



Simon McKeever joined the Irish Exporters Association as Chief Executive in October 2013 where he is responsible for leading a team who work with companies across the Irish export industry, including SME's who are beginning to think about exporting for the first time right through to global multinational companies who are already extensively exporting from Ireland.

Mitigating customs risks of Brexit for Irish Exporters

This article sets out the risks for Irish exporters post Brexit and the importance of understanding and planning for these risks.

We are now more than one year on from the UK voting to leave the EU and the prognosis for the Irish export industry shows that the impact will be severe. The UK is Ireland's largest single trading partner with 13% of Irish goods and 19% of Irish services destined for the UK and the UK is the source of 23% of imported goods and 8% of imported services.

The Irish export industry is heavily exposed and reliant on the UK market. 93% of IEA members do business with, or export to the UK. 47% export more than 25% of goods or services directly to the UK, 7% export more than 75% there and 89% of our members see negative implications to their business resulting from customs procedures.

Unless the UK manage to negotiate a tariff-free EU/UK trade agreement, Irish goods will be subject to tariffs and in fact, unless the EU remains part of the Single Market, the EU's external border will run through Ireland, with a customs regime between the two jurisdictions.

It is not just our exports to the UK that will be affected but our exports and imports that transit through the UK to get to or from intercontinental Europe and further. Two-thirds of our members make use of the UK land-bridge to access continental markets. 40% said that use of slower direct routing would adversely impact the quality of their product and 53% said that a longer time supply chain would seriously impact inventory and other costs.

Being a member of the Customs Union ultimately means the prohibition between Member States of customs duties and the adoption of a common customs tariff in relation to third countries. Depending on the deal negotiated in Brussels, the UK may, as is Prime Minister May's stated objective, leave the Single Market and Customs Union and be independent in their regulation and ability to negotiate trade agreements with other countries, meaning Ireland would have to trade with the UK as a third country and no third country currently has a customs-free border with the EU, although the level of customs checks varies widely from very light at Swiss borders to very heavy at Eastern borders but this is all still quite significant in terms of delays.

The administrative burden that Brexit could have on Irish business is staggering. An Export Declaration is needed for all exports to non-EU or third countries and all customs declarations must be lodged electronically via Revenue's Automated Entry Processing System. The minimum data required includes origin of goods, shipment destination, commodity codes, customs procedures codes and values. Absence of required information could result in delayed processing or administrative penalties. Penalties range from €100 to €2000, depending on the error. Customs declarations are the standard data set required to communicate with customs authorities. Export/Import and Transit declarations are likely even in the case of a soft Brexit. These exist currently in the case of Norway and Switzerland, who are in the single market and customs union. In 2016 there were 600,000 Export Declarations processed by Irish Customs and 740,000 Import Declarations, in a post-Brexit scenario this is estimated to be as high as 4 to 5 million.

According to Revenue records, in 2015 there were approximately 12,000 Irish traders exporting goods and/or services to the UK, with an estimated value of €33 billion on these exports. These traders directly employ over 680,000 people. Approximately 1,600 of these traders are based in border counties, with 49,400 employees, 52% of their EU exports go to the UK at a value of €2.2 billion. In comparison, less than 30% of EU exports from the remaining 10,000 business (that are not based in border counties) are dependent on the UK meaning customs procedures will hit the border counties hardest.

Much of the focus on Brexit up to this point has been focused on exports. However, Brexit also raises many potential challenges for importers and in particular, for the supply chain where imports make up part of the final goods that are exported. It is not a one-way traffic issue. 63.5% of IEA members surveyed import products from the UK. VAT Information Exchange System data shows that there are approximately 90,000 Irish businesses importing goods or services from the UK. In 2015, goods and services imported from the UK were valued at €18 billion and €14 billion respectively. Again, border counties are heavily reliant on UK imports with 70% of their EU imports coming from the UK compared to 30% for non-border counties. If the UK becomes a third country in terms of international trade, third country rules and procedures will apply. In Ireland, there is an imposition of 23% import VAT for all goods imported from third countries at present. This is on top of tariffs.

This import VAT must be paid immediately at the point of entry into the state, or goods will not be released. Currently, the best possible scenario for importers is that they can apply to Revenue to become a deferred payer. If this is approved, their goods can be released on import without immediately paying the import VAT, but this must then be paid in full before the 15th day of the next month. The VAT system could create considerable cash flow burdens for importers from the UK, affecting Irish exporters' competitive advantage. They may have to finance the VAT paid on these imports for a considerable period. There are a number of actions that companies can take now to prepare for what's coming down the line. For example, companies can become an Authorized Economic Operator to facilitate a streamlined customs experience going forward. This system has been in place since 2008 and is a trade facilitation measure to enhance security and safety in international supply chain. It is open to manufacturers, forwarders, warehouse, customs brokers, carriers and importers and utilizes streamlined and modernized customs procedures. It is recognized globally as secure and compliant business in international trade and greatly reduces document checks, especially in a third country scenario. At the IEA we are convinced that Brexit and the implications of the Union Customs Code will make it practically mandatory for goods exporters to become Authorized Economic Operators and we can assist companies to prepare to become certified.

The IEA is working closely with members to support them in the challenges they are facing and will face in light of Brexit. We are lobbying Government for initiatives that improve Ireland's competitiveness, our ability to diversify and grow our export markets and to support a pro-business environment in Ireland which is comparable on a global scale.

The advice that we are giving to the Irish export industry is to plan now for business after Brexit and prepare for the worst, while hoping for the best. Trade with the UK after Brexit will continue, albeit with more costs, new compliance and reporting obligations and greater administrative burden. Preparing a practical and operational plan will mitigate the risks. It is crucial that exporters do an impact assessment, both on their own company exposures but also on their supply and customer chains exposures in relation to the exchange rate, customs, tariffs, VAT, visa requirements and EU regulations and legislation on them.

Understanding the risks involved is paramount and we have experts on hand to talk to members about any worries that they have. A key focus of our vision is signposting and providing information to our members with any issues that affect them. The IEA has recently launched a new training course, "Brexit for your Supply Chain." The course is tailored for businesses currently exporting to or importing from the UK, or planning to, and is a practical programme that provides clear guidance on customs procedures and documentation in a post-Brexit scenario. *For further information visit the IEA website www.irishexporters.ie.*

