

BREXIT JOHN O'LOUGHLIN PWC

ECR Ireland
Supply Chain & Product
Availability Summit
23 August 2018
Carlton Hotel, Dublin Airport



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Brexit – Customs & trade implications for the Irish supply chain

23rd August 2018

Current State of Play

Status as of 23 August 2018: 219 Days until Brexit

Withdrawal Agreement (Comprising Transitional Agreement)

- EU draft text of 28 February 2018 (yet to be agreed)
- EU draft provides for *status quo* for most part (e.g., not for EU FTAs)
 - UK position differs on certain key issues (NI)
 - Reconciliation of UK and EU positions required to avoid “Hard Brexit”
- Certainty for business on post-March 2019 environment: Later in 2018

EU-UK FTA (Agreement on Future Relationship)

- Yet to be agreed
- Free Trade Agreement only – no appetite for deeper integration
- Hoped to commence on 1 January 2021 (after transition period)
- Some recent indications of EU and UK positions
 - Balance to be achieved; differences to be overcome
- Ratification by EU, UK and Member States will be much later

Department of Business, Enterprise and Innovation, June 2018

There is a lack of preparedness and understanding within sections of the enterprise base on what Brexit will require

Financial Times, 22 Aug 2018

EU vows to get tough on UK's market access after Brexit

The Independent, 21 Aug 2018

EU not impressed by UK's no-deal Brexit blame game, says Michel Barnier

The Guardian, 21 Aug 2018

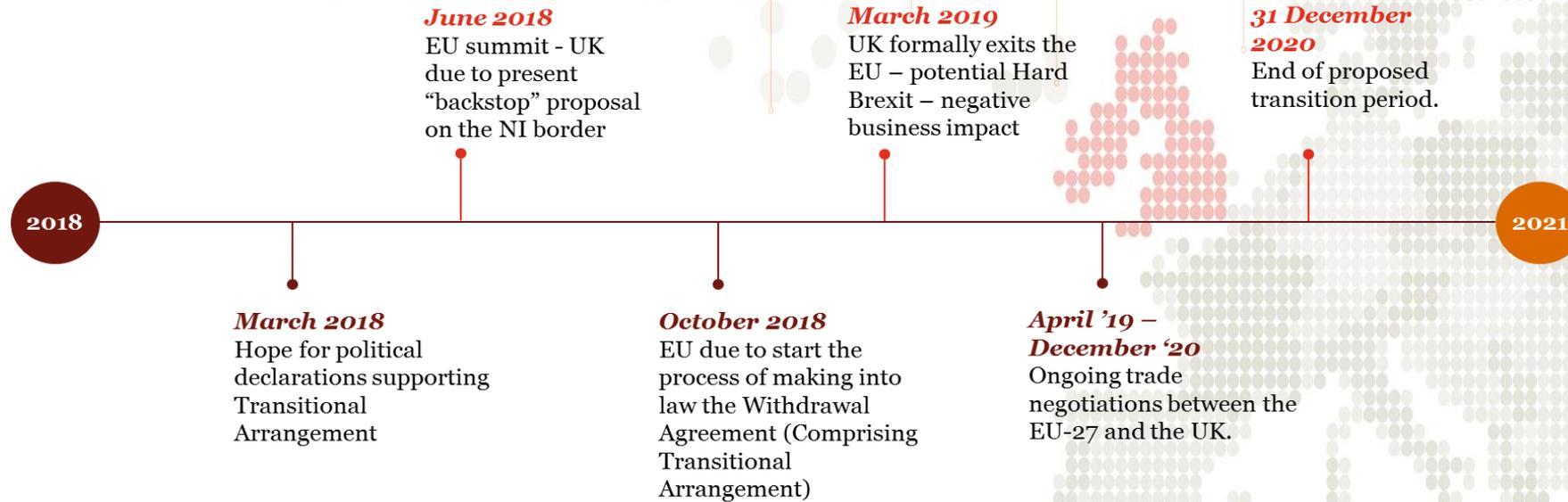
UK and EU to enter “continuous” talks to resolve Brexit deadlock

BBC, 05 Aug 2018

Fox: No-deal most likely Brexit outcome

Brexit Timelines

Withdrawal Agreement (Comprising Transitional Arrangement)



Business Awareness – Key Impact Areas



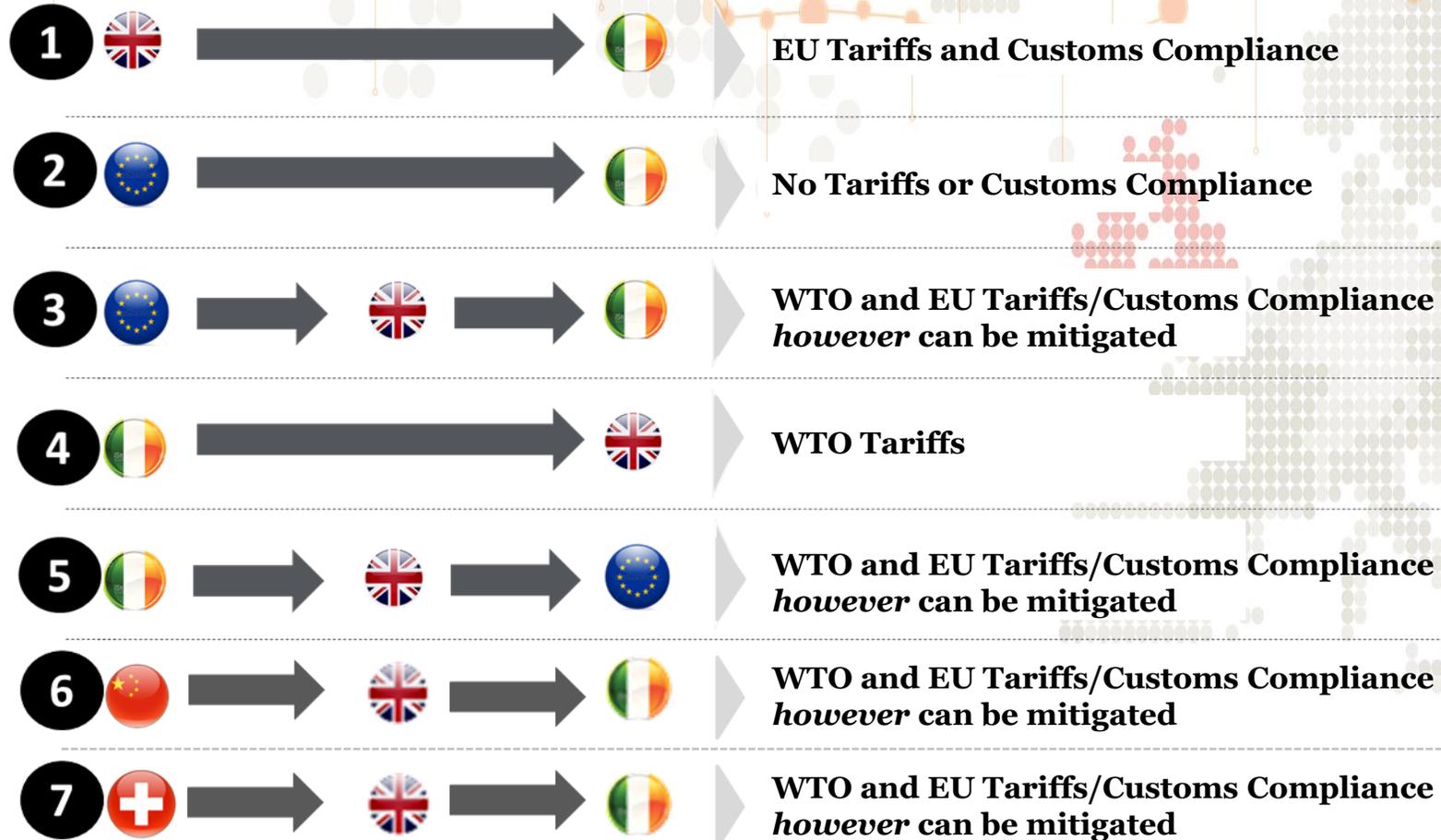
Possible Brexit scenarios and their implications

	'Hard' Brexit <i>No bilateral trade agreement between EU & UK (WTO terms)</i>	<i>Transition deal agreed, broadly business as usual during this time**</i>	'Soft' Brexit <i>Free Trade Agreement between EU and UK (FTA)</i>
Goods			
Tariffs	✓	X	X*
Customs borders & admin compliance	✓	X	✓
Risks of customs borders delays and backlogs	✓	X	✓
Import VAT (payable immediately on entry to UK)	✓	X	✓

*Dependent on final outcome – tariffs may not be eliminated on all products

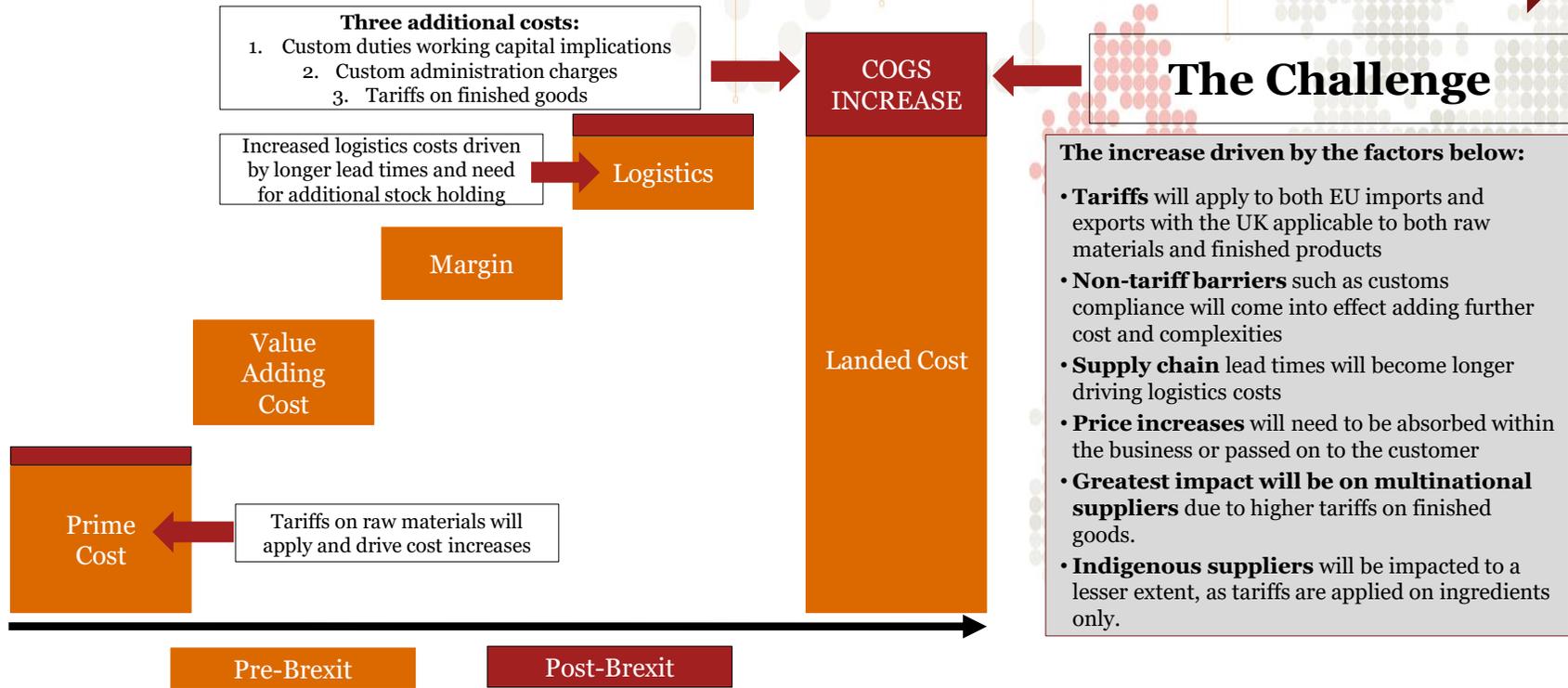
** E.g., falling away of EU FTAs

Supply Chain implications of a Hard Brexit

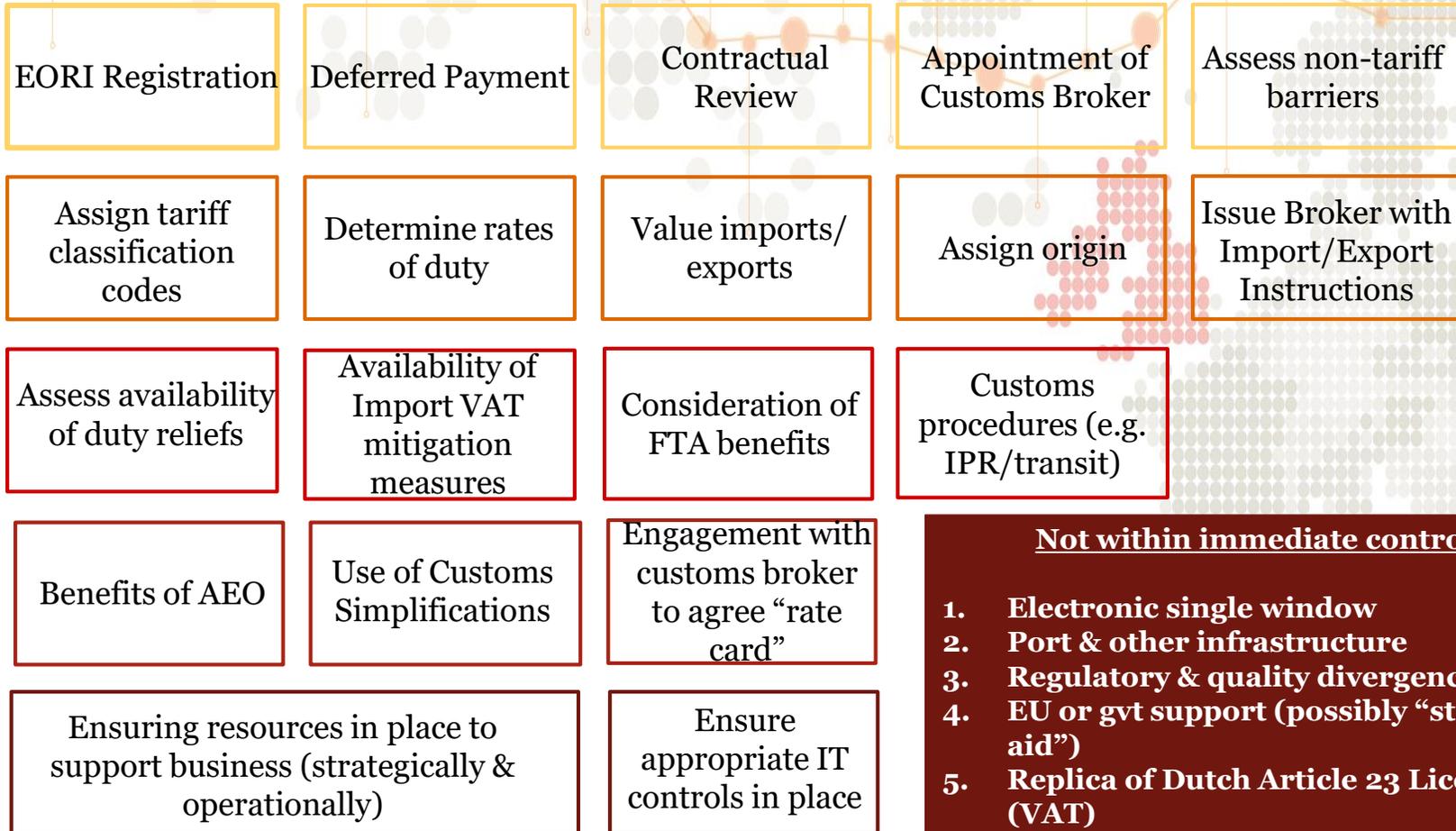


Cost Inflation Impact

Brexit adds additional cost throughout all stages of the value chain. Additional costs driven by imported raw materials and finished goods



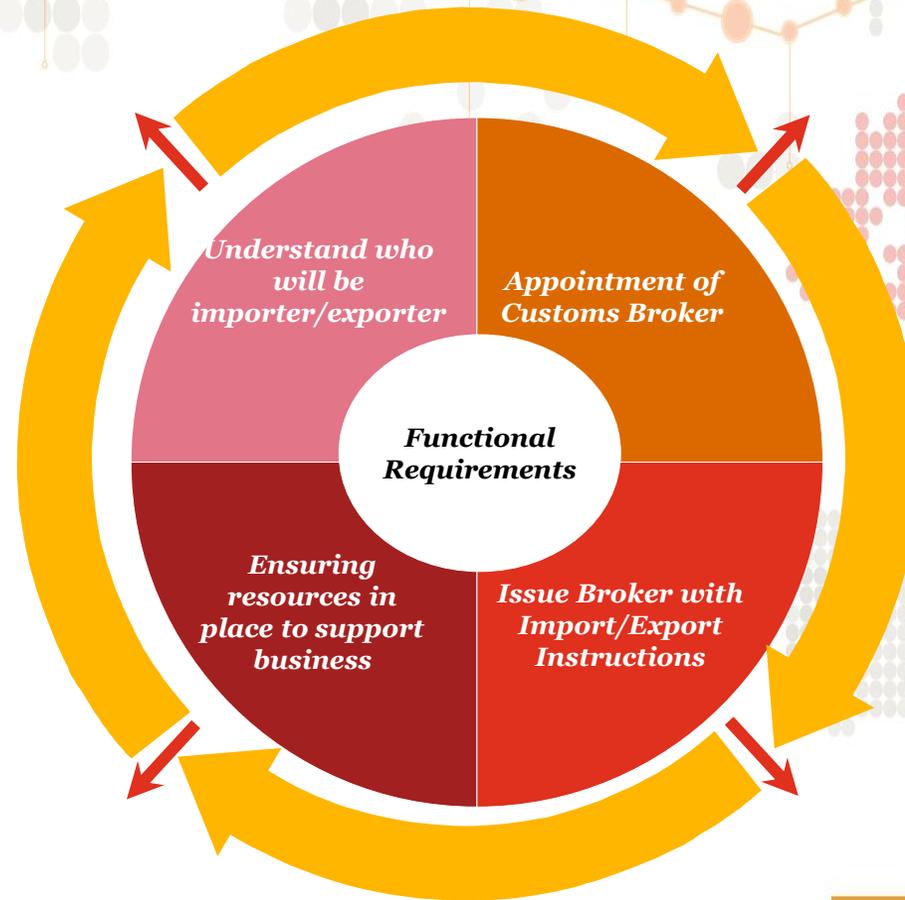
Day 1 Readiness – Illustrative List



Not within immediate control:

1. Electronic single window
2. Port & other infrastructure
3. Regulatory & quality divergence
4. EU or gvt support (possibly “state aid”)
5. Replica of Dutch Article 23 Licence (VAT)
6. Irish Revenue/HMRC approach to simplifications
7. Creation of conformity warehousing/transit procedures

Day 1 Readiness - Functional Necessities



Day 1 Readiness – Operational Requirements

Critical Importance

Must have

- EORI Registration
- Assign tariff classification codes
- Assign origin
- Value imports/exports
- Prepare for non-tariff barriers & Border delays (e.g. vet checks)
- Deferred payment account

Recommended to avoid significant costs

- Determine rates of duty and communicate to relevant stakeholders.
- Contractual review
- Use of duty reliefs
- Customs procedures (e.g. OPR/IPR/transit)
- Customs warehouse
- Availability of Import VAT mitigation measures
- Potential benefits of AEO
- Use of Customs Simplifications
- Engagement with customs broker to agree “rate card”

Other Priority Actions

Authorised Economic Operator Brexit Mitigation Strategy

AEO – What is it?

AEO status is an **internationally recognised 'trusted trader' status** indicating that your role in the international **supply chain is secure**, and that your **customs controls and procedures are efficient and compliant**.

Not mandatory, but it gives **quicker access** to certain simplified customs procedures.

There are **three types**:

- AEO-C (Customs simplifications)
- AEO-S (Safety & Security)
- AEO-F (A combination of C&S)

AEO & Brexit

AEO will become **increasingly important post-Brexit** for businesses that trade with the UK

- **Mitigates risks of border delays**
- Ease of **movement through ports and airports**
- **Quicker customs clearance and less stringent checks.**

*"the UK's proposal for a so-called **trusted-trader programme** [as a] realistic way to **keep trade flowing across the border**" - RTE – 26 September 2017*

Why Important?

*AEO is a mitigation strategy which helps to **reduce lead times** at the port, **reduce border delays** and **reduce the scrutiny** on goods*

Authorised Economic Operator (AEO)

AEO – Benefits

- Greater **access to priority clearance**
- **Reduced administration** obligations
- **Traceability** of flows of **goods**
- Increased **transport security**
- **Fewer delays** in dispatch
- **Improved security** between **supply chain partners**
- Quicker **access** to certain **customs procedures**.
- **Mutual Recognition** – ease of movement through 3rd country ports.

How to get AEO

Before applying:

- Complete **self-assessment questionnaire**.
- **Evaluate internal procedures**, ensuring that they **meet the criteria** for AEO.

Once completed:

- **Complete & submit application** for AEO certificate. (In Ireland, submitted to **Simplifications and Compliance Unit in Revenue**).

Customs & Trade Compliance and Management

It is important to consider the requirement for a dedicated operational & strategic customs trade compliance and management function.

Until a function is established, responsibility will rest at operations level within the business. Specific responsibilities for a customs and trade function include:

- 1. Point of contact for customs and trade compliance and management** including both regulatory/legal requirements and ongoing business operations optimisation;
- 2. Strategic advice relating** to key aspects of customs namely tariff classification, valuation and origin;
- 3. Optimisation** of new products and new product flows (with a particular Brexit emphasis) including securing duty reliefs;
- 4. Ongoing maintenance and support of trade mechanisms** including audit support communication with trade authorities;
- 5. Logistics and shipment support for customs clearance** including management of customs agents/brokers;
- 6. Communication and coordination** with other departments within the business, contract manufacturers, and other service providers;
- 7. Data management** including classification and collection, monitoring, and the analysis of trade and shipment data;
- 8. Maintaining compliance** using established policies and procedures.

Post-Brexit, businesses will need a plan detailing how those specific responsibilities will be managed including an option for an internal resources model.

Contact Details



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John is a Partner in PwC and leads PwC's Global Trade & Customs team. He is actively assisting clients with modelling and assessing the impact of tariff barriers. He has been at the front of our efforts to clarify the customs and trade impacts associated with Brexit.