



Brexit alert

Government announces delay to full border controls

19 June 2020

Summary

The UK Government has issued a statement this week concerning the implementation of full border controls for the movement of goods between the UK and the remaining EU after the transitional period comes to an end on 31 December 2020.

There has been some speculation that the transitional period may be extended as a result of the Coronavirus pandemic. However, in a Cabinet Office statement, Michael Gove has made it clear that the Government will neither request nor accept an extension. As a result, the UK will have autonomy to introduce its own approach to border controls.

Initially, the Government announced that full border controls would be introduced for all goods arriving from and departing to the European Union countries after the transitional period came to an end. However, that was before the Coronavirus pandemic and the massive disruptions to commerce that followed. Recognising that business may need further time to make the necessary arrangements, the Government has announced that border controls will now be phased in three stages over the first six months.

The Government has also announced a £50 million fund to help customs intermediaries such as customs agents and freight forwarders prepare for the customs changes

Border controls post Brexit transitional period

The Government has notified the European Union that it will not seek or accept an extension to the transitional period which expires on 31 December 2020. This means that from 1 January 2021, the UK will have full sovereign control over its borders and has full autonomy to introduce its own approach to border controls. There has been some speculation over recent times whether the transitional period would be extended, but the announcement from the Government makes it clear that there will be no extension.

The UK left the European Union at the end of January 2020. However, to allow for an orderly exit, the UK and EU agreed that the UK would continue to be bound by the EU laws and regulations until 31 December 2020. In line with that agreement, the UK has, therefore, continued to operate the EU's VAT and Customs regimes during the transition. When the UK left the EU, the Government stated that, at the end of the transitional period, it would introduce full UK border controls in relation to what would become imports and exports from and to the remaining EU trading bloc. This would mean that for all movements of goods, a customs entry would be required and customs formalities at the border would need to be observed. Businesses in the UK then began to make preparations for these new rules but, in March 2020, the UK, like the rest of the world, was hit by the Coronavirus pandemic. In many cases, industry more or less shut down and preparations for Brexit and the new border control regime were stalled.

In an announcement made on 12 June 2020, the Cabinet Office has confirmed that, in recognition of the impact of the Coronavirus pandemic on these preparations, the Government is to delay the imposition of full UK border controls for a period of six months. The new controls are to be phased in three stages. From 1 January 2021, traders importing 'standard' goods will have up to six months to complete customs declarations and pay any customs duty that is due. There will be customs checks on certain controlled goods such as alcohol or tobacco. From 1 April 2021, all products of animal origin and all regulated plants and plant products will require pre-notification and the relevant health documentation. From 1 July 2021, all movements of goods will require customs declarations and the payment of tariffs at the point of importation.

From a VAT perspective, businesses importing goods into the UK will be entitled to use the postponed accounting system whereby VAT due on imports will be declared (and if appropriate reclaimed) through a UK VAT return.

The Government has also recognised that customs intermediaries (such as customs agents, freight forwarders and express parcel operators) will require additional support ahead of the new customs processes. It has announced a new £50 million support package which is aimed at boosting the capacity of intermediaries. When the transitional period ends it is estimated that the number of customs declarations will increase fivefold at least. Affected businesses need time to assimilate the new rules and prepare for these changes. The funding will support intermediaries with recruitment, training and the IT infrastructure that will be required to handle this increase in declarations.

Comment – it was always going to be a 'tight squeeze' for affected businesses to be ready and able come 1 January 2021. The announcement of the phasing in of the new border controls is welcome news and means that businesses will have more time to prepare. Applications for the new funding will be open in July 2020 and HMRC will make further announcements on this shortly. Any business requiring further advice and guidance on these issues should contact their usual Grant Thornton specialist.

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