



IS YOUR ORGANISATION
PREPARED FOR A
NO DEAL EU EXIT
on 31st October 2019?

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JOHN WHALLEY



AEROSPACE WALES CEO

“ Since the results of referendum were announced in June 2016, Aerospace Wales has worked closely with both the UK Government and the Welsh Government to ensure all our members have been fully briefed on the implications for organisations of the UK’s decision to leave the EU. During the intervening years we have held numerous members’ meetings to brief our members on the current status of the EU Exit and held Brexit workshops so that members could share best practice. We now stand at a point in time where the current Political stance is that we will be leaving the EU on 31st October 2019, either with or without a deal. With support from UK Government, Aerospace Wales has produced this definitive guide to what all organisations must do now to ensure they are prepared for a no deal exit. I therefore entreat you to read the following and act appropriately so that you, and your organisations, are in the best possible position to be prepared for the new business environment on the 1st November 2019. ”

John Whalley

AEROSPACE WALES CEO



DOES YOUR BUSINESS EXPORT TO THE EU OR IMPORT FROM IT?

Currently, trading with business in the EU requires the same paperwork as trading with businesses in the UK. If the UK leaves the EU with no deal it leaves the Single Market and the Customs Union and all UK companies exporting to or importing from the EU will have to make additional customs declarations and prove goods comply with EU or new UK regulatory standards.

Your organisation, or your importer, needs an EORI (Economic Operator Registration & Identification) number that starts with GB to move goods into or out of the EU. If you already have a 12 digit EORI number beginning GB and including your VAT number, you can continue to use it.

If you do not have a GB EORI number by 31st October and there is a no deal exit you will face increased costs and delays as if HMRC can not clear your goods you will face additional costs, such as having to pay storage fees.

EORI TEAM CONTACT: ☎ 03003 227 067

or apply now www.gov.uk/eori



WHO WILL MAKE YOUR EXPORT DECLARATIONS?

If you decide to submit customs declarations yourself you'll need to register for the National Export System and purchase third party software that can submit declarations.

Due to the complexities of exporting you may decide to hire a person or business to deal with customs for you such as a freight forwarder, customs agents or brokers or fast parcel operators. Whoever you choose, they will need to be established in the EU.

IMPORTS & EXPORTS BREXIT ENQUIRIES: ☎ 03003 301 331

When travelling in the EU on business even Merchandise in Baggage (MIB) below £900, including trade samples, spare parts or are for commercial sale, will require your EORI number and declaring. An online declaration must be made at least 5 working days before leaving the UK. You'll be given a reference number to show to Border Force at the UK border. Carrying goods valued at more than £900 will need a full declaration submitting. Items to be used as gifts, such as giveaways at tradeshow are exempt.

If UK leaves without a deal the same rules will apply as the rest of the world when you're moving goods to EU Countries. Most countries have a limit on the value of goods you can bring in duty free. To avoid paying duty on goods you bring in for temporary business reasons, such as if you are looking to take samples to a trade show or a sales meeting, you need to apply for an annual ATA Carnet, which costs £325.96 and you'll need to pay a security deposit.

NATIONAL ATA CARNET UNIT: ☎ 03003 227 064

ASSESS YOUR EXPOSURE TO CUSTOMS CHECKS & DELAYS AT THE UK-EU BORDER



A no deal Brexit means the UK will leave the EU Single Market and the EU Customs Union. Therefore, goods moving across the UK-EU border will need to be declared for customs purposes. Many UK and EU ports lack the physical and technological capacity to handle increased customs checks, which could result in delays at the UK-EU border. All organisations must consider how resilient their supply chain is to border delays, which contracts have penalties for late delivery and what would be the cost of warehousing spare stock or components.



CHECK TEMPORARY RATES OF CUSTOMS DUTY (TARIFFS) ON IMPORTS AFTER A NO-DEAL BREXIT

If the UK leaves the EU with no deal, you may need to pay different rates of customs duty (tariffs) on imports into the UK. These rates would only be applied if the UK were to leave the EU with no deal and would be in place for up to 12 months. If you need to pay customs duty, the rates (tariffs) could vary depending on where you import your goods from. The UK Trade Tariff tool will be updated with the new rates of customs duty (tariffs) if the UK were to leave the EU with no deal on the 31st October 2019.

APPLY FOR TRANSITIONAL SIMPLIFIED PROCEDURES

In a no-deal Brexit, UK businesses that import goods will need to apply the same procedures to EU trade that apply when trading with the rest of the world. HMRC has introduced transitional simplified procedures to help businesses import goods from the EU.

Transitional simplified procedures reduce the amount of information you need to give in an import declaration when the goods are crossing the border from the EU. They do this by letting you delay submitting a full declaration and paying any duty.



RULES OF ORIGIN IN UK-EU TRADE

If the UK exits the EU without a deal, it is likely that anyone exporting goods into the EU will need to comply with Rules of Origin and prove the origin of the various components in their product. This is particularly complicated if your components are manufactured in more than one country.

There are two types of origin classification. Preferential origin is where the UK has a trade deal with another trading bloc and UK exporters have to prove that their product or services were wholly manufactured in the UK and do not require additional tariffs. Non-preferential origin is where the UK does not have a trade deal with another trading bloc and it has to identify where each component part of its product or service originates from, so that tariffs can potentially be applied and so that checks can be done to see that local rules and regulations are being complied with.

Businesses will need to review their supply chain and manufacturing processes to determine what actions may be needed to establish UK origin. This may include an audit of your suppliers covering where they source their materials. Likewise, as a supplier, you may need to provide your customers in the UK with proof of where you source your content.



GDPR (General Data Protection Regulation)

If you are a UK business or organisation that receives data from contacts in the EU you need to take extra steps to ensure that the data can continue to flow after Brexit. The best preparation for data protection after Brexit is to comply with the GDPR.

The UK is committed to maintaining the high standards of the GDPR and the government plans to incorporate it into UK law alongside the Data Protection Act 2018 after Brexit. The UK government has stated that data transfers to the EU will not be restricted. So if you send data from the UK to the EU you will still be able to do so and you don't need to take any additional steps. If a business or organisation in the EU is sending you personal data, then it will still need to comply with EU data protection laws.

Make sure you review your privacy information and documentation to identify any minor changes that need to be made after Brexit.

EU CITIZEN EMPLOYEES

It is the responsibility of the individual to make an application to the EU Settlement Scheme. There is no requirement for the individual to inform you, as an employer, that they have applied or the outcome of their application. Likewise, you are not required to check that an employee has applied. Current 'right to work' checks (e.g. passport and/or national identity card) apply until the end of 2020. There will be no change to the rights and status of EU citizens living in the UK until 30 June 2021. You will not be required to undertake retrospective checks on existing EU employees when the UK transitions to the future skills-based immigration system.

www.gov.uk/eu-settled-status

INTELLECTUAL PROPERTY

The UK is seeking to take part in the forthcoming European Patent system even after leaving the EU. The tax treatment of IP may well be more flexible after Brexit – businesses need to keep this under review. The UK Government has recently announced that all existing EU trade marks and designs belonging to UK proprietors will retain protection post-Brexit. The UK plans for continued recognition of existing rights in the UK by recreating protections in UK law. This applies both to registered and unregistered rights and they will also cover wider mechanisms and arrangements relating to IP, such as cross-border copyright.

FINANCE

Brexit has served to highlight important finance considerations for British businesses. To navigate through this period of flux, companies will need to ensure financial resilience through actively managing multi-currency budgets, cash flow and projection, currency management, optimisation of their capital structure, and ensuring that appropriate types of funding are utilised. Consider talking to your bank or finance providers about addressing potential cash flow or working capital issues and what overdraft and lending facilities can be put in place as an insurance policy.

Even though the final shape of Brexit is still unknown, UK companies are likely to face increased costs, for example new administration costs of moving goods across the UK-EU border, import VAT, import tariffs and added costs from new customs procedures or border delays. These new costs would be in addition to the existing global competitive pressures to increase production, improve productivity and cut back costs.

STERLING FLUCTUATIONS

Recent movements in the euro-sterling exchange rate has been exacerbated by the political uncertainty surrounding Brexit, directly impacting the bottom line of some businesses. The lower sterling value has directly impacted importers' profit margins, whilst exporters may see benefits as they become a more attractive option to foreign buyers. You may wish to consider alternative options to source inputs from new suppliers or import through other non-EU countries with more favourable rates to mitigate risks.



VAT CHANGES

There is a possibility that the UK could leave the EU VAT area following Brexit, which would result in import VAT being payable at the border for goods imported from the EU. These additional costs will need to be considered in financial planning and ways to mitigate potential cash flow implications. Businesses trading in services may need to register for VAT or appoint a fiscal agent in every EU member state where they supply customers.

EASA (European Union Aviation Safety Agency)

The stated preference of the UK Government and the CAA (UK Civil Aviation Authority) is that the UK remains part of the EASA aviation safety system post Brexit.

THIRD COUNTRY APPROVALS FROM EASA

As part of the EU mitigation measures, EASA has opened an early application system for UK aerospace companies to obtain Third Country approvals, which will allow products to continue to be recognised within the EASA system in the event of No Deal. Many UK companies have already applied and obtained Third Country certification, but any aerospace company which has yet to do so should consider applying as a matter of urgency, as this will be the only way to keep releasing new products into the European market immediately after a No Deal Brexit.

Further details can be found on the EASA website www.easa.europa.eu/brexit-early-applications



AVIATION

UK aviation will be as safe after we leave the EU as before. In the no deal scenario, the CAA would recognise EASA certificates, approvals and licences for use in the UK aviation system and on UK-registered aircraft at least for a period of two years following Brexit. It would, in the UK's view, be in the EU's interests to recognise UK certificates, approvals and licences in the same way.

Engineers with a UK issued licence would be able to maintain UK registered aircraft, but not EU registered aircraft unless the EU decides to recognise UK engineer licences. The UK CAA would allow engineers licensed by other EASA member states to maintain UK aircraft for up to two years after Brexit.

The CAA would recognise the validity of existing UK companies with design approvals issued prior to Brexit by EASA. The UK CAA would continue to recognise EU member state design organisations for up to two years after Brexit. The EU has said that existing UK design approvals would be valid for nine months only post Brexit.

For UK organisations, approvals would continue as they do today in supporting UK registered aircraft. For EU registered businesses, there would be no change for components already fitted, and the CAA would continue to recognise the release certificate for new components for up to two years. The EU has said that it would recognise the validity of components already on EU aircraft. Components with a certificate of release issued by UK registered businesses prior to exit and not yet fitted to EU aircraft would be recognised after a no deal Brexit.

Aircraft maintenance for UK organisations, approvals would continue as they do today in supporting UK registered aircraft, as they are UK CAA approvals. Organisations approved by an EU member state would be recognised for up to two years. The EU's current position means that UK-registered maintenance organisations would need an EASA third country approval to be able to maintain EU-registered aircraft after Brexit.

CONTACT YOUR CUSTOMERS

If there is a no deal exit, companies should contact their EU based customers to ensure there are no restrictions on non EU companies participating in sensitive contracts. All companies should also assess whether they can continue to comply with contractual terms such as data protection, guaranteed delivery times and personnel security clearances.

FURTHER SOURCES OF VALUABLE INFORMATION:

UK Government:	www.gov.uk/brexit
Welsh Government:	www.businesswales.gov.wales/brexit
ADS Group:	www.adsgroup.org.uk/industry-issues/brexit-hub
Civil Aviation Authority:	www.info.caa.co.uk/brexit
Information Commissioner's Office:	www.ico.org.uk/for-organisations/data-protection-and-brexit



Aerospace Wales would greatly appreciate your feedback on how useful this information booklet is please email enquiries@aerospacewales.aero

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