

# Financial Challenges of Brexit



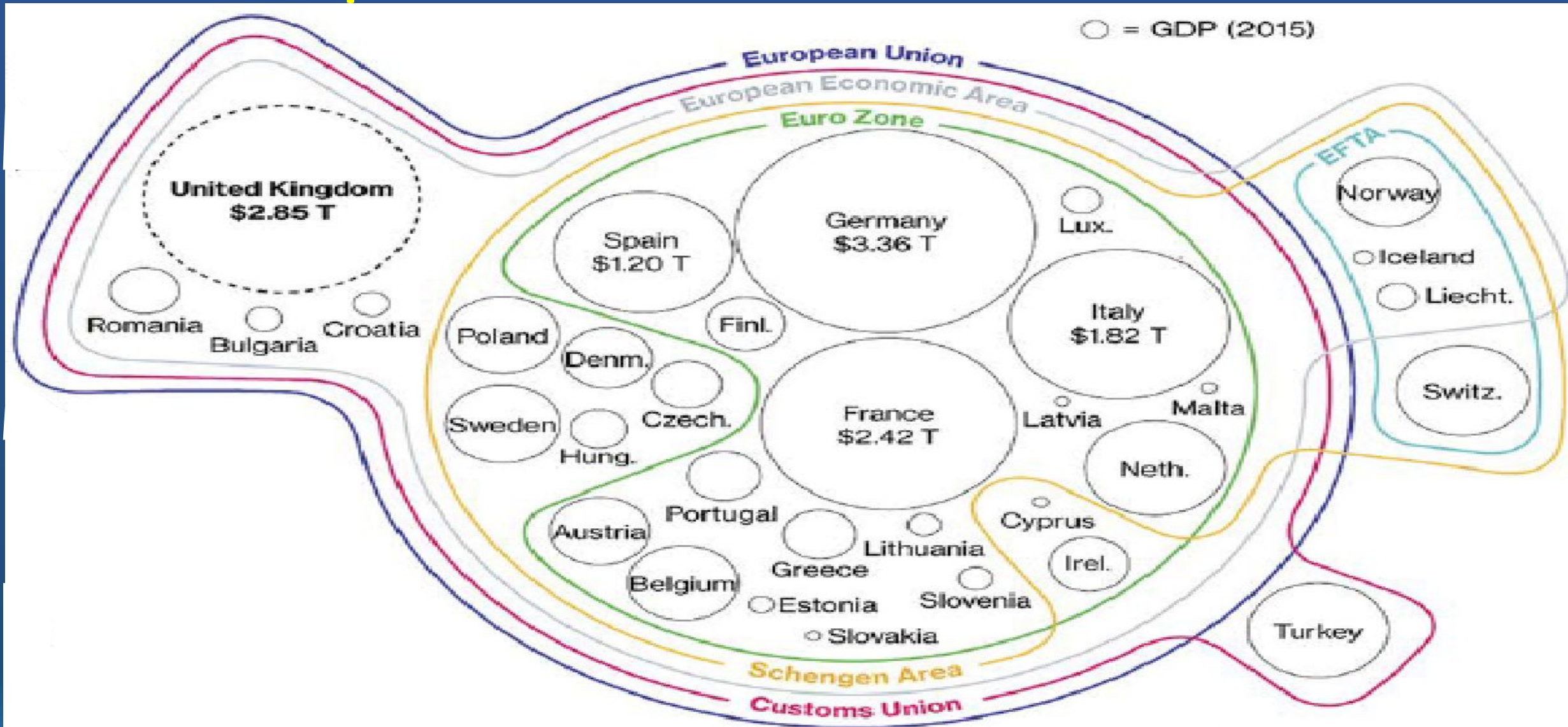
# QUESTIONS

1. A       ? eliminates both tariff and non-tariff barriers , quotas and taxes on trade. It also includes the free movement of goods, services, capital and people.
2. A                      is where companies club together and agree to apply the same tariffs to goods outside the Union. Once goods have cleared customs in one country, they can be shipped to others in the union with no tariffs.
3. A                      is where there are no tariffs , or quotas on goods or services from one country entering another but non-tariff barriers continue to apply.

## Possible answers

- A: Free Trade Area
- B: Single Market
- C: Customs Union

# European Economic Architecture



# Current Context

- Possible outcomes:
  - Hard Brexit- Mar 29 2019. UK leaves Customs Union and Single Market.
  - Soft Brexit –UK leaves EU but retains access to the Customs union until Dec 2020.
- If no agreement, hard Brexit remains the default

# Agenda

1. Customs Duty and Tariffs
2. VAT
3. Supply Chain and logistics
4. Foreign Exchange rates

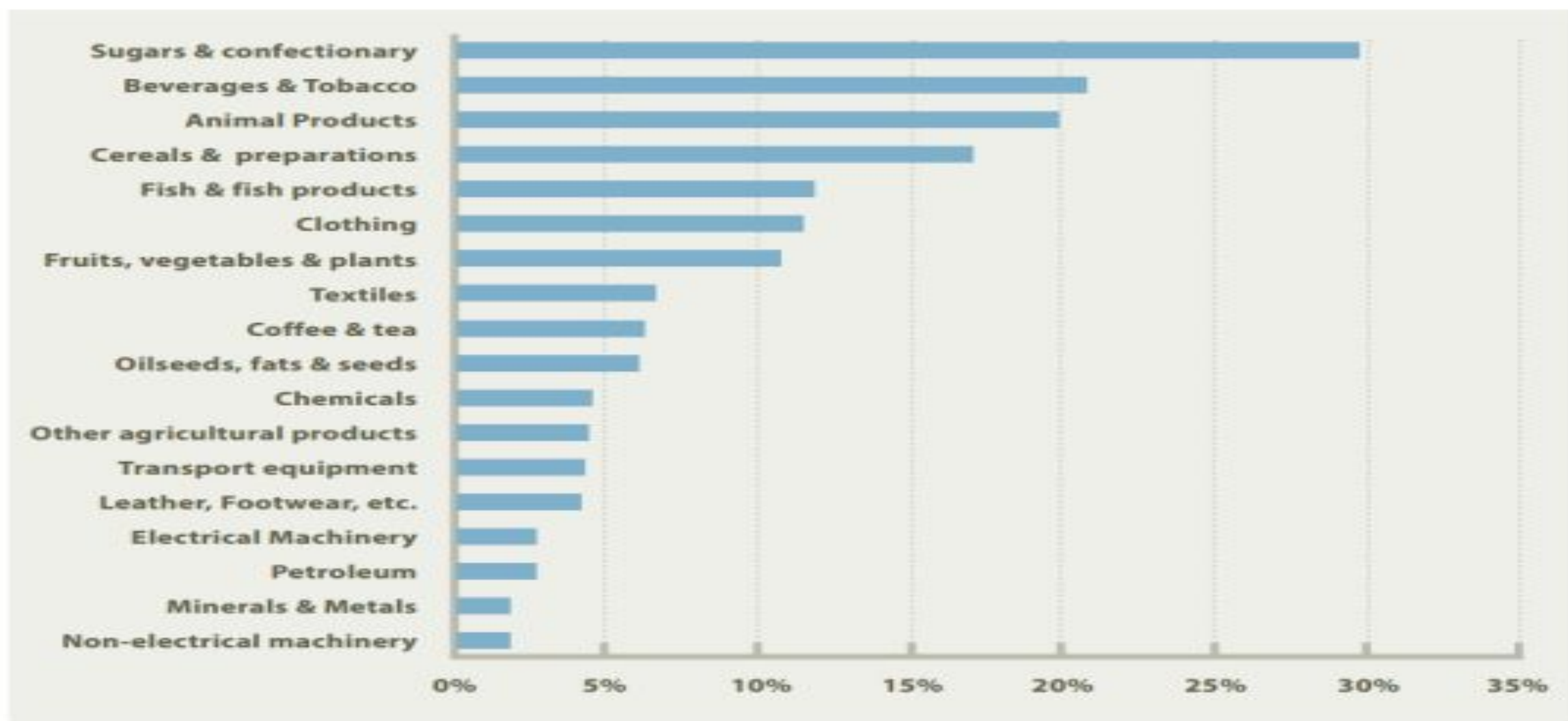
# Customs duties-

1. A real cost
2. Paperwork, Paperwork, Paperwork
3. Upskilling and training



**1. The baseline for future Irish-UK trade arrangements, the WTO rules, would mean tariffs on UK imports to Ireland.**

Absent a preferential trade arrangement between the EU and the UK, the UK Government says the following average WTO tariffs would apply on exports from the UK to Ireland (and the rest of the EU):



# Customs issue if UK Third country

1. Single Administrative Document (SAD) now required into AEP.
2. Commodity code and Customs Procedure Code. (TARIC Database)
3. Economic Operators Registration and Identification Number(EORI).
4. Authorised Economic Operator Status (AEO)/'Trusted Trader' Not mandatory.
5. Duty paid on import or 'guaranteed' deferred payment DD facility.
6. Goods imported from UK and reexported to 'third countries' may not meet EU content rules.



# EU Customs example

An example of how Customs Duties are applied in Ireland to imports from outside the EU is illustrated below.

Goods	Invoice Price	Shipping & Insurance	Value for Customs	Customs Duty %	Value for VAT	VAT at 23%	Total cost
Digital Camera	600	66	666	0%	666	153	819
Adult footwear	900	112	1,012	17%	1,184	272	1,456

# Options to suspend Duty & VAT

1. Bonded Warehousing
2. Inward & Outward processing
3. Holds a VAT free authorisation.
4. Onward supply or procedure 42
5. Common Transit Convention- Landbridge to Europe.
  - Transit accompanying Document (TAD) required.

# VAT

1. Import VAT similar to Customs duty in Operation.
2. All information entered into Automated Entry Processing System (AEP)
3. Importers can use a deferred payment account.
  - Example: Registered Trader imports goods in Jan and Feb.
  - VAT on Jan imports DD on Feb 15th and Feb imports DD on March 15<sup>th</sup>.
  - VAT reclaimed in Jan/Feb VAT return filed on March 19<sup>th</sup>.
4. VAT/Duty for Tourists both entering and leaving Ireland from UK.
5. VAT incurred in UK for non-registered entities under 8<sup>th</sup> directive

# FOREIGN EXCHANGE ISSUES

## Euro (EUR) to British pound sterling (GBP) average annual exchange rate from 1999 to 2017



# FOREIGN EXCHANGE ISSUES

1. Identify STG breakeven FX rate for your business.
2. Prepare monthly STG and Euro cash flows.
3. Open a Stg Bank account.
4. Consider hedging with the bank or natural hedge.
5. Issue contracts in Euro.
6. Revisit contracts with a currency share agreement.

# SUPPLY CHAIN ISSUES

- 475,000 CONTAINERS LEFT IRELAND TO UK IN 2017. (1,300 PER DAY)
- IMPACT ON LEAD TIMES FOR TRADE WITH UK.- Perishable products
- IMPORTS FROM UK- DUAL SOURCE IN EU OR STOCKPILE IN IRELAND.



# Next steps-BREXIT readiness assessment

1. Supply chain assessment. Paperwork, Skills, training etc
2. Customs duties costs and readiness assessment – You or Agent
3. Consider AEO status and deferred payment scheme.
4. Contracts review e.g. who is responsible for clearance and costs.
5. Quantify FX exposure. Hedge or transfer/share risk with customer. Open STG bank acct.
6. Long-Term: Business Structure – Diversify markets. If not possible, Branch or subsidiary or outsource to UK.