The Brexit Clock is Ticking: Time to Act Now!

45 days to go...

Lionel Van Reet

IFA | 12 February 2019
Timeline

- **29 March 2017**: Notification (Article 50 TEU)
- **2017**: EU (Notification of Withdrawal) Act 2017
- **2017**
  - Phase 1: six rounds of negotiations on Citizens’ rights, N-IR and financial settlement

- **17 & 18 October 2018**: Target Withdrawal Agreement & Agreement on Transition (missed deadline)

- **2017**
  - 25 November 2018: Extraordinary Council meeting

- **2018**
  - 24 November 2018: Agreement on negotiators level on Withdrawal + Transition + Political Declaration
  - 19 March 2018: Partial agreement on withdrawal & transition (negotiators level only)

- **2018**
  - 30 March 2019: (29 March 2019 11 pm UK time)
  - You are here

- **2019**
  - 15 January 2019: Proposed date for vote of UK Parliament on Withdrawal Agreement
  - Consent EU Parliament & decision EU Council
  - Approval & ratification UK Parliament

If Withdrawal Agreement: transition until 31 December 2020 (extension possible)

- Extension upon request UK and unanimous agreement by all MS

- Date?

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Introduction

PART I: INITIAL PROVISIONS
I. BASIS FOR COOPERATION
A. Core values and rights
B. Data protection
II. AREAS OF SHARED INTEREST
A. Participation in Union programmes
B. Dialogues

PART II: ECONOMIC PARTNERSHIP
I. OBJECTIVES AND PRINCIPLES
II. GOODS
A. Objectives and principles
B. Tariffs
C. Regulatory aspects
D. Customs
E. Implications for checks and controls
III. SERVICES AND INVESTMENT
A. Objectives and principles
B. Market access and non-discrimination
C. Regulatory aspects
IV. FINANCIAL SERVICES
V. DIGITAL
VI. CAPITAL MOVEMENTS AND PAYMENTS
VII. INTELLECTUAL PROPERTY
VIII. PUBLIC PROCUREMENT
IX. MOBILITY
X. TRANSPORT
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B. Road transport
C. Rail transport
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A. Electricity and Gas
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C. Carbon pricing

XII. FISHING OPPORTUNITIES

XIII. GLOBAL COOPERATION

XIV. LEVEL PLAYING FIELD FOR OPEN AND FAIR COMPETITION

PART III: SECURITY PARTNERSHIP
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C. Anti-money laundering and counter-terrorism financing
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B. Sanctions
C. Operations and missions
D. Defence capabilities development
E. Intelligence exchanges
F. Space
G. Development cooperation
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C. Health security
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V. CLASSIFIED AND SENSITIVE NON-CLASSIFIED INFORMATION

PART V: FORWARD PROCESS
I. BEFORE WITHDRAWAL
II. AFTER WITHDRAWAL
III. REVIEW POINTS
"Everybody has a plan until they get punched in the face."

--- Mike Tyson

To...Game of Trade??

A trade war is being played out on the global stage
Will your business be a winner or loser?

The measures introduced in the trade war so far are having a tangible, negative and significant impact on global markets with global volume growth declining to its lowest level in several years. This is impacting Australia and will have implications for all economic policies in the short term and beyond.

But PwC's economic modelling suggests that for some businesses there is a chance to avoid or respond to the worst outcomes. Whether you are a winner or loser will depend on the actions you take.

The US has imposed billions of dollars of new tariffs on goods originating from China.

The European Union, China, Canada, Mexico, India, Turkey and Japan have introduced or threatened additional billions of dollars of retaliatory tariffs.

There is volatility and uncertainty about the outcomes. This is likely to have a significant impact on key currencies.

Australia and China have strong political and economic ties.

China is an important market for Australian export industries.
International Trade
Customs & Supply-Chain
Main Brexit impacts on Customs & International Trade

1. Duty Impact
   Cost to market
   - Import duties
   - Preferential Origin NOT applicable
   - Valuation issues (cost price > sales price)
   - Taxable basis
   - Incoterms
   - VAT prefinancing // VAT deferment licence (quid non-UK est.)
   - Returning goods (repair, maintenance), samples, tests?

2. Lead Times
   Time to Market
   - AEO
   - CFSP
   - E-Customs declarations
   - Supply-Chain & Delivery optimizations
   - Fines, Manufacturing issues

3. Compliance costs
   - IM & EX Customs compliance costs
   - VAT registration
   - Bank guarantees to be set up
   - Demurrage costs
   - Increased average delivery price

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Main Brexit impacts on Customs & International Trade

Customs Legislation

- Classification (CN code)
- Origin (CN, US, TR, ...)
- Valuation (€, $, £)

Tariff (%)

Value

Duties

Customs approved treatments and regimes

Link with VAT

- Customs Value
- Duties & other factors
- Taxable basis for VAT

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Customs & International Trade

Post-Brexit

UK – EU Border

NL warehouse (stock: HQ)

DE e-comm. warehouse (stock: HQ)

Goods shipped from Asia

Goods dispatched to the UK

Goods dispatched to the EU

UK HQ

UK customers

EU customers

1 Customs Pillars

- Classification
- Origin
- Valuation
- Customs Procedures
- Excises & Energy

2 Trade compliance

- Customs laws & duty avoidance strategies
- Free Trade Agreements (FTA’s)
- AEO certificates
- Antidumping
- Tariffs suspension
- Customs & excise compliance
- Software implementation (SAP GTS, MIC, IMEX)

3 Trade Strategy & Regulatory Matters

- Labelling and Marking
- Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH)
- Non-Tariff Barriers (NTB’s)
- Intellectual Property
- Standards & Safety
- Procurement, Sourcing, supply chain optimisation
Trade Compliance

Additional Talking Points

- Bank guarantee: what with existing bank guarantees in the EU?
- Customs licenses: what with existing customs licenses in the EU?
- EORI: what with existing EORI-numbers in the EU?
- Authorized Economic Operator (AEO): less controls, prior treatment when customs controls.
- Registration, Evaluation, Authorization of restriction of Chemicals (REACH): recognized in the UK?
- Approved exporter for origin purposes: self certification with respect to preferential origin applicable?
- Binding Tariff Information (BTI): will a BTI be recognized by the UK customs authorities?
- Impact on ERP: next to administrative changes, also changes in the IT-system and master data will be required and compliant with EU and UK national law.
- Non-Tariff Barriers to trade (NTB’s):
  - Licenses: will EU trademark also include UK?
  - Import quota’s: review of import quota’s to protect UK internal market?
  - Anti-dumping: review of the current anti-dumping measures?
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<td>Update on political &amp; legal context</td>
<td>Ine Lejeune</td>
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<td>Customs &amp; VAT</td>
<td>Lionel Van Reet</td>
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<td>Supply Chain</td>
<td>Matthias Reyntjens</td>
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<td>Gregory Joos</td>
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Market insights

Customs & Supply-Chain
Expected impact and concerns of Brexit*

None of the participants expect a positive impact of the Brexit

71% of all participants expect a deal-scenario prior to Brexit

The top 5 reasons of concern for the companies involved:

- Our imports and exports have potential to be subject to high tariff rates
- We sell or buy high volumes of goods or services to/from the UK
- We have time dependent cross-border logistics e.g. 'just in time' production
- Our products, services and organisation have potential to be subject to regulatory changes
- We have highly integrated UK-EU supply chains and distribution models

*PwC, Brexit readiness survey 26 July – 12 September 2018
34% of all participants have already engaged with government or industry bodies on BREXIT impacts and preparations

Most desired measures the government could take to support the Brexit readiness:

1. Detailed planning and preparation for changes at the border
2. Template readiness plans and checklists
3. Impact assessment tools and frameworks for businesses to use
4. More industry specific communications

*PwC, Brexit readiness survey 26 July – 12 September 2018
Getting started?

1. Strategic Assessment Meeting
2. Exploratory Workshops
   - Impacted Areas:
     - a) Supply Chain, Tax & Finance
     - b) Legal Compliance
     - c) People & Organization
     - d) Governance
3. Intermediary Report & Review of Possible Scenarios
4. Operational Implementation

- **December 2018**
  - Strategic Assessment Meeting
- **January 2019**
  - Workshops Commencement
- **February 2019**
  - Workshops Finalisation
- **March 2019**
  - Intermediary Report Production & Review

Aggregate the Intermediary Conclusions on Possible Scenarios that envisage an action plan encompassing the topics covered.
Flexible hands-on Brexit Assessment Tool to visualize (by means of dashboards) and measure the (financial) impact on the economic ties in case of no-deal scenario Brexit.

All information provided in the tool is based on the company’s transactional data whereby the required data consists of either Intrastat data and/or transactional data extracted from the internal ERP system of the client.

Our identified findings will be subsequently communicated during a report-out meeting along with potential solutions to minimise impact.
Thank you!

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