



What to expect on day one of a no deal scenario: Traders with the EU and the rest of the world^Δ

The trade that you carry out with the EU will broadly follow the customs controls that you follow for the rest of the world – you will need to adapt your business to comply with these systems, processes and controls for your EU trade.

Transit of non-EU goods within the EU

The Common Transit Convention (CTC) facilitates cross-border movements of goods between contracting parties to the Convention, by enabling any charges due on those goods to be paid only in their country of destination.

The UK is currently party to the CTC by virtue of its membership of the EU. Following a successful negotiation, the UK will remain in the CTC after the UK leaves the EU.

As well as retaining its benefits for current users, this will also help trade move freely to and from the UK after leaving the EU. It will provide cash flow benefits to traders and aid trade flow at key points of entry into the UK and exports, as traders will only have to make customs declarations and pay import duties when they arrive at their final destination.

Dealing with import VAT

If the UK leaves the EU without an agreement, the government will introduce postponed accounting for import VAT on goods brought into the UK.

If you're a UK VAT registered business importing goods to the UK, you will be able to declare and recover import VAT on the same VAT return, subject to normal tax rules, rather than paying import VAT when the goods arrive at the UK border. You will need to provide your VAT registration number on your customs declaration.

This will apply to imports from the EU and non-EU countries.

To reach this decision, the government took into account the views of businesses and sought to mitigate any adverse cash-flow impacts and ensure that VAT processes are kept as close as possible to what they are now.

To ensure equity of treatment, in a no deal scenario, you can account for your import VAT from non-EU countries in the same way, which will help you to make the most of trading opportunities around the world.

We will issue more guidance setting out further detail on accounting and record-keeping requirements soon. However, postponed accounting will not be introduced for parcel consignments valued up to and including £135, which do not contain excise goods and are customs-declared for release to free circulation.

VAT on parcels sent by overseas businesses

If the UK leaves the EU without an agreement, UK VAT will be payable on goods entering the UK as parcels, sent by overseas businesses. Parcels are consignments that are defined in law as postal packets which includes letters, parcels, packets or any other article that could be sent by post even if they are sent by different means.

Low Value Consignment Relief (LVCR) – a relief from UK import VAT on goods valued £15 or less – will no longer apply to any parcel consignments arriving in the UK, aligning the UK with the global direction of travel on LVCR. This means that all goods entering the UK as parcel consignments, sent by overseas businesses, will be liable for VAT unless they are already relieved from VAT under domestic rules (for example zero-rated children's clothing).

For parcel consignments valued up to and including £135, which do not contain excise goods and are customs-declared for release to free circulation, a technology-based solution will allow VAT to be collected from the overseas business selling the goods to the UK. Overseas businesses will charge VAT at the point of purchase and will be expected to register with an HMRC digital service to account for VAT due.

This new online service will be a registration, accounting, and payments service for overseas businesses. On registration, businesses will be provided with a Unique Identifier which will accompany the parcel consignments they send into the UK. They will then declare the VAT due on those parcels and pay this via their online account. This ensures the process of paying VAT on parcels does not become difficult for UK consumers and businesses.

To give overseas businesses sufficient time to familiarise themselves with their new obligations, the online service will be available for businesses to register in early 2019, prior to 29 March.

On goods worth more than £135 sent as parcel consignments, VAT will continue to be collected from UK recipients in line with **current procedures** for parcel consignments from non-EU countries. VAT will also continue to be collected in line with current procedures for all excise goods sent as parcel consignments and potentially in cases where their supplier is not compliant with HMRC's

new parcels policy. HMRC is working with the relevant industry stakeholders and will provide further information in due course.

VAT on vehicles imported to the UK

If the UK leaves the EU without an agreement, you should continue to **notify HMRC** about vehicles brought into the UK from abroad, using the online **Notification of Vehicle Arrival Procedures (NOVA) system**, to ensure that VAT is correctly paid.

The rules on the movement of goods to the UK from the EU will change when the UK leaves the EU and, as a result, you will have to pay import VAT on vehicles you bring into the UK from EU countries. Certain reliefs will also be available, as with current imports of vehicles from non-EU countries.

The Driver Vehicle Licensing Agency (DVLA) will not register a vehicle brought into the UK for use on UK roads unless it has a valid NOVA notification or it has been registered using the DVLA secure registration scheme.

Dealing with VAT on exports

If you're a VAT-registered business, you will continue to be able to zero-rate sales of goods to EU businesses but you won't be required to complete European Commission (EC) Sales List. This means there will be changes to how these sales are recorded.

You will need to keep evidence to prove that goods have left the UK, to support the zero-rating of the supply. Most businesses already maintain this evidence as part of current processes and the required evidence will be similar to that currently required for exports to non-EU countries, with any differences to be communicated in due course.

If you are selling goods to EU consumers, distance selling arrangements will no longer apply to your business and you will be able to zero-rate the sales.

Current EU rules would mean that EU countries will treat goods entering the EU from the UK in the same way as goods entering from other non-EU countries with associated import VAT and customs duties due when the goods arrive into the EU. Individual EU countries may have different import VAT rules for non-EU countries and import VAT payments may be due at the border when you are importing goods.

You should check the relevant import VAT rules in the EU country concerned.

UK businesses selling their own goods in an EU country to customers in that country

If the UK leaves the EU without an agreement, you will be able to continue to sell goods you have stored in an EU country to customers in the EU, in line with current Rest of World rules.

Current EU rules would mean that you will continue to be required to register for VAT in the EU countries where sales are made, in order to account for the VAT due in those countries.

You can access the [EU Commission's website](#) for more information on:

- EU rules for storing non-union goods in an EU country before selling or exporting
- registering for VAT in EU countries.

Changes to VAT IT systems

If the UK leaves the EU without an agreement, the UK will stop being part of EU-wide VAT IT systems. However, you can still use these systems to handle transactions you made before EU Exit.

UK VAT Mini One Stop Shop (MOSS): MOSS is an online service that allows EU businesses selling digital services to consumers in other EU countries to report and pay VAT via a single return and payment in their home country. Non-EU businesses can also use the system by registering in an EU country.

In a no deal scenario, you will no longer be able to use the UK's MOSS portal to report and pay VAT on sales of digital services to consumers in the EU made after the UK leaves the EU.

If you currently use UK VAT MOSS, you should submit your return for sales of digital services to EU consumers made between 1 January 2019 and 11pm (GMT) on 29 March 2019 using the UK MOSS portal by the normal deadline of 20 April 2019.

If you want to continue to use the VAT MOSS service to report sales made after 29 March, you will need to register for the non-union MOSS scheme in an EU country. You can only do this after the date the UK leaves the EU.

The non-union MOSS scheme requires you to register by the 10th day of the month following a sale, so you will need to register by 10 April 2019 if you make your first sale of digital services to an EU consumer after the UK has left the EU from the 29 to 31 March 2019.

Alternatively, you can register in each EU country where sales are made. Go to the [EU Commission's website](#) for more information.

EU VAT Refund Electronic System (EU VAT RES): You will no longer have access to the (EU VAT RES) but you can continue to claim refunds of VAT from EU countries by using the existing processes for non-EU businesses.

You will need to make yourself aware of the processes in the individual countries where you incur costs and want to claim a refund as this can vary from EU country to EU country.

If you want to use the (EU VAT RES) to submit a refund claim for 2018 you'll need to do so by 11pm on 29 March 2019 instead of the normal deadline of 30 September 2019. If claims are submitted after that, HMRC will not be able to send your claim on to the relevant EU country

There is more information about claiming VAT refunds from EU countries on the [EU Commission's website](#).

EU VIES VAT Number Validation: This service allows businesses to check whether a customer or supplier's VAT number is valid. You will still be able to use VIES to check the validity of EU business VAT registration numbers. UK VAT registration numbers will no longer be part of this service after 29 March. A UK-only online VAT number checker will be available on GOV.UK from 29 March. We know this is important for certain businesses in order to carry out due diligence.

Making importing easier from the EU

HMRC is introducing new [Transitional Simplified Procedures \(TSP\)](#), to make importing through roll-on, roll-off ports and the Channel Tunnel easier for the initial period after the UK leaves the EU, should there be no deal. We anticipate TSP will remain in place until

traders are ready to use rest of the world processes and permanent arrangements are in place, which will take at least a year.

Sign up for HMRC's new [Transitional Simplified Procedures \(TSP\)](#), online from 7 February, to make importing easier for you until at least April 2020.

Once you are registered for TSP you will be able to:

- transport most goods into the UK without having to make a full customs declaration at the port
- postpone paying your customs duties.

However, for controlled goods, such as animal products and most plants, or excise goods like alcohol or tobacco, you will have to provide some customs information before import.

We have published [guidance on TSP](#) on GOV.UK, including the locations TSP applies to.

Northern Irish businesses importing from Ireland

The UK government is clear that in a no deal scenario we must respect our unique relationship with Ireland, with whom we share a land border and who are co-signatories of the Belfast Agreement.

The UK government has consistently upheld the Agreement and its successors at the heart of our approach. We recognise the basis it has provided for the deep economic and social cooperation on the island of Ireland.

It is the responsibility of the UK government to continue preparations for the full range of potential outcomes, including no deal. In such a scenario, the UK would stand ready to engage constructively to meet our commitments and act in the best

interests of the people of Northern Ireland, recognising the very significant challenges that the lack of a UK-EU legal agreement would pose in this unique and highly sensitive context. This would include engagement on arrangements for land border trade. We will provide more information in due course.

The Irish Government has indicated it would need to discuss arrangements in the event of no deal with the European Commission and EU countries. We would recommend that, if you trade across the land border, you should consider whether you will need advice from the Irish Government about preparations you need to make.

Exhaustion of intellectual property rights

Intellectual property rights give the business, organisation or individual that holds the rights (the right holder) certain exclusive entitlements, which include the right to control distribution of a protected product. The exhaustion of intellectual property (IP) rights refers to the loss of the right to control distribution and resale of that product after it has been placed on the market within a specified territory by, or with the permission of, the right holder.

The UK is currently part of a regional European Economic Area (EEA) exhaustion scheme, meaning that IP rights are considered exhausted once they have been put on the market anywhere in the EEA with the rights holder's permission.

In a no deal scenario, the UK will continue to recognise the EEA regional exhaustion regime from exit day to provide continuity in the immediate term for businesses and consumers.

This approach means there will be no change to the rules affecting imports of goods into the UK, and businesses that undertake this activity may continue unaffected.

Ongoing UK recognition of the EEA regional exhaustion area will ensure that parallel imports of goods, such as pharmaceuticals, can continue from the EEA. A parallel import is a non-counterfeit product which is imported into a country where the intellectual property rights in that product have already been exhausted.

While there will be no change for the importation of goods into the UK, there may however be restrictions on the parallel import of goods from the UK to the EEA. Businesses undertaking such activities may need to check with EU right holders to see if permission is needed.

The implications for UK businesses are that:

- intellectual property-protected goods placed on the EEA market by, or with the consent of, the right holder after the UK has exited the EU will continue to be considered exhausted in the UK. This means that parallel imports of these goods from the EEA to the UK will be able to continue unaffected.
- goods placed on the UK market by or with the consent of the right holder after the UK has exited the EU will not however be considered exhausted in the EEA. This means that businesses exporting these goods from the UK to the EEA might need the right holder's consent.

The government is currently considering all options for how the exhaustion regime should operate after this temporary period, and is undertaking a research programme to support this decision. The government will be working closely with business representatives, trade associations and other stakeholders on the implications of our plans.

The Intellectual Property Office has also published a [factsheet on intellectual property rights and EU Exit](#).

Trading under the mutual recognition principle

Some manufactured goods, such as furniture, textiles, bicycles, and cooking utensils are subject to national regulations rather than EU-wide rules.

These non-harmonised goods can circulate on the EU market under the mutual recognition principle, which prevents EU countries from prohibiting the sale of goods that have already been legally sold in another EU country. This applies even where countries have different national requirements covering the same good.

As an example, a bicycle made to comply with French national requirements and sold in France can then lawfully be marketed in other EU countries – even though those countries may have different national requirements for bicycles.

The only exceptions to the mutual recognition principle are restrictions which EU countries can introduce on grounds such as public safety, public policy and public morality.

EU countries' right to restrict the circulation of these goods, for the above reasons, is regulated by the [EU Mutual Recognition Regulation \(764/2008\)](#). As well as setting out rules and procedures, it establishes product contact points in each EU country which respond to requests for information about national regulations.

In the event of a no deal scenario, the UK would no longer fall within the scope of the mutual recognition principle.

This means that:

- if you import non-harmonised goods into the UK you will need to ensure they meet UK national requirements, even if your goods were previously lawfully marketed in another EU country
- non-UK businesses exporting non-harmonised goods to the UK will need to ensure that the goods meet UK national requirements, regardless of whether they were previously lawfully marketed in another EU country or in the UK
- if you export non-harmonised goods to the EU market you will need to consider the national requirements of the first EU country you export to. You won't need to consider the national requirements of any EU countries goods travel through before reaching the EU country in which they are intended to be placed on the market
- if you have already exported a non-harmonised good to an EU country by meeting the relevant national requirements, you will still be able to make use of the mutual recognition principle and market your product in other EU countries.

Trading goods regulated under the 'New Approach'

EU legislation sets out the rules, or 'essential safety requirements', which certain products must meet before they are placed on the EU market.

If you trade in goods covered by these specific EU directives and regulations, you should read the guidance on [page 10](#) of this pack, and read the technical notice on [Trading goods regulated under the 'New Approach'](#) if there's no Brexit deal.

Existing trade agreements with non-EU countries

If the UK leaves the EU without a deal, the government will seek to bring into force bilateral UK-third country agreements that replicate the effects of existing EU free trade agreements from exit day, or as soon as possible thereafter.

These new agreements will replicate existing EU agreements and the same preferential effects with third countries as far as possible, while making the technical changes needed to ensure the agreements operate in a bilateral context. Ministers and officials are engaging regularly with partner countries to complete this work. The timing of when we reach final agreements with partner countries will depend on our ongoing discussions with them.

The government's intention is that the effects of new bilateral agreements will be identical to, or substantially the same as, the EU agreements they replace. However, if you use current EU free trade agreements you should be aware that, in contrast to the current situation and during any Implementation Period, there may be practical changes to how you make use of preferences under these new agreements. For example, UK and EU content will be considered distinct, and each new agreement will individually specify what origin designations may be used to qualify for preferences.

The government will aim to limit these changes as far as possible, but the final form of new agreements and any resulting changes will depend on ongoing discussions with our trading partners.

The government will publish a report before these new free trade agreements are ratified on any significant changes to the new trade-related provisions.

Where arrangements to maintain particular preferences in a no deal scenario are not in place with a particular country by the date the UK exits the EU, trade with that country would take place on World Trade Organization (WTO) terms, which means you would pay the applied Most Favoured Nation tariff. This is the tariff applied equally to all countries in the absence of preferential arrangements.

In the event of no deal, the government will determine and publish a new UK Most Favoured Nation tariff schedule before we leave the EU.

Importing from developing countries under the EU's Generalised Scheme of Preferences

If the UK leaves the EU without a deal, the EU's Generalised Scheme of Preferences (GSP) for developing countries will no longer apply to the UK.

The UK government will implement its own independent GSP scheme for day one of a no deal scenario, with its own administration arrangements – but will aim to retain much of the same existing administration arrangements as the EU.

To ease the transition, the UK will retain the same qualifying operations as the EU's rules of origin and will continue to use FORM A as proof of origin.

If the UK is no longer able to use the EU's Registered Exporter Scheme (REX) then REX may become an invalid proof of origin mechanism. FORM A will be valid in this case.

Actions you should take now

1. Consider any changes you may need to make if you have to follow the same or similar processes to trade with the EU as you do with the rest of the world.
2. Take account of the volume of your trade with the EU and any potential supply chain impacts.
3. Consider whether you could use special customs procedures you can apply for that make trade across borders quicker, cheaper, and easier, for example to delay or relieve the payment of customs duty until your goods are ready to be released into free circulation and helping to manage cash flow. Find further information in [Customs procedures if the UK leaves the EU with no deal](#).
4. If you import from the EU, sign up for [Transitional Simplified Procedures \(TSP\)](#), online from 7 February, if it's suitable for your business but you should note that:
 - you will need to use your EORI number to register
 - if you are importing controlled goods such as animal products and most plants, or excise goods like alcohol or tobacco, you will have to provide some customs information before you import
 - read further guidance on TSP on GOV.UK, including the locations TSP applies to.
5. Talk to your courier, haulier or freight forwarder to explore how changes to transit systems may impact your business and how your goods are moved.
6. If you currently use a warehouse to store goods which you import from the EU, then you may want to check that the warehouse space is authorised as either temporary storage or a customs warehouse. If you use your own premises you will need to consider whether you require additional customs authorisations. If you store your goods with a warehouse provider you may want to contact them to check their warehouse space has the appropriate authorisations.
7. If you deal with intellectual property-protected goods, you may wish to seek legal advice on how a no deal scenario could affect your business model or intellectual property rights.
8. If you trade under the mutual recognition principle, check that the goods you import to the UK meet [relevant UK national regulations](#). This list not may not be exhaustive.
9. If you import from developing countries using the EU's Generalised Scheme of Preferences, you should consider the effect of a no deal scenario on your business.
10. The passport rules for travel to most countries in Europe will change if the UK leaves the EU on 29 March 2019 without a deal. Read the government's guidance on [Travelling to the EU with a UK passport if there's no Brexit deal](#) and, if relevant, ensure your employees and customers are aware of the potential changes.
11. Stay up-to-date with these changes by [registering for email alerts](#). Follow the link, add your email address, select 'Submit', select 'Add subscription' and choose 'EU Exit' then select 'Submit'.