, considering Brexit requirements, customs, licensing, etc. after 1 January 2021. It could also be the case that an EU-based business is identified in an existing 'Pre-Brexit' recovery plan, to be used in an emergency and aid recovery, but it has not previously been used before, and may now not be a viable option without further measures in place.

Also, in taking on an EU-based supplier of a product, their BCP may have been previously audited to see what arrangements would be in place should they have an incident. It may now be found that the organisation the supplier has as recovery assistance, would now not be able to do what was planned previously due to the Brexit requirements.

There are a number of areas that Brexit may have affected or impacted in existing BCPs. Looking at priorities arising from quantified and qualified BIAs and asking questions of each to ensure recovery processes and time-scales are still appropriate and achievable, will make any contingency plans more robust, realistic and up to date, considering the challenges in today's business world.

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For more information please visit:

[Aviva Risk Management Solutions – Specialist Partners](#)

Sources and Useful Links

- [Brexit transition](#) – GOV.UK
- [The Border Operating Model](#) – GOV.UK
- [The transition period ends in January 2021](#) – Health and Safety Executive – Guidance for Businesses

Additional Information

Relevant Loss Prevention Standards include:

- Business Continuity
- Business Continuity – Testing and Maintenance
- Business Impact Analysis
- Business Interruption – Indemnity Periods and Maximum Indemnity Periods
- Supply Chain Risk Management

To find out more, please visit [Aviva Risk Management Solutions](#) or speak to one of our advisors.

Email us at riskadvice@aviva.com or call 0345 366 6666.*

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