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## PREPARING FOR BREXIT: A Guide for SMEs

Prepare your business by checking the new rules that will apply from the 1<sup>st</sup> January 2021 and take action now.

The UK left the EU at 23:00 GMT on Friday 31 January 2020. There is now a transition period until the end of 2020 while the UK and EU negotiate additional arrangements.

This guide will help SMEs prepare for Brexit. The guide includes:

- A handy checklist;
- Clear and simple sections explaining the key implications of Brexit;
- Links to resources, tools and further information; and
- Guidance on steps SMEs need to take to prepare for Brexit.

The guide specifically provides information and pointers about changes that will impact all SMEs – from importing/exporting goods and data protection/GDPR, through to intellectual property, contracts and the impact on your workforce. This guide also provides lots of helpful links to specific resources and tools to help you prepare for Brexit and trading in 2021 and beyond.

This is a must-read resource for all SMEs.

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Please do get in touch if you would like to receive some guidance or advice that is specific to your business and your circumstances.

For further information please contact Sam Lyon on 01228 516666

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## Table of Contents

Preparing for Brexit – Infographic.....	<b>Error! Bookmark not defined.</b>
Key considerations for SMEs as they prepare for Brexit .....	3
Where will you get cash if you need it?.....	3
Does your business import or export goods? .....	4
Four crucial steps for all importers and exporters to take now.....	5
Taxes and insurance .....	7
Data protection and GDPR in a post Brexit world.....	7
Brexit and IP – how can you protect your intellectual property? .....	8
Contracts .....	8
Brexit impact on your workforce.....	8
EU Transition – A Checklist & Roundup.....	9

## Key considerations for SMEs as they prepare for Brexit

Over the next few pages, please find more detail and background information about the various things that you need to be doing and considering.

### Where will you get cash if you need it?

With both Brexit and Covid, cashflow for most businesses has been stretched, and may be for some time to come.

Covid measures including furlough and tax deferrals will end. Businesses need to fund the full cost of employees, pay taxes due, and start making repayments for any loans they have availed themselves of.

The economic consequences of Brexit are unclear and will depend on the free trade agreements that the UK can negotiate with the EU and other key trading partners. These may not be fully in place when the transition period ends (31<sup>st</sup> December 2020). Businesses therefore need to plan ahead and think about how they could deal with further economic uncertainty which might affect sales, the collection of debtors or inventory levels. You may need more cash to hand to ensure you can continue to make payments on time and meet your contractual obligations.

### Key considerations

- What money do you need?
- Why is it needed?
- When do you need it?
- Where will you get in from?

## Action 1

### Complete a cashflow forecast.

Please contact us for a free cashflow forecasting template.  
If you would like some assistance in preparing a full cashflow forecast plus some advice, please get in touch.

### Does your business import or export goods?

If your business imports or exports goods either as sales or in your supply chain, there are a number of things you need to do and be aware of.

Custom duties in the UK are a tax levied on imports. Currently there are no tariffs on trade within the EU customs union, but unless the UK reaches a free trade deal with the EU, they will apply to UK-EU trade.

At present, the UK's trade with the rest of the world is subject to EU tariff rates, once the UK leaves the EU, the tariffs will depend on preferential trade agreements the UK has negotiated.

It is likely these will differ from country to country or will be determined by the World Trade Organisation (WTO) where no tariff has been negotiated. WTO rules stipulate "most favoured nation" tariff rates where a preferential tariff has not been negotiated.

To illustrate, for a clothing manufacturer that imports materials from the EU for the manufacturing of their clothing, a new tariff may apply if there is no free trade arrangement with the EU. If so, this will result in increased costs plus will impact on contracts and other aspects of your business relationship with that supplier.

It is also worth noting that the rate of tariffs depends on three elements:

- The type of goods (commodity code);
- The country they are being imported into; and
- Where they are judged to have 'originated'.

HMRC have outlined 6 methods of valuation with 'transaction value' being the first method.

The government has a helpful page and tool detailing commodity codes, duty and VAT rates: <https://www.gov.uk/trade-tariff>

## Key steps all importers and exporters should take

### Action 2

#### **Make sure the classification of your goods (tariff /commodity code) are correct**

- If you source your raw materials from outside the UK, what are the cost and tariff implications?
- If you source your raw materials in the UK, check with your supply chain to see if they are reliant on suppliers from outside the UK as this could impact you indirectly.
- Where do you sell your goods? If overseas, what are the implications for tariffs, pricing and shipping?

### Action 3

Use the [Trade Tariff](#) to look up commodity codes, duty and VAT rates.

Find out how to contact HMRC in order to get help with a commodity code and what information you will need to send them.

### Action 4

[Ask HMRC for help to classify your goods](#) or find out how to get a legally binding decision on the commodity code to use for your goods.

[Apply for a Binding Tariff Information decision.](#)

### Action 5

#### **Ensure your company is registered for both imports and exports**

Does your UK company have an EORI number that starts with GB?  
From 1 January 2021 you will need an EORI number to move goods between the UK and the EU.

Apply for your EORI in advance. It can take up to a week to get one.  
If you use a post or parcel company, they will tell you if you need an EORI number.

You'll need an EU EORI number if your business will be making customs declarations or getting a customs decision in the EU. Get this from the customs authority in the EU country where you submit your first declaration or request your first decision.

### Action 6

#### **If you already have an EORI number:**

From 1<sup>st</sup> January you will need an EORI number that starts with GB to move goods to or from the UK.

Check your EORI number. Apply for a new one if yours does not start with GB.

<https://www.gov.uk/eori>

## Be ready for the new customs paperwork

Regardless of whether a deal is reached between the UK & EU, import and export customs declarations will be required for the movement of goods as of 1<sup>st</sup> January 2021.

It is estimated that the number of customs declarations will increase from 50 million to 200 million.

### Action 7

Exporters are urged to speak with their customs broker or import-export agent who acts on their behalf to secure the service they need beyond the 31<sup>st</sup> December or look at setting up your business to make declarations internally.

### [Customs declarations for goods you bring or receive into the UK or EU](#)

HMRC has made funding of £50 million available to enhance its Customs Grant Scheme. Since the 29<sup>th</sup> July 2020, organisations have been able to apply for funding to reimburse a number of costs associated with increasing their capacity and enhancing their ability to complete customs declarations, ahead of the new rules from January 2021.

Further information about the [Customs Grant Scheme](#).

## Check the new UK tariff for imported goods

From the 1st January 2021, the UK will apply a UK-specific tariff to imported goods.

This UK Global Tariff (UKGT) will replace the EU's Common External Tariff, which applies until 31st December 2020.

### Action 8

Check the tariffs that will apply to goods you import when the UK Global Tariff takes effect on the 1st January 2021:

### [Check UK trade tariffs from 1 January 2021](#)

As we approach the end of the Transition Period it is important that businesses involved in international trade use this time to prepare for life outside the EU, including new customs arrangements.

## Taxes and insurance

Brexit will impact on a number of areas including import VAT, insurance and VAT registration in the EU.

### Action 9

Check the detailed HMRC, ABI and UK Government guidance to see what steps you need to take.

The Chamber of Commerce has produced a very helpful guide and checklist – covering this plus many more areas - which you can download here:

<https://www.britishchambers.org.uk/page/post-transition-brexit-checklist>

## Data protection and GDPR in a post Brexit world

After the transition period ends on 31 December 2020 the EU GDPR will no longer be law in the UK. However, as the UK government intends to write the GDPR into UK law, from all practical perspectives, GDPR will continue to apply.

This means UK organisations and individuals that process or transfer the personal data of EU-27 citizens from the EU to the UK may need to take action to continue the free flow of data from the EU to the UK and guarantee the protection of EU data subjects. The action required will vary according to whether there is a deal (as set out in any withdrawal agreement) or no deal.

After the transition, the UK will be a "third country" until the EU makes an adequacy decision regarding the UK. Until then, the transfer of personal data from the EEA to the UK will only be allowed if 'appropriate safeguards' are in place. Such safeguards include Standard Contractual Clauses (SCCs). SCCs must be inserted into contracts (whether controller to controller or controller to processor) before Brexit, and their wording must follow that approved by the European Commission.

Transfers of personal data to the EU/ EEA from the UK will not be affected and transfers to and from countries outside of the EU/EEA will be subject to the same rules as now.

### Action 10

The Information Commissioner's Office (ICO) has published a checklist of six steps that businesses can take now to start preparing for data protection compliance in the event of no-deal.

View this checklist here:

<https://ico.org.uk/for-organisations/data-protection-at-the-end-of-the-transition-period/>

The government has produced guidance on using personal data after Brexit, this is available here: <https://www.gov.uk/guidance/using-personal-data-after-brexit>

### Brexit and IP – how can you protect your intellectual property?

At the current time it is unclear whether trademarks registered in the EU would be applicable to the UK in the future.

### Action 11

If you own any intellectual property rights, check with your solicitor or IP adviser to ensure you will be protected from 1<sup>st</sup> January 2021.

### Contracts

Some of the terms in existing contracts may no longer be relevant post-Brexit or may raise legal or practical questions in the future.

If your contracts - e.g. terms of business, sale of goods, employment contracts – make reference to the UK being a member state of the EU or rely on EU regulation, then they may need revising.

### Action 12

Contact your legal adviser and conduct a review of all your contracts and terms.

### Brexit impact on your workforce

Brexit impacts on your workforce in a number of ways, including:

- From January 2021 there will be a new immigration regime



- EU/EEA/Swiss nationals who wish to live and work in the UK
- Recognition of qualifications
- Travel (visa requirements, passport rules)

### Action 13

Existing employees of UK companies who are EU nationals will need to apply for **settled status**.

It is important to plan for cut-off dates and any differential status that might apply to new arrivals to the UK.

### Action 14

Do you employ UK nationals living in the EU/EEA/Switzerland? If so, check out this government guidance:

<https://www.gov.uk/guidance/living-in-europe>

### Action 15

Do you have staff that travel to the EU for work, if so, check out the guidance for travel and visa requirements for the EU here:

<https://www.gov.uk/visit-europe-1-january-2021>

## EU Transition – Roundup

As you can see, there are a number of considerations for SMEs as we exit the EU. This guide has highlighted some of the key considerations you need to take into account.

There are many guides, tools and checklists available to help you.

**Prepare your business by checking the new rules that will apply from the 1<sup>st</sup> January 2021 and take action now.**

The online government tool [Check how to get ready for new rules in 2021](#) will guide you through a series of questions and provide you with a list of results to support you getting ready for the new rules.

The most helpful resources we refer to you are the Government guidance and advice, in particular this handy tool that will help you produce a tailored action list for your business based on you answering a series of questions. Please click on the link in the box to the right.

[Link to online government tool to receive tailored action list to help you prepare for Brexit](#)

The guide and checklist produced by the Chamber of Commerce is also highly recommended as it provides a number of additional links plus explanations that you will find useful. Please click on the link in the box to the right.

[Link to a helpful checklist from the Chamber of Commerce.](#)

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Brexit brings with it many changes, therefore it's important that you take the necessary actions to protect your business and ensure you can continue to trade.

Please do get in touch to receive guidance and advice that is specific to your business and your circumstances.

For further information please contact Sam Lyon on 01228 516666

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