

Simarco International Ltd
Simarco House
Crittall Road
Witham
Essex CM8 3DR

Tel: +44 (0) 1376 501110
www.simarco.com

To whom it may concern

Brexit Preparations for Goods Arriving into the UK from the EU from 1st January 2021

Dear Sir/Madam,

We are writing to you in preparation for the Brexit changes that will occur in respect of goods you import from the EU, once the UK formally ends the transition period with the EU on 31st December this year.

By way of introduction our company, Simarco International Ltd, has within the last 12 months conducted the import and delivery of cargo to your company from one of your European suppliers. Simarco International Ltd can act on your behalf, for Customs transactions on a 'direct-representation' basis.

As you are, no doubt, aware with the end of the transition period, new customs & VAT arrangements will come into force which will affect all companies in the UK who export & import goods to or from the EU. From 1st January 2021 all goods moving between the UK and any of the 27 EU member states will require to be supported by customs declarations as per normal 3rd-country rules as per 'rest-of-the-world'.

Our involvement may not have been overt to you as it is probable that we undertook this work on behalf of either your overseas supplier or by their local forwarding agent who is also our partner for their UK shipments.

It is our experience, in terms of the consignees that we ship to in Europe for our UK customers, that over 95% of the time, within a 12-month period, that the consignees remain the same. We have therefore assumed that this is likely to be the same in terms of imports from our overseas agents/your suppliers & we are trying to pre-empt any issues that may occur, once the transition arrangements end, by writing to you now to advise of the likely changes.

Under these new arrangements, all shipments into the UK will require a customs entry which will attract an administration fee and, the potential payment of duty (dependent on the cargo origin & final UK trade-deal negotiations with the EU) and the current UK VAT charges.

Broadly, how the arrangements will work are as follows:

- It is anticipated that all cargo will continue to be delivered duty unpaid by the supplier, which, in turn, will mean that any duty & tax that is payable, must be paid by the importer. Whether the seller & buyer make a separate price arrangement to mitigate any extra duty charges (if

applicable), in the price of the goods, is a matter between them. HMRC will require that all the import charges be paid to allow the free circulation of the goods in the UK.

- It is also important to note that HMRC have confirmed that the need for INTRASTATS record-keeping and, INTRASTATS monthly reporting, will continue until the end of 2021.

With this assumption, there are two key elements to the likely customs process. These are as follows:

- Firstly, duty may be payable on the imported goods calculated by the goods value & tariff set by HMRC. There are, effectively, two options for the importer in dealing with any duty payable:
 - 1) The importer can establish their own deferment account with HMRC. The goods are to be imported under the importers guarantee & all duty incurred during each month will be payable by the 15th of the following month. To establish an account, you will need to confirm your EORI number & arrange a deferment account with HMRC (<https://www.gov.uk/guidance/setting-up-an-account-to-defer-duty-payments-when-you-import-goods>). Before an import is processed, your UK customs agent (possibly Simarco or another party) will need to know the deferment account number and, be given authority to use it, prior to shipment of the goods, so that on import arrival to the UK, the correct duty liability can be allocated to the account (to be paid by yourselves the following month) and the goods released without delay.
 - 2) The importer uses Simarco or another party's deferment account, by prior arrangement, and that the duty is paid to them prior to the release of the goods. There is also likely to be a small administration charge for the use of the account.
- Secondly, there is the cost of administering the import paperwork. In all cases there will be a small processing charge for the customs import declaration by your UK freight agent or, the UK representative of the exporter or, their agents UK representative.

There are two options in this instance:

- 1) Request Simarco to undertake all customs formalities in respect of import & export shipments for which there would be a charge. Please find attached our Customs Authority Letter for Direct Representation or download from our website http://www.simarco.com/images/pdf/Authority-Customs_Clearance_Agent.pdf
- 2) You have your own customs agent which you require Simarco to pass the paperwork to. It is likely in this case that your customs agent will charge a similar price to that of Simarco, for this service. In such cases there will be a small handover fee levied by Simarco for undertaking all the pre-import paperwork for your customs agent.

It is important to note that these charges are for the import paperwork **only**. It is important to note that the export agent will also levy a separate charge for completing the export documentation in the origin country, to the Supplier. The Supplier may include this charge in their sales invoice to you (subject to agreed Incoterms).

It will be necessary to make a memorandum VAT entry in respect of any notional VAT that would have been payable on the imported cargo. Your appointed customs broker will produce a C88 document for each shipment showing the VAT that would have been payable. It is not necessary to pay the VAT at the time of import. Under the deferred VAT accounting that HMRC has announced, in order to smooth over the new customs arrangements, the importer is obliged to keep a record of the VAT that would have been payable & to note this on their next quarterly tax return.

Over the next 4-6 weeks we will be sending you further correspondence which will encompass the following:

- a. Updates on any changes to the anticipated customs processes for your information.
- b. More detailed advice on the customs processes & what you need to do in terms of documentation for imports
- c. A request to formally set us up as a supplier, in your account system (if not already done), to allow for the processing of any customs charges that may occur post-transition.

In terms of immediate actions, if you would like Simarco to act as your customer broker from 1st January 2021, we ask that you sign and return the Letter of Authority ensuring it is completed on your company letterhead and email to eucustoms@simarco.com. If not, we do not need for you to formally do anything, currently, other than to note the contents of this letter as part of your on-going Brexit preparations to ensure you can still receive your shipments without unnecessary delay.

Hopefully, the above is clear and in line with your own Brexit customs preparations.

We do understand that the new arrangements will not be clear to everybody, but we have a comprehensive Brexit webpage <http://www.simarco.com/index.php/brexit> providing a step-by-step guide on the import process, checklist information and useful links to help guide importers as necessary.

We have a team in place at Simarco who will be able to offer advice and assistance to you as needed, so please feel free to contact us brexit@simarco.com and the team will be able to assist you.

Thank you for your time & we look forward to working with you going forward.

Yours faithfully,

Mark Wraight

Global Network Director