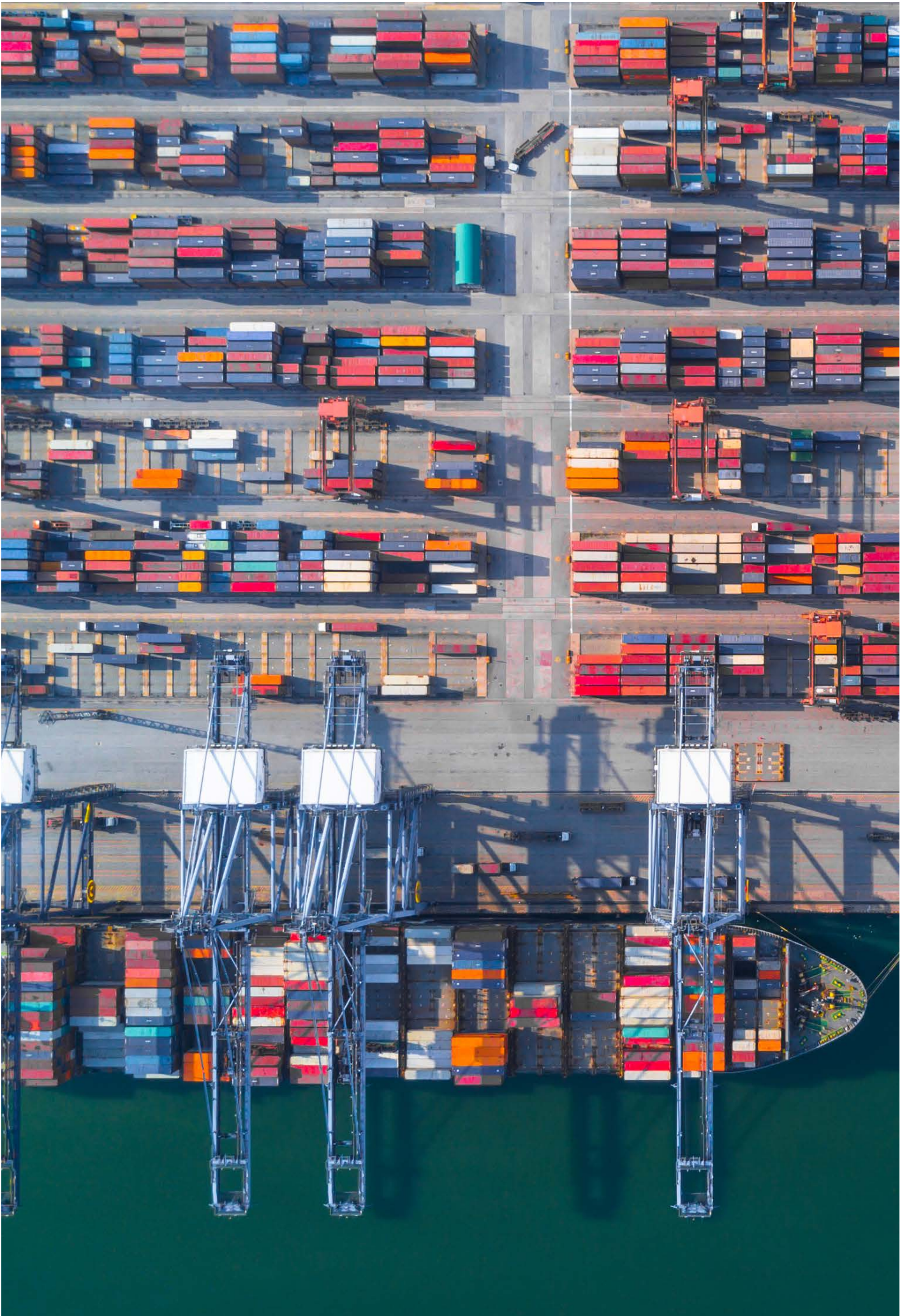


Brexit and the impacts on customs and foreign trade:

How to make sure your company is
best prepared





Foreword

Dear reader,

Brexit is a topic that has preoccupied the European economy and politics for more than two years. When is it actually going to happen? Under what conditions? And what impacts will it have?

Since Boris Johnson has moved into number 10 Downing Street (the address of the English Prime Minister), the probability of an unorderly exit from the EU is now more likely. Furthermore, the new Prime Minister is not shying away from a hard Brexit, which would certainly involve additional bureaucracy.

Intra-community deliveries from warehouses in the EU to Great Britain would no longer be possible, therefore making it more complicated to supply customers. Many companies in Switzerland are also affected by this situation.

Brexit will have a serious impact on trade

Irrespective of what form the future relationships between Great Britain, the EU and Switzerland will take, one thing is certain: Brexit will have serious impacts on the operational practice of importing and exporting companies.

Areas that will be affected in particular include export controls, electronic customs processing, statistical reporting and the preferential origin of goods. Overcoming these technical and specialist challenges efficiently will require the support of strong and reliable partners.

Are you able to estimate what lies in store for you after Brexit?

This white paper explains how you can best prepare your company for all eventualities.

If you are looking for an initial overview of the effects on your own company, we recommend downloading the free-of-charge of Brexit Readiness app from PwC. It is available to download from <https://brexitapp.pwc.de>. You can use this tool to find out how well prepared you are for the different scenarios and possible consequences.

Regardless of whether and in what form Brexit eventually takes place – PwC and SAP will be by your side.

We hope you find this an informative read. Don't hesitate to contact us with any questions you may have.

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What does Brexit mean for customs and foreign trade?

There are major inter-dependencies between the United Kingdom and the European Union. According to estimates, almost half (48 per cent) of future exports from Great Britain will be to the EU. The United Kingdom exports goods worth EUR 188.5 billion to EU countries. The most important product groups are road vehicles, machines, petroleum products, food and pharmaceuticals.

Great Britain's dependency on imports from the EU is even greater: 54 per cent of the goods imported onto the island come from the EU. And Germany is one of the largest partners: 12 per cent of British exports are shipped to Germany, while around 7 per cent of goods imported by Germany originate from the island.

Once Great Britain is no longer a member of the EU and a possible transition phase has passed, it will be considered a third country in export terms. Deliveries to the United Kingdom – that is to England, Northern Ireland, Scotland and Wales – will then be considered as exports and no longer as transfers. The impacts of this are serious:

1. Export controls: Checking dual-use goods

Great Britain's departure from the EU will result in new authorisation requirements. The trading of dual-use goods, which can be used for both military and civilian purposes, is subject to an authorisation requirement. The same applies to certain firearms as well as goods that are listed under the Anti-Torture Regulation. Companies therefore have to implement export, import and embargo controls and ensure that sanctioned party list screening is carried out. Due to the amount of effort involved, this is extremely difficult for exporting companies to perform manually. However, IT solutions can automate the screening process and enable companies to efficiently manage their authorisations.

2. Managing the deluge of customs declarations

Many companies that export goods from Great Britain to the EU or from the EU to Great Britain will need to complete customs declarations in future. This is expensive and time-consuming: the average cost for a customs declaration via a freight forwarder is EUR 50 (for three items).

One thing is certain: in the event of a hard Brexit and after the transition phase, there will be a dramatic increase in the number of customs declarations. Customers can then choose whether to declare exports and imports directly to customs or to assign a service provider to do this on their behalf. In any case, ensuring maximum efficiency is vital in order to deal with the additional work involved.

3. Recalculating preferences, updating supplier declarations

Swiss companies that use goods originating from the United Kingdom in their production processes are also concerned by the need to prepare for Brexit: they might possibly lose the preferential goods of origin for their products. A recalculation is necessary to make sure you are acting within the law.

Example case of an EU company

Do you know exactly what lies in store for your company as a result of Brexit? This is not an easy question to answer, as so many aspects still remain unclear. What's more, the possible scenarios are raising different issues for each individual company.

On the basis of a fictitious but realistic example, we have outlined the possible and likely effects of the United Kingdom's exit from the EU. However, the concrete facts may vary of course if the EU and the United Kingdom agree upon regulations other than those previously discussed.

Head office in Bremen, subsidiary in Manchester

Let us take the fictitious company Joe Public Ltd, for example. The company's head office is in Bremen. It has a subsidiary based in the English city of Manchester. The company produces goods in Bremen; various components used in production are shipped from Manchester to the Hanseatic city on the River Weser. In this example, the subsidiary in Manchester could also be substituted by an external supplier in Great Britain – the impacts would be the same.

As long as Great Britain remains a member of the EU, this does not pose any problems. The goods are delivered without having to make any special declarations or follow special procedures (other than the intra-community declaration afterwards). Following Brexit, the procedure may well be completely different:

- ➔ **Export control:** In Manchester, Joe Public Ltd must carry out export controls to check whether the goods are subject to the dual-use regulation.
- ➔ **Import control:** Import controls may be necessary in Bremen, at least, if the components are from a particular group of goods.
- ➔ **Electronic export declaration:** In Manchester, Joe Public Ltd must issue an electronic export declaration to the British customs system CHIEF/CDS.

➔ **Import declaration:** In Bremen, employees from Joe Public Ltd must ensure that an electronic import declaration is issued to the German customs system ATLAS.

➔ **Preference processing:** Upon the receipt of goods in Bremen, the end product, in which the components from Manchester will be used, loses its positive preference status, as the components were procured from a non-EU country.

The example below explains this: It is virtually impossible to predict the additional effort and extra costs that will be incurred in customs and foreign trade as a result of Brexit. Many companies rely on external service providers to process imports and exports from third countries. However, the costs involved are high: each customs clearance through a service provider costs between EUR 30 and 50 for each import/export. This means that companies trading on a regular basis with the United Kingdom will be faced with high costs and a lot more work.

Digital solutions facilitate customs processes

A good alternative therefore is to turn to electronic support for your imports and exports. IT solutions such as SAP Global Trade Services (GTS) cover all of the above-mentioned standard processes automatically – while offering lots more besides: they also efficiently process the sanctioned party list screening, embargo controls and pricing. The interlinked solutions from PwC and SAP can do all of this. Read on to find out more about the benefits of these solutions and about SAP GTS on the following pages.



Brexit Readiness app: The Brexit Readiness app from PwC also provides a good overview of the concrete effects of Brexit on your own company. You can download this app free of charge from <https://brexitapp.pwc.de>.

Digital solutions from PwC for customs and foreign trade

PricewaterhouseCoopers (PwC) offers companies comprehensive advice on all aspects relating to customs and foreign trade, from strategy through to implementation.

Our objective is to minimise the risks your company faces as a result of Brexit. Thanks to PwC's global network, we can quickly analyse customs and foreign trade issues and find the right answers for you. PwC offers comprehensive global advisory services.

Central element of the offering from PwC: SAP Global Trade Services (GTS)

The central element of the service offering from PwC is SAP GTS – a product launched by SAP back in 2003. It makes sure that companies comply with the legal regulations for customs and foreign trade. Since 2010, PwC has been operating scalable, cloud-based SAP GTS systems that are suitable for companies of all sizes. We offer affordable cloud services for optimised customs and foreign trade processes, which can be seamlessly integrated into the SAP ERP system landscape. PwC offers extremely comprehensive SAP GTS services around the world.

The scalable PwC services for SAP GTS





Scalable PwC services for your company:

- PwC will operate the system for you in a PwC computing centre in accordance with a usage-based billing model (with upper usage limits that must be adhered to) or with fixed monthly payments.
- A license is not required. However, PwC also operates cloud solutions for which you can use your own SAP GTS license.
- PwC prepares data content (e.g. sanctions lists and preference rules) and uploads them onto the systems.
- PwC manages the connection to the customs authorities (e.g. e-dec and ATLAS) for the electronic exchange of customs declarations.
- You can use all or just some of the functions and processes available with SAP GTS.
- PwC implements and maintains the systems.
- PwC provides you with a Customer Support Center and ticketing system for resolving questions and problems.
- PwC offers specialist customs and strategy advice. For all legal matters, PricewaterhouseCoopers Legal AG.
- Rechtsanwaltsgesellschaft can offer you legal advice.
- You only need to conclude one contract with PwC for all the stated services. (A separate order is required for legal advice from PricewaterhouseCoopers Legal AG Rechtsanwaltsgesellschaft.)
- Flexible contract terms (1 to x years).



Your benefits with the PwC cloud solutions:

- You procure licenses from SAP and obtain all the afore-mentioned additional services from PwC, or you decide to opt for one of the PwC cloud solutions for SAP GTS, in which case you obtain all the services and the license from PwC.
- The PwC cloud solutions for SAP GTS enable cost savings of around fifty per cent compared with alternative solutions.
- You can use the functions of SAP GTS without having to install and pay for a complete system.
- You have access to an affordable high-end product with the standard SAP GTS functionality.
- You benefit from a scalable system and can select additional functions as and when required.
- There are no separate costs for the licenses and hardware for the cloud solutions.
- You avoid fines and legal consequences as well as the revocation of customs authorisations.
- You can rely on a German, French and English-speaking support and customs team.
- It is easy to involve international customs experts, even for exotic countries and customs requirements, through the PwC network.

We will adapt the changes arising from Brexit directly in the systems – minimising the effort required on your part.

The SAP GTS cloud solutions are an economic alternative to many of the other solutions available on the market. They combine the strengths of the extensive SAP GTS system, which is closely linked with the logistics processes in the SAP ERP and S/4 HANA systems, with the conveniences of cloud services – PwC takes care of the technical operation as well as adapting it to the changing legal requirements.

SAP Global Trade Services – the market-leading standard solution

Except in the case of cloud services for SAP GTS, which PwC can offer from a single source (including the license), you have to procure the license and services separately (= a contract with SAP and a contract with PwC). You can thus choose between these options and rely on the well-harmonised processes between PwC and SAP.

SAP GTS offers many different functions that facilitate customs processes for you. This also applies – in particular – to the new processes and functions that will arise as a result of Brexit.

SAP GTS provides comprehensive electronic support in the following areas:

Sanctioned party list screening

With online process blocks and releases, you can ensure that companies, states, organisations and natural persons are all screened properly.

Export management

You can manage compliance, classification, financing and customs clearance for your exports with direct export declarations.

Import management

Streamline your import operations through self-declarations, import pre-declarations and customs calculations.

Preference and free trade agreements

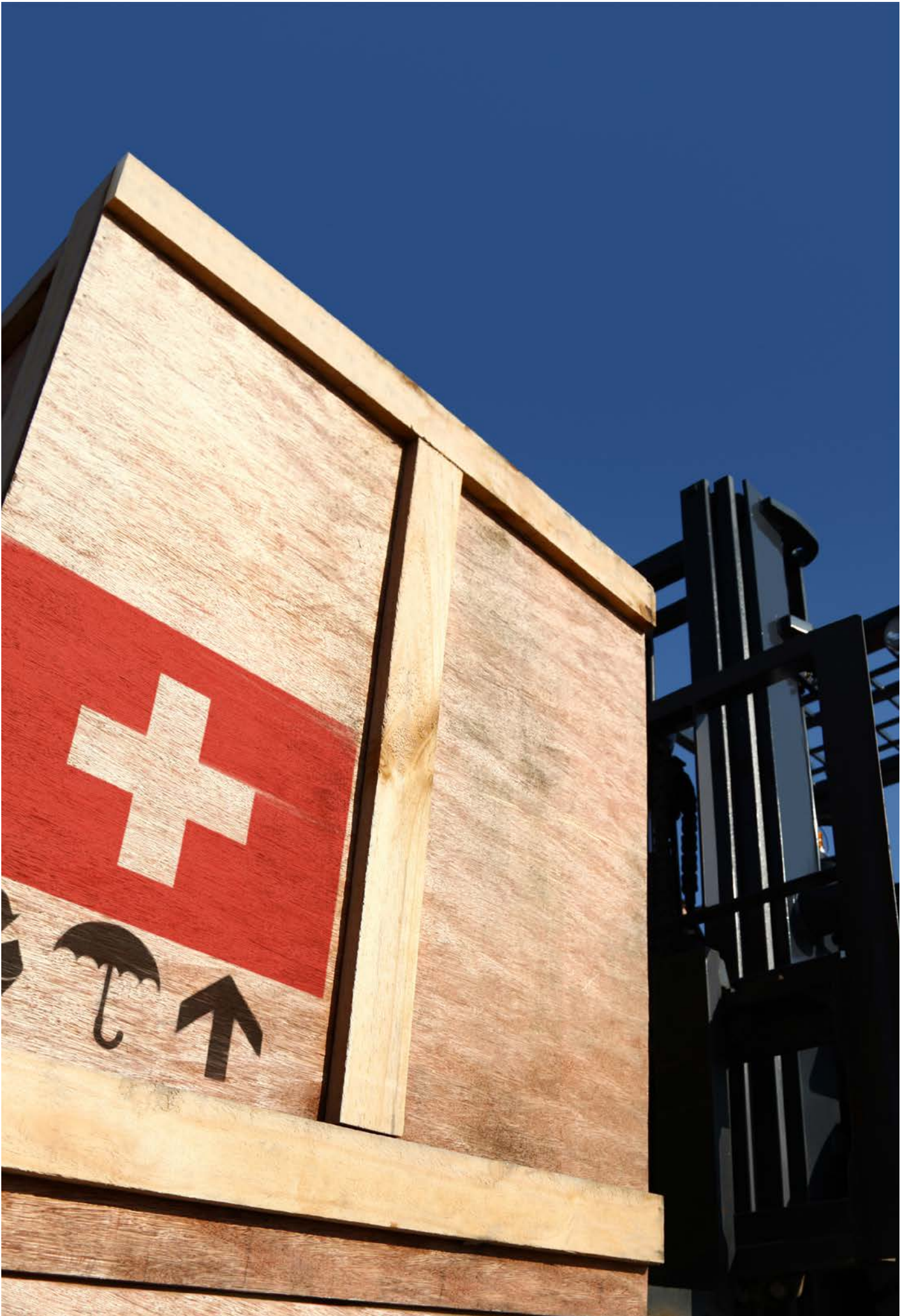
Utilise free trade agreements through the preference calculation and processing of supplier or customer declarations.

Special customs procedure

Utilise foreign trade zones, processing trade in China, customs warehouses, inward and outward processing, Intrastat and a system for monitoring the movement of excise goods (Excise Movement and Control System, EMCS).

As SAP GTS is closely interlinked with SAP ERP and SAP S/4 HANA, the relevant data from the upstream SAP systems can be processed directly in SAP GTS. This means that you are working with the latest data, thus enabling you to avoid redundant effort. Your employees' workflows in the processes concerned (logistics, finance and possibly human resources) remain unchanged and can even be optimised further, as only exceptional cases need to be processed separately.

And of course, SAP GTS also supports the SAP standards such as support in all common languages, the use of different currencies as well as a strict and secure authorisation and logging concept. Besides the global availability of the solution, you can also ensure that your customs and foreign trade processes are flawless from a legal point of view.



Summary and added value

Under what conditions the United Kingdom will leave the European Union remains yet to be seen. However, regardless of the outcome, one thing is certain: there will be an increased level of effort for exporting companies in Switzerland and in the EU. Companies that regularly export goods directly or via a warehouse in the EU to Great Britain or those that import goods from the island will presumably be faced with the difficult task of having to manually manage the customs formalities required after Brexit, which will be costly and time consuming.

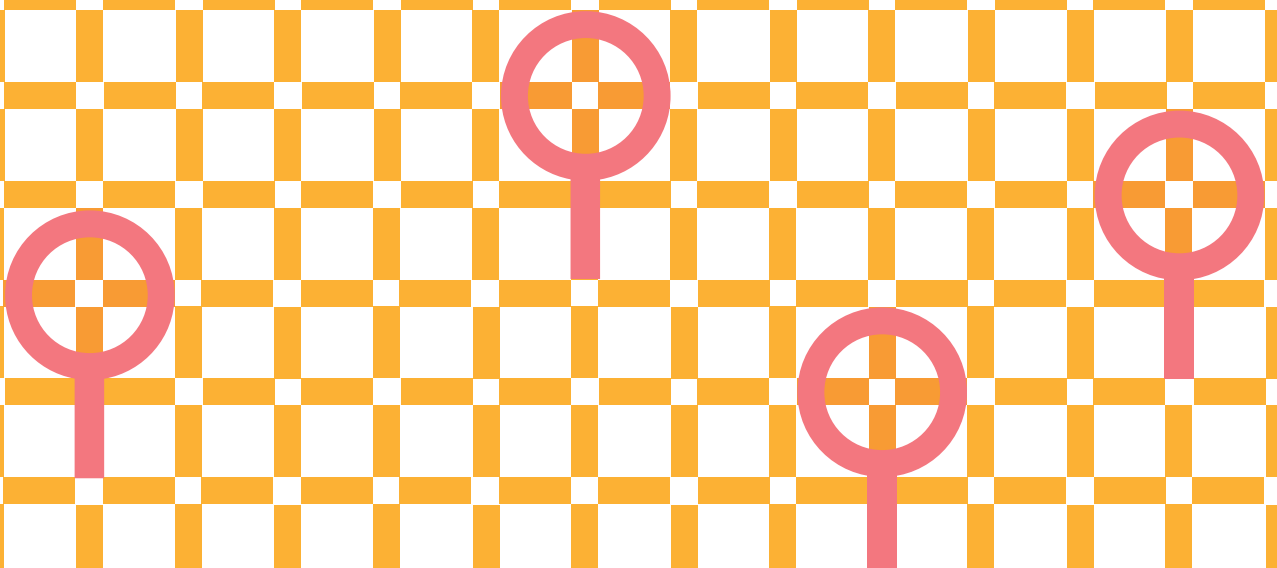
To be on the safe side, you can rely on a system-based solution for managing the processes. Use the time to prepare your company now for all possible eventualities.

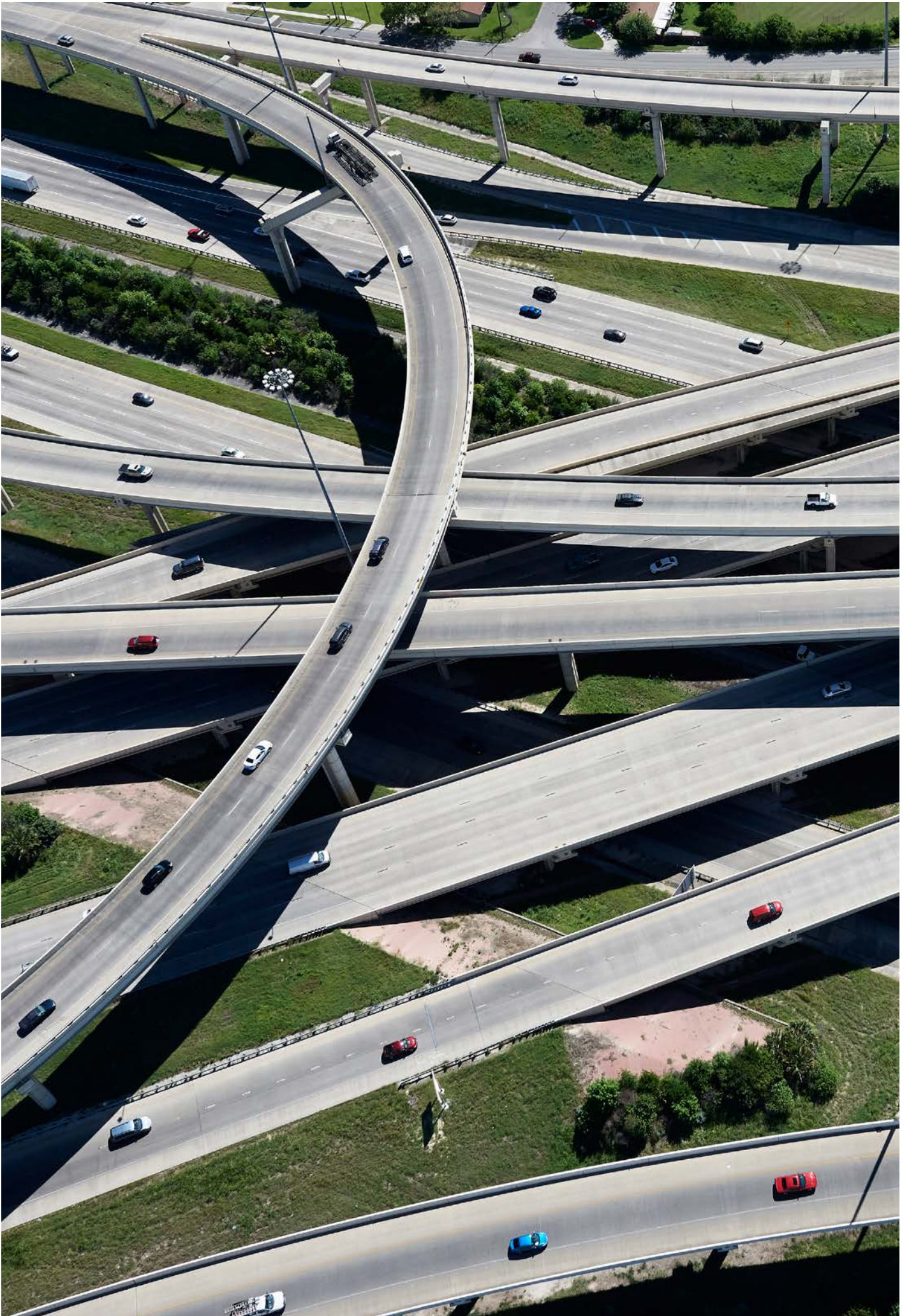
Besides the requirements stemming from Brexit, you can also meet other current customs and foreign trade requirements efficiently in parallel. By introducing an automated solution for Brexit, this can also prove to be beneficial in other trade regions due to the automation, enhanced compliance and optimisation of your customs costs.

The experts at PwC have many years of experience in customs, compliance, risk management and electronic compliance reporting (ECR). With PwC, you can rely on a partner that has expert knowledge of the processes – and will support you when changes such as the imminent Brexit arise. PwC stands for an integrated and all-encompassing approach.

PwC advises companies that wish to introduce and optimise SAP Global Trade Services (GTS). Furthermore, 50 PwC experts around the world provide support for SAP GTS systems, and 550 customs specialists assist customers with the strategic alignment and development of customised solutions. We also offer a Customer Support Center and training in this area.

With SAP GTS you have a market-leading solution for customs and foreign trade that is able to master extensive requirements.





The experts from PwC and SAP are on hand to offer you advice.

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