



# A guide to Brexit for ecommerce businesses.

An overview of Brexit and its specific impact on businesses that trade (buy or sell) across the UK - EU border

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# An overview of Brexit and its specific impact on businesses that trade (buy or sell) across the UK - EU border.

**The UK's withdrawal from the EU means significant changes in the way the UK does international business, including ecommerce.**

On December 24 2020 the UK and the EU announced a new Trade and Cooperation Agreement. As well as trade, the agreement covers a wide range of areas such as security, law, rights of citizens, fisheries and transport.

The United Kingdom formally left the European Union on January 31, 2020 but the two sides agreed a transition period to allow time to agree the terms of the future relationship. This period has now ended and new arrangements have come into effect.



## **The main points of the new UK-EU agreement are:**

- Great Britain is no longer part of the EU single market or customs union.
- There is now a customs border between Great Britain and the EU.
- Exports are tariff and quota-free, subject to meeting rules of origin requirements.
- Exporters now need to make customs declarations.
- VAT is payable on cross-border imports.
- Northern Ireland remains with the EU single market. There is a customs border between Great Britain and Northern Ireland.



# UK border and customs changes.



## Customs

There is now a customs border between the Great Britain and the EU. Sellers will no longer be able to freely ship products from Great Britain to any member country of the EU. The same customs and excise rules for goods moving between Great Britain and the non-EU countries will apply to goods moving between Great Britain and countries in the EU.

### You will need to supply a customs declaration with the following information:

- A VAT number for the country where you are storing the product.
- An Economic Operators Registration and Identification number (EORI) for the UK and any EU country you will be shipping goods to and from. This will be used on customs declarations by freight forwarders and couriers.
- Contracts and International Terms and Conditions of Service (Incoterms) must be amended to reflect that your business is now an exporter.
- Country of Origin information.
- Harmonised Systems Codes to determine the level of duty and import VAT on your products.
- Licenses and certifications.

The Excise Movement Control System (EMCS) for alcohol, tobacco and energy products would no longer be used to control suspended movements between the EU and the UK. These excise goods would no longer enjoy duty-suspended movement as a result.

The **UK Government's Border Operating Model** includes details of the processes and systems, across all government departments, for use at the borders.

#### For more information:

[www.gov.uk/government/publications/the-border-operating-model](https://www.gov.uk/government/publications/the-border-operating-model)

The EU has said it will not replicate the UK's phased plan, so declarations will be needed for exports from January 1, 2021. The UK is expected to move to full enforcement at the end of June.

Exporters can also use the new '**Check duties and customs procedures for export goods**' tool on [gov.uk](https://gov.uk) to identify what additional paperwork, tariffs and quotas are applicable

#### For more information:

[www.gov.uk/check-duties-customs-exporting](https://www.gov.uk/check-duties-customs-exporting)

Businesses can also apply to HMRC for an advance ruling on the commodity code that should be used for their goods and the origin of their goods.

Border posts receiving goods from the EU will use one of two models:

- The traditional Temporary Storage model, where imported goods can be stored at the frontier for up to 90 days before being declared to customs
- The pre-lodgement model, where a customs declaration will be submitted in advance of boarding on the EU side.

There are plans for up to 10 inland sites to alleviate congestion at ports. Sites are planned for Birmingham, Warrington and at a former airfield near Epping Forest in Essex.

# VAT and tariff changes.



## VAT

VAT will be levied on consignments of EU goods exceeding £135 in value following the same rates and structures as are applied for the Rest of the World imports. VAT-registered importers will be able to use postponed VAT accounting and different rules will apply to consignments valued less than £135.

Postponed accounting will need to be introduced for import VAT on goods brought into the UK. UK VAT-registered businesses importing goods to the UK will be able to account for import VAT on their VAT return, rather than paying import VAT on, or soon after, the time that the goods arrive at the UK border.

**Low Value Consignment Relief (LVCR)** will no longer apply to any parcels arriving in the UK. This means that all goods entering the UK as parcels sent by overseas businesses will be liable for VAT. Overseas businesses will charge VAT at the point of purchase and will be expected to register with an HM Revenue & Customs (HMRC) digital service and account for VAT due.

VAT-registered UK businesses will continue to be able to zero-rate sales of goods exported to the EU but will not be required to complete EU sales lists. EU member states will treat goods entering the EU from the UK in the same way as goods entering from other non-EU countries. Associated import VAT and customs duties is due when the goods arrive into the EU.



## Rules of Origin

An important aspect of the UK-EU agreement concerns what are known as 'rules of origin' or RoO. These determine where your goods originate from and which goods are covered in preference agreements.

Under the UK-EU agreement goods can be imported free of tariffs provided they meet certain RoO regarding 'local content'. These vary from product to product. Failure to meet these criteria may mean that your goods are subject to duties or tariffs. They may also be delayed or even confiscated at customs. Confusion over RoO has proved to be a significant factor behind trade disruption since January 1.

This is why companies should examine their supply chains to check that they meet percentage thresholds for content. You may find that you need to identify alternative suppliers whose products comply with RoO in your particular sector.

**UK Government guidance on rules of origin can be found [here](#)**



# Impact on cross-border trade.

## EU e-Commerce Directive

Most online retailers based in the UK are within the scope of the **EU e-Commerce Directive**. Following Brexit, this no longer applies to UK sellers.

But you will need to ensure that you are compliant with relevant requirements in each country in which you operate. Depending on the nature of the services you provide you may already comply with these requirements. But you should ensure that you have processes in place for ongoing compliance if individual countries change their requirements over time.

The EU e-Commerce Directive applies in all countries of the EU and also in Iceland, Norway and Liechtenstein.

In addition, new rules and regulations will have further implications on cross-border trade. These include:

- Longer shipping times as sellers navigate new customs protocols, including customs checks at borders.
- More responsibilities for sellers as they adapt to upcoming changes.
- Overall increase in operating costs to cover tariffs and checks.
- Increase in costs to consumers to cover additional operational costs.

**For more information on the EU e-Commerce Directive:** [www.gov.uk/guidance/the-ecommerce-directive-after-the-transition-period](https://www.gov.uk/guidance/the-ecommerce-directive-after-the-transition-period)



# Fulfillment and inventory management.

In July, Amazon announced big changes to its **UK FBA operations** from January 1, 2021. UK operations will be split from the EU, which means that sellers won't be able to fulfil all of their European marketplace operations from a UK warehouse.

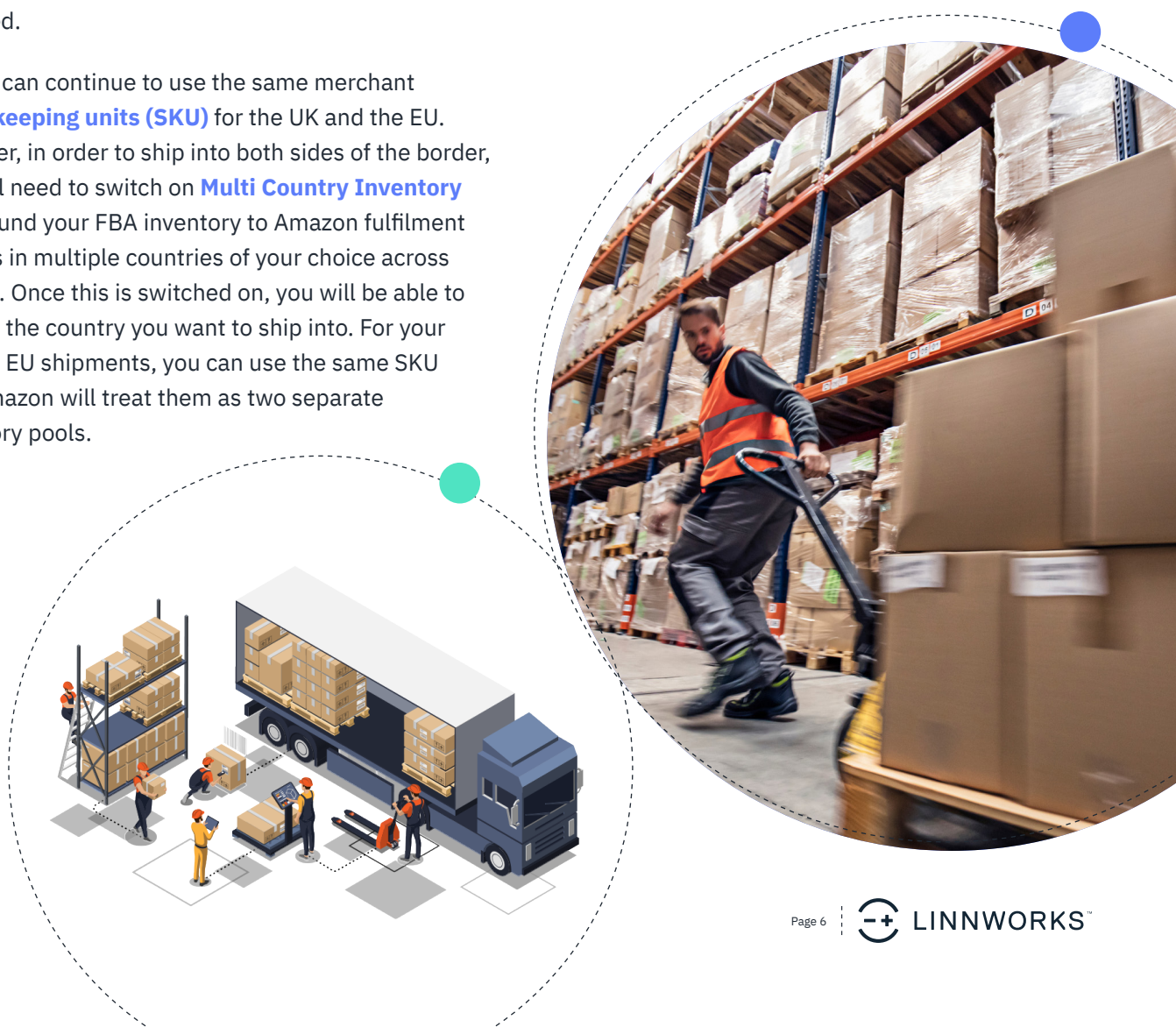
**Pan-European FBA** will no longer transfer inventory between the UK and EU countries. Instead of shipping all of your inventory to a single warehouse in the UK for Amazon to distribute throughout Europe, you will need to ship inventory to another EU country to distribute your stock there.

With Amazon's current **EFN (European Fulfilment Network)** system you are able to sell your products across all five EU marketplaces while VAT registered in just one country (usually the UK if you are a UK seller). From January 1, 2021 you will need separate VAT numbers for every country where your inventory is stored.

Sellers can continue to use the same merchant **stock-keeping units (SKU)** for the UK and the EU. However, in order to ship into both sides of the border, you will need to switch on **Multi Country Inventory** to inbound your FBA inventory to Amazon fulfilment centres in multiple countries of your choice across Europe. Once this is switched on, you will be able to choose the country you want to ship into. For your UK and EU shipments, you can use the same SKU and Amazon will treat them as two separate inventory pools.

The **FBA Exports programme** is still in operation. However, as the vast majority of Amazon customers shop in their domestic store, sales generated via Export are likely to be limited. The best way to protect EU sales after Brexit is to send inventory to both sides of the border.

Keep up to date with advice from Amazon with their **Prepare your Amazon Business for Brexit help page** via your Amazon Seller Central account.



# These are steps you can take to minimise any disruption caused by the new trading arrangements:



### Key actions to take

- **Deliver stock directly to the EU:** Arrange for a percentage of your inventory to be delivered directly to fulfillment centres around Europe.
- **Find alternative providers:** Shop around for suppliers better placed to meet your requirements after Brexit.
- **Set up warehouses closer to customers:**  
If you ship a high proportion of products to one particular destination, it makes sense to invest in facilities there.
- **Update your policies:** Revise your own shipping policies and tariffs to reflect the Brexit changes.
- **Explore new markets:** After Brexit, it makes sense to seek business opportunities outside the EU.
- **Use a shipping aggregator:** Aggregators are digital platforms that offer an umbrella of domestic and international shipping services, with discounted deals without any upfront costs.



### Put your customers first

- Keep currency options open so customers can choose to pay in their own currency if possible.
- Offer different delivery options and be transparent about the potential of longer shipping times.
- Optimise your processes for customer transitions and make it as easy as possible for them to buy from you.
- Ensure you have customer service processes in place to answer queries as quickly as possible.





# Products to help you get ready.

Brexit has significant implications for your ecommerce business, whatever you are selling and whether you are shipping a large number of products or in small volumes.

We want to help our customers respond to the changes caused by Brexit and be ready to seize new opportunities, as well as overcome any challenges.



## Shipping Management Software

Reduce your workload, save valuable time and take control of your ecommerce business, with **Linnworks automated Shipping Management Software** for multi-channel sellers:

- Ensure fast order fulfilment with automatic shipping updates and the bulk printing of shipping labels, invoices, picking lists and packing slips. Put an end to late dispatches and avoid the risk of being suspended on Amazon and eBay.
- Secure the cheapest shipping rates. Compare available shipping services from a range of international and domestic couriers.
- Seamlessly connect FedEx, DPD, Royal Mail and your other courier services with all your selling channels, enabling you to manage your entire shipping and order fulfilment process from one centralised location.
- Easily apply bespoke shipping rules to your orders with the Linnworks' Rules Engine, including the automatic allocation of courier services based on specific conditions (weight, dimensions, order value, channel, destination and more).



## Inventory Management Software

Connect your sales channels and synchronise your stock for increased efficiency, greater cost-savings and more freedom:

- Have full control with centralised inventory management. Whether you sell on eBay, Amazon, Magento, Shopify or any other marketplace or website, maintain full control of your inventory at any time and from anywhere in the world.
- Spend less time managing your inventory. Free up valuable time by automating everything from stock synchronisation, right through to warehouse management. Eliminate human error that can cost your business time, money and reputation.
- Eliminate the risk of overselling. With the ability to synchronise all your selling channels and enable automatic inventory updates, you can be confident that your stock levels will be adjusted after every sale, reducing the risk of overselling.
- Build a more profitable business. Benefit from increased productivity and greater cost savings by maintaining efficient processes for ordering, managing, tracking and selling stock, boosting the overall profitability of your business.

For further information: [www.gov.uk/transition](https://www.gov.uk/transition)

Find out how Linnworks can grow your business. **Book a demo at** [www.linnworks.com/demo](https://www.linnworks.com/demo)