

Brexit bartering

How £20 billion will barely scratch the surface.

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YOU will probably have seen various headlines written in relation to HMRC's calculations about the potential costs of Brexit – particularly ones with an annual £20 billion sum included. HMRC is planning for the potential impact of either of the two customs models being put on the table by the UK at present, and factoring in new and additional costs is a big part of this.

The £20 billion figure is the potential cost of the 'streamlined customs arrangement' option. The figure is based on the assumption that businesses incur costs of around £32.50 per customs entry, with additional costs of complying with origin requirements also factored in.

Alternatively, the 'new customs partnership' model would ensure the free flow of goods over the border without the need for customs entries, but would require a new dual tariff system to be put in place – which could be achieved by January 2021. But the system for businesses to reclaim the difference between tariffs would take longer to install and the process of reclaiming the difference may not be worth the time and energy for businesses anyway. The costs of this model would be £700 million, though it could be net neutral if tariff differences are indeed reclaimed.

TAKE THE STRAIN

Whether it's through an additional cost per customs entry or in investing time and resource into reclaiming tariff differences, the UK's exporters are currently looking at

a future with additional customs costs and requirements.

Yet, there are many things to consider beyond completing a customs entry when moving goods over borders. By way of comparison, let's have a look at the current situation for companies moving goods within the EU as a member of the single market, and then what they face when exporting to the USA – our largest trading partner beyond the EU.

COST COMPARISON

As HMRC has noted, the UK at present doesn't need to make customs declarations for goods sold into the EU, so that means no costs and no risk of delays. To the US, customs declarations for goods to leave the UK are usually handled by a forwarder or logistics provider, and the costs incurred by the exporter is around £20-£50 – similar to the £35 HMRC approximation for customs entries after Brexit.

There is then an additional cost for goods to be cleared by customs on arrival in the US – usually via a customs broker. This is a cost of \$75-\$150 per declaration though the US importer usually pays this. Again, this is a cost that doesn't exist for either exporter or importer for trade within the EU.

The importer will again usually pay the tariff costs, but it can be billed back to the exporter. These are calculated as a percentage of the goods' value – usually three to 25 percent – and this is again not a factor for the trade of most goods within the EU.

ADDITIONAL DOCUMENTATION

Then there's the export documentation that companies need to complete to allow customs clearance, which can include certificates of origin. This can bring an additional cost of between £30 and £50. Suffice to say, the same documentation is not needed for exports from the UK to the EU, apart from invoice and packing lists to secure payment and identify the goods.

There's the additional standards and import regulations that exports from the

UK to the US will often have to meet, which aren't pertinent for exports to the EU due to common standards and regulations – as long as the UK suppliers and producers demonstrate compliance with these standards. The additional checks and specialist documentation for exporting goods like foodstuffs and textiles to the US will incur further additional cost.

There's also the further costs for pre-shipment security declarations by the carrier or logistics provider shipping your goods to the US – a potential additional £20-£40 per shipment and with greater potential delays. This is, again, not a factor for moving goods within the single market of the EU.

COST IMPACT

So, while the estimated costs of Brexit predicted by HMRC may make for some difficult headlines, the reality is that for businesses, they barely scratch the surface.

Companies need to be planning for various eventualities in Brexit, and most of the potential outcomes currently look likely to create additional costs for UK businesses moving goods into Europe.

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