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WSTA Brexit Preparedness Seminar: Importing and exporting alcohol post-Brexit

Friday, 18 October 2019

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Welcome & Introduction

Miles Beale

CEO

WSTA

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How it currently works: EU-UK movements

David Richardson

Regulatory & Commercial Affairs Director

WSTA

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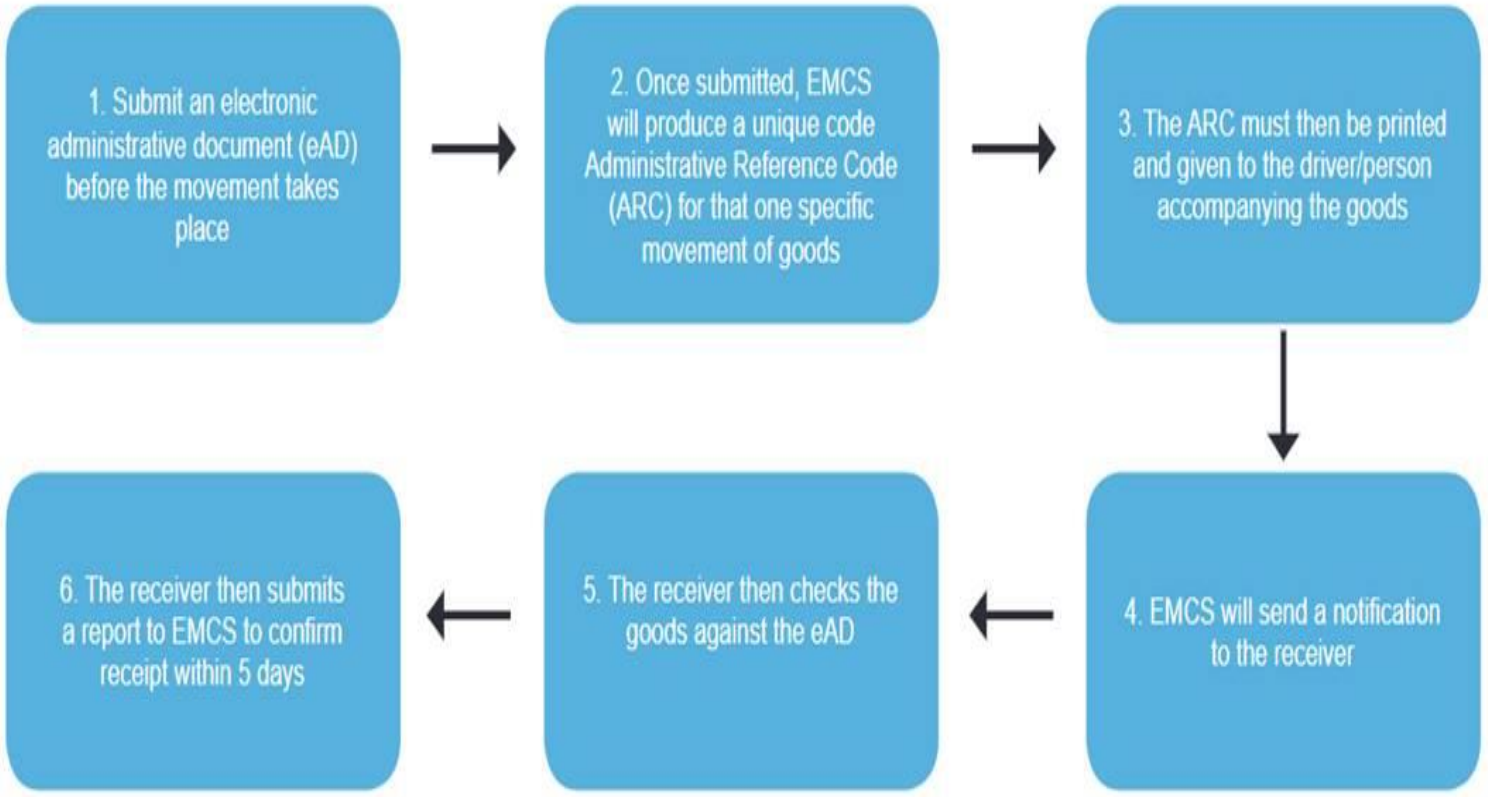
EU/UK alcohol movements

- **E**xcise **M**ovement and **C**ontrol **S**ystem
- EU-wide
- Will still be used for intra-UK movements post-Brexit

Figure 1 – EMCS movements in the EU



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The electronic Administrative Document - eAD

- To enrol for EMCS, you need a SEED number - **S**ystem for the **E**xchange of **E**xcise **D**ata
- Submit a message, containing information about the consignment

Movement Type
United Kingdom to United Kingdom
United Kingdom to European Union

Destination type
1 - Tax Warehouse
2 - Registered Consignee (Delivery to a Registered Consignee's registered premises)
3 - Temporary Registered Consignee
4 - Direct Delivery (for movements where the place of delivery is not the consignee's registered premises)
5 - Exempted Organisation
6 - Export (defaults to Export when Movement Type 'Export' is selected)

Journey time

Transport Arrangement

Who? From? To?

Excise Product Code W200 still wine
W300 sparkling wine
S200 spirits

CN code 22 0X XX XX

All the rest: Abv; weights; brand name, number of items

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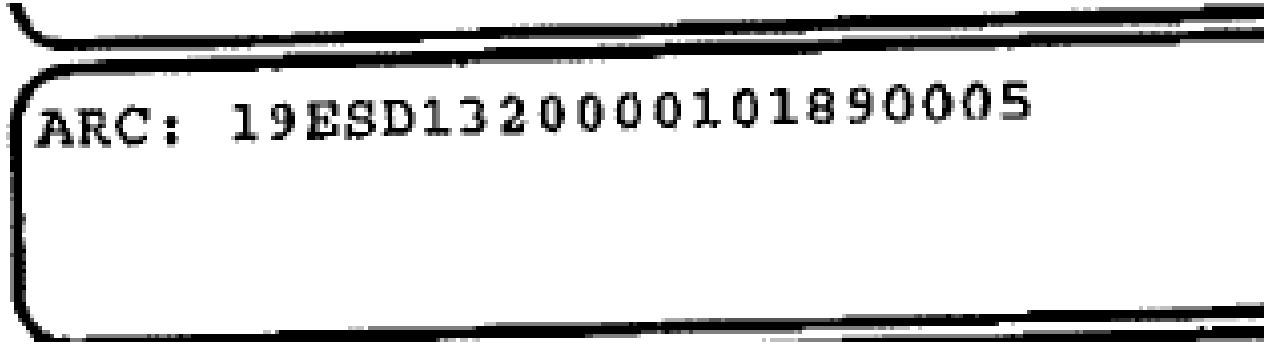
The Administrative Reference Code - ARC

- This travels with “the person accompanying the goods”
- Must be produced on request



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Discharging the movement

- A message sent by the receiving warehouse
- Processes for manual closure and “alternative evidence”
- A duty point is created if the movement is not discharged

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Guarantees

- To ensure that excise duty is paid
- Given by warehousekeeper of despatch, last owner of goods or transporter
- Sliding scale, depending how much you move and your record (reductions at 2 years and 4 years of claim free activity)
- Commercial providers

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How it currently works: EU-third country movements

Ed Baker

Managing Director

Kingsland Drinks

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WinePRO

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Brexit Preparedness – Industry View August 2019

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Agenda

What are we going to cover today

- The Market
- Introduction to Kingsland
- Brexit Impact

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The Market

UK Bulk Wine

UIV and WSTA estimates (2016)

Bulk wine imports to the UK were close to: **480m litres ~637m 75cl bottles** representing **35.1%** of all wine imports by volume.

The import value of bulk in 2016 was **£394m**.

It is estimated that bulk wine accounts for about £4bn worth of the sale value in the UK

£7bn in economic activity

£3.3bn payments to the public finances

97k jobs throughout the UK supply chain.

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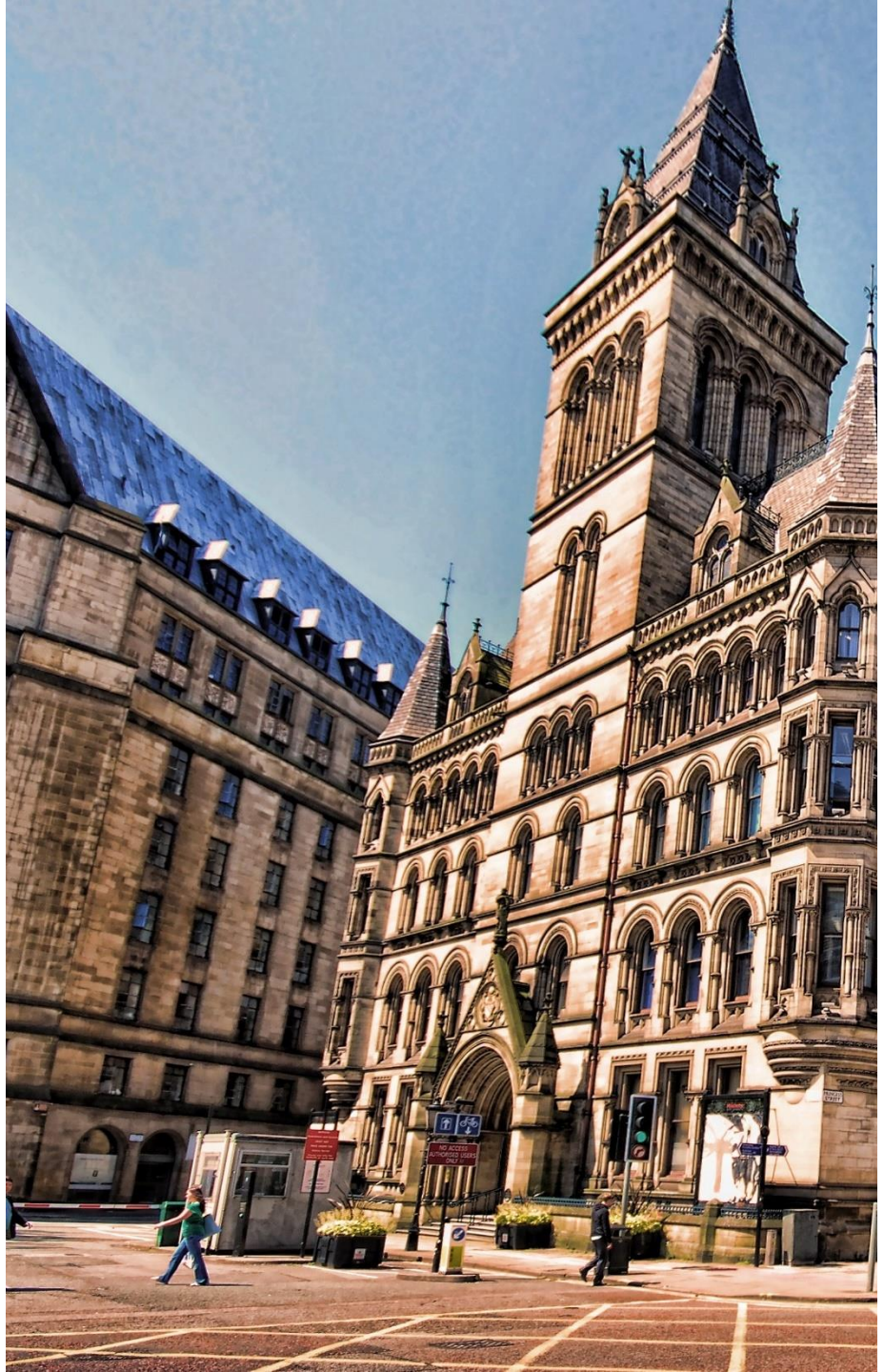
Introduction to Kingsland



Who we are

We are a **premier independent** UK supplier of **wine and spirits** specialising in providing a **complete category solution.**

Based in Manchester,
“a company with a Northern Soul”

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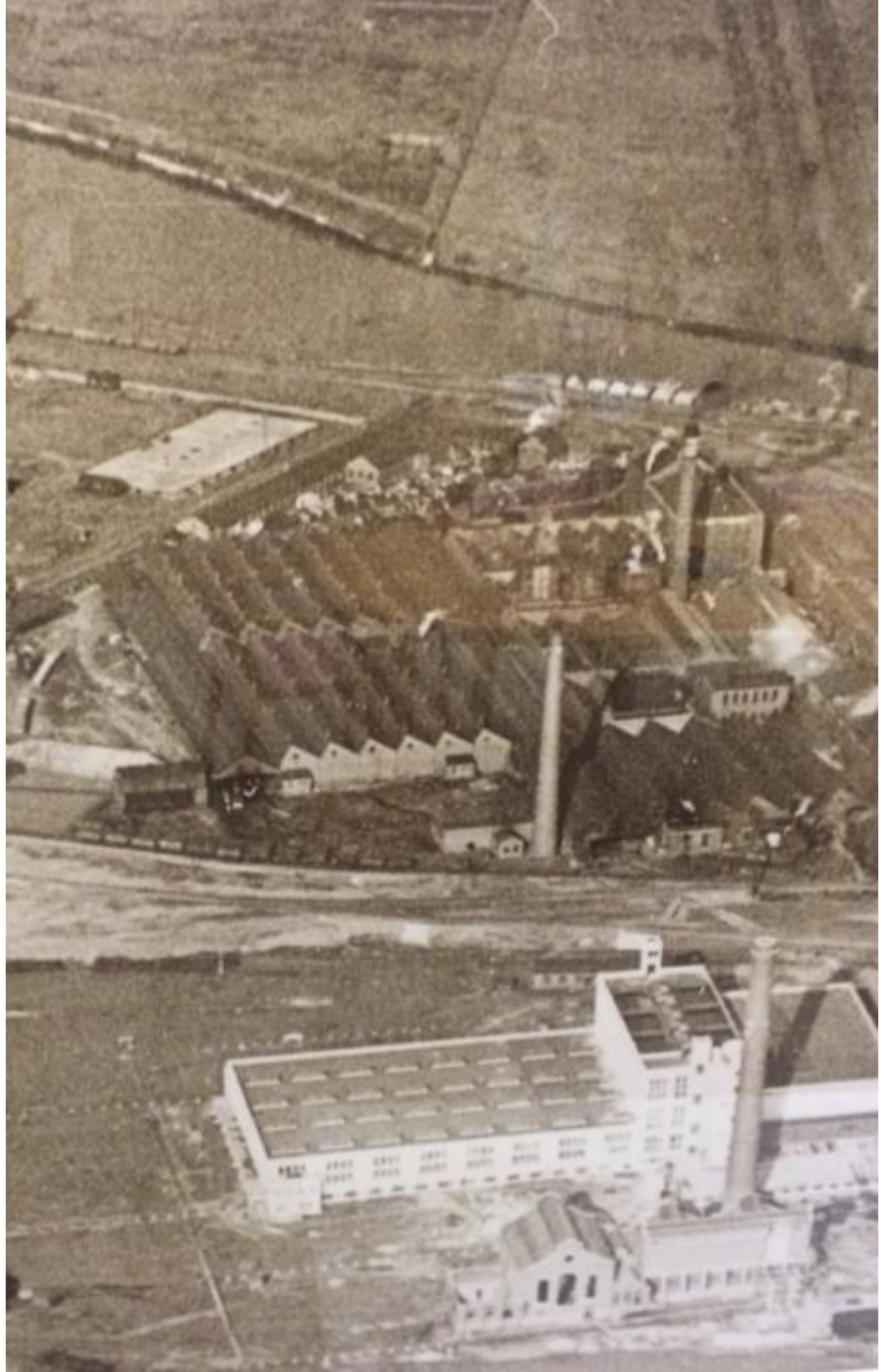

Company Profile

- 18 acre single site operation in Manchester
- Drinks production plant for over 50 years – in 1960s first company to import and fill wine in bulk.
- Originally owned by The Co-operative Group, the business was sold in 1994.
- Privately owned by 4 working directors since December 2004 via an MBO
- Sourcers, producers and bottlers of wines and spirits
- Turnover for FY19 was £290m

Employees:	**c450**
Annual Volume:	**c140m L**
Site Capacity:	**c205m L**

12 – 14% of UK Wine Market

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Our Services

a little bit more about what we offer

1
Sourcing

2
Innovation

3
Insight & Marketing

4
Sales

5
Demand Management

6
Supply Chain Management

7
Manufacturing & Technical

8
Warehousing & Distribution

9
Other Services
Finance & HMRC
Management
IT Systems Support
HR Support

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Brexit Impact

Brexit impact: Bulk

- Majority of liquid bottled is sourced from the New World – NZ, ZAR, AUS, Chile, USA, ARG.
- New World bulk arrives via UK deep sea ports – not expecting excess disruption
- Surcharge for freight from providers in run-up to previous Brexit deadlines.
- Some bulk liquid sourced from EU and European countries: Spain, France and Moldova.
- Prior Brexit preparation, plans to bring stock in early. Owing to Christmas stocking, no stockpiling available
- UK is a major wine import market – but owing to duty and price positioning, not a highly attractive market for producers. The Chinese and US markets offer more profitable areas for the sale of wine.
- Wine imported into the UK/EU from Chile is currently exempt from CCT; South Africa has quota.
- Customs tariffs on wine coming in the UK from Australia and New Zealand totalled £35million in 2016.

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Process – Current 3rd Country Bulk

EU Border

Customs / Duty suspended

Bulk Wine

CCT Paid or Deferred by Agent

Trader submission header form
E2 Import Entry Acceptance Advice
C88 Single Administrative Document
VI1
Commercial Invoice - evidence of the goods' value
Bill of Lading - packing list of items included
Licence or Certificate - any appropriate licence or certificate e.g. EUR1, Invoice Declaration, Certificate of Origin

Customs: Free Circulation Duty suspended

Bulk Wine

EMCS Movement

ARC

Customs: Free Circulation Duty suspended

Bottled Wine

Processed in Bonded Warehouse

Excise Paid or Deferred

Goods leave Bonded Warehouse

Customs: Free Circulation Duty paid or deferred

Created by Agent
Provided by Vendor

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Brexit impact: Dry Goods

- Some dry goods are sourced from the EU
  - Glass – shortage of UK capacity at present - over 40% of volume now coming from EU (impossible to stockpile easily; long-term cost as commodity linked and priced in Euros; working capital pressure) – 40-50 pallets per week
  - Caps are sourced from EU – no UK supply (so suppliers are stockpiling; long-term cost as commodity linked for aluminium)
  - Carton and labels – UK sourced no issues expected (potential long-term cost as commodity linked)
  - Bags are sourced from UK

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Brexit impact: HMRC

- KDL is a customs warehouse – but UCC resulted in KDL deciding to clear most product at port
- What will be treatment of foreign bulk for CCT? What happens with Chile?
- How will quotas apply for CCT free – e.g. South Africa
- Will CCT or an alternative tariff be applied to EU imports?
- Where is HMRC on CDS/CHIEF swap out?
- What EMCS system will be in place?
- What will be the nature of duty and customs guarantees
- Treatment of import VAT
- Requirement to report acquisition VAT
- Exports to the EU – administration requirements and timing of submissions
- Other reporting – Intrastat, EC Sales Listing

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Brexit impact: Other

- Labelling
- Current produced stock
- VI-1 – possible added costs
- Wine standards
- EU FBO
- Forex
- External warehousing – added costs / minimum volumes / lack of space
- Distribution – shortage drivers / cost increases
- Labour
- Re-export
- Risk mitigation by UK bottling

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Brexit impact: Just in Time

- Max Storage of bulk dry/goods on site:
  - Bulk Wine: 2-3 days (Just in time)
  - Glass: 2-3 days (Just in time)
  - Cartons: 4-5 days (Just in time)
  - Caps: 7 days
  - Labels: 14 days

- Max Storage of finished goods:
  - Pallet spaces onsite: 13,000
  - Pallet spaces off-site 3rd party: 30,600

- Planning based on av. 4-8 weeks of finished goods stock for customers

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Contact Us

Don’t hesitate to get in touch

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Appendix Slides

Brexit Impacts - Labels

Labelling – text

Labelling – quantities / stock

Relabelling stock for export

Need for EU FBO for exports to EU

Normal grace period 18-24 months

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Brexit Impacts – Wine Standards

VI-1 – new Stat. Instrument 16/10 – but only 9 months

No expected change in standards

Options for future: carbonation, cross-vintage, mixed varietal

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Brexit: Dry Goods / Equipment

- Some dry goods are sourced from the EU
  - Glass – owing to shortage of UK capacity at present over 40% of volume now coming from EU (impossible to stockpile easily; long-term cost as commodity linked and priced in Euros; working capital pressure) – 40-50 pallets per week
  - Caps are sourced from EU – no UK supply (so suppliers are stockpiling; long-term cost as commodity linked for aluminium)
  - Carton and labels – UK sourced no issues expected (potential long-term cost as commodity linked)
  - Bags are sourced from UK
- Most specialist capital equipment is sourced from EU. Potential for some tariffs and weak exchange rate.
- March planning added £2.5mils of extra working capital and total financing and storage costs of c. £100k

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Brexit: Bulk Liquid

- The majority of liquid bottled is sourced from the New World – NZ, ZAR, AUS, Chile, USA, ARG.
- These products come in to UK deep sea ports – so not expecting excess disruption (JF Hillebrand – our freight provider has no expectation of delay).
- There was a surcharge for freight from providers in run-up to previous Brexit deadlines.
- There is some liquid sourced from EU and European countries: Spain, France and Moldova. In previous Brexit preparation, plans were placed to bring stock in early. Owing to Christmas stocking, not likely to be able to stockpile early.
- UK is a major wine import market – but owing to duty and price positioning, it is not a highly attractive market for producers. The Chinese and US markets offer more profitable areas for the sale of wine.
- Wine imported into the UK/EU from Chile is currently exempt from CCT.
- Recent press about a potential trade deal with Aus/NZ to remove tariffs on a number of goods including wine by the end of 2020.
- Customs tariffs on wine coming in the UK from Australia and New Zealand totalled £35million in 2016.

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Brexit: Bought in Bottle Stock

- Kingsland imports some bottled stock which is stored in Irlam – but a small part of our business.
- Kingsland provides an ex-cellars service to customers. Previously, customers ordered extra stock to be delivered early to act as a stockpile. Given Christmas stock build, no expectation of customers taking on extra Brexit stock.
- If there are extra labelling needs, there is the potential for extra costs and some producers not “bothering” with the UK market.

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Brexit: Warehousing & Distribution

- Brexit has reduced warehousing availability and this has put up costs
- KDL has had to pay for minimum usage requirements (first time that this has occurred)
- Distribution costs are rising as there is a shortage of HGV drivers – loss of some EU nationals
- Road Haulage Association has emphasised that many EU nationals will not know the clearance requirements and will not wish to be "stuck" entering/exiting the UK – this may restrict transactions and put up costs
- Weakness of sterling drives up fuel prices

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Brexit: Personnel

- KDL is not exposed to many EU nationals – current numbers are c. 50
- KDL will support workers with right to remain
- Biggest impact has been availability of temporary labour – FLTs, workers on the line
- Travel insurance for UK nationals on business visits - health

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Brexit: Customer Requirements

- It is too late to source liquid in advance of Brexit – owing to lead times and shipping
- It appears that most major multiples are assuming that Christmas preparations provide them with sufficient buffer
- Some customers were willing last time to take in extra stock to their depots – but this does not seem to be happening
- There is an expectation that as a supplier – KDL will manage stock levels – and not to change pricing (which is unrealistic)

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Brexit: Opportunities from Brexit

- There are opportunities from Brexit for KDL:
  - Having cost base in sterling means that UK bottling is more attractive in price terms than bottling at source
  - UK bottling enables faster reaction time to market trends
  - UK bottling ties up less working capital than bottled at source
  - Potential to deviate in long-term from “innovation restricting” wine regulations (e.g. Sparkling Wine Based Drink)
  - New lower ABV alcohol bands for wine / wine-based products

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Brexit: Registrations

- EORI number
- VAT number
- Warehouse approval number
- Warehouses Registration Certificate (WOWGR)
- Departmental Trader Registration Number
- Customs Warehouse Code

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Government Support

- Government “pressure” on banks to put extra liquidity in system to fund higher working capital costs
- Transition period on labelling and regulations
- Ensuring that systems are working CDS/CHIEF/EMCS
- Businesses will make mistakes given change in rules – so not adopting a “penal” approach to inadvertent errors
- Capital investment allowance increases to take into account higher costs caused by weakness of sterling

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Changes to the movement of goods

David Richardson

Regulatory & Commercial Affairs Director

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Goods in flight

- An EMCS movement pre-Brexit, but ending post-Brexit
- Not yet clear when EMCS will refuse to accept despatch messages
- Is it feasible to avoid having goods in flight?

EU Commission guidance
https://ec.europa.eu/info/sites/info/files/file_import/guidance-excise-ongoing-movements_en.pdf

HMRC bridging guidance
Importing
https://www.gov.uk/guidance/importing-excise-goods-from-the-eu-in-a-no-deal-brexit

Exporting
https://www.gov.uk/guidance/exporting-excise-goods-to-the-eu-in-a-no-deal-brexit

If a movement has started under EMCS, then the movement can be completed, using alternative evidence if necessary and if the goods are in the destination customs area

If **UK goods** have not arrived in the EU, then the movement cannot be completed and customs formalities are required

If **EU goods** have not arrived in the UK, there will need to be a change of destination followed by customs formalities

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Post-D1ND declarations

- Full customs declarations, like the current “rest of World” system
- Liable to tariffs, although mostly zero for the first 12 months
- Some concepts disappear, like EMCS registered consignees, the whole commercial importer scheme and B2C internet sales

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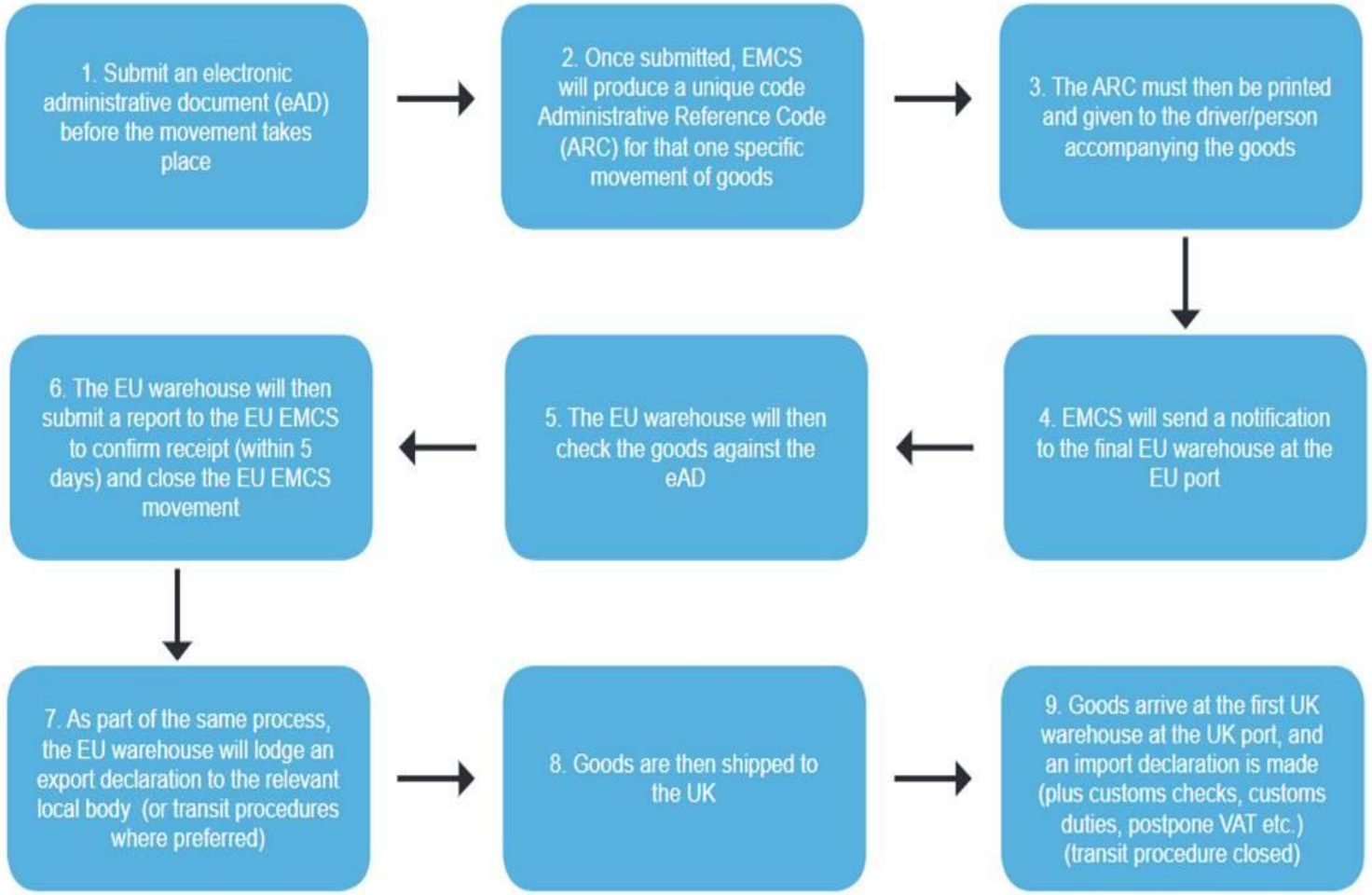
The new process part I

- Simplified from one phase to three
- Basically:
  - EMCS from warehouse to port
  - Export/import/transit declarations
  - EMCS from port to warehouse

Figure 2 – example of an EMCS movement from an EU27 country to the UK via a port, if the UK leaves the EU in a No Deal Exit



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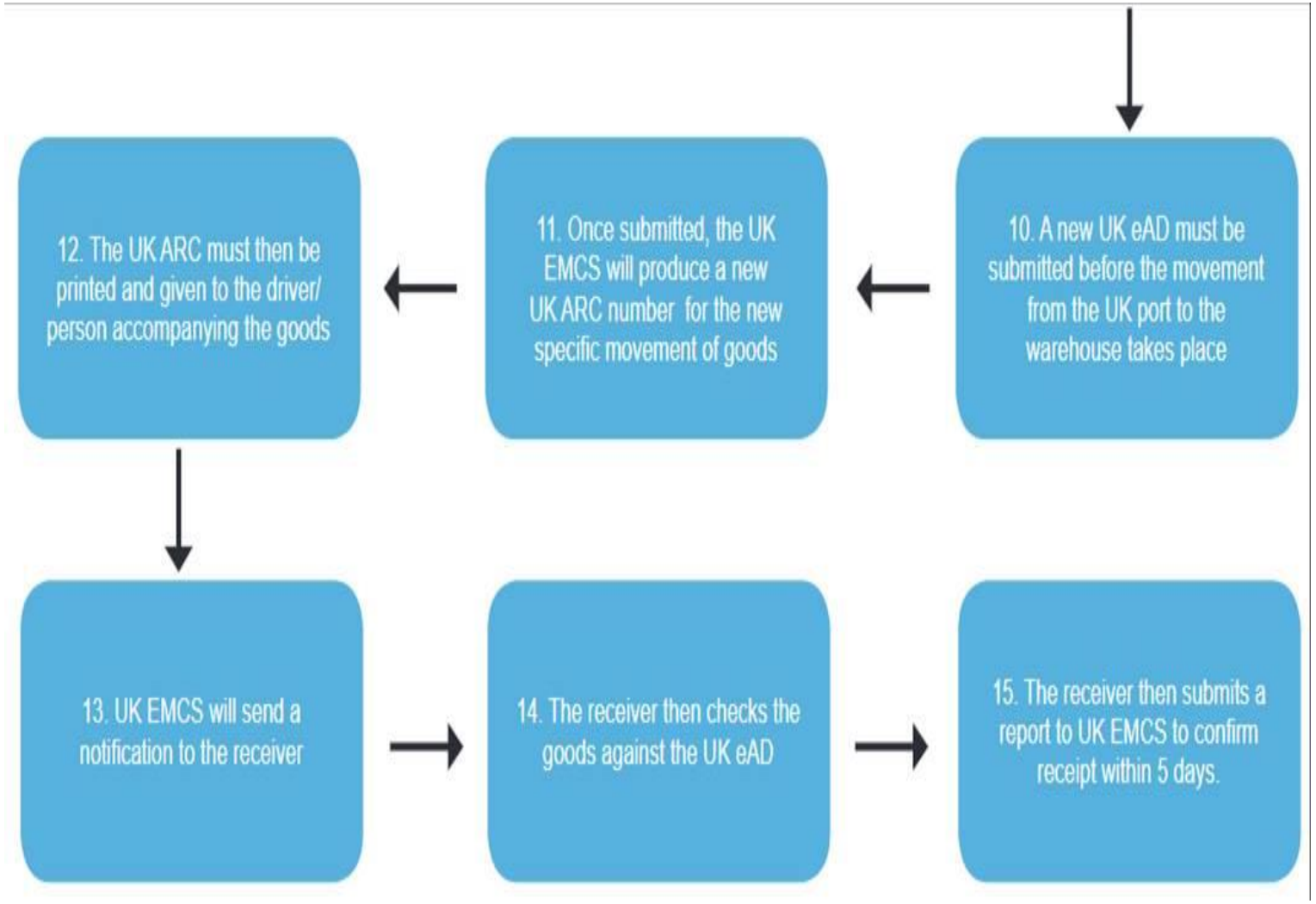
The new process part II

- Who is the exporter and importer of record?
- What's the impact on EXW contracts?
- Using transit (CTC) processes may help avoid making a declaration at an office of transit IF the businesses at each end are registered consignees/consignors



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Customs declarations

- Conceptually, not unlike EMCS
- What's moving, from where, to where, who is involved in the transaction?
- What is the intended status of the goods?
  - Duty suspended
  - Free circulation and excise suspended
  - Duty paid

CUSTOMS DECLARATION **CN 22**
DÉCLARATION EN DOUANE
May be opened officially
Peut être ouvert d'office

Great Britain\Grande-Bretagne **Important! See instructions on the back**

☐	Gift\Cadeau	☐	Commercial sample\Echantillon commercial
☐	Documents	☐	Other\Autre

Tick one or more boxes

Quantity and detailed description of contents (1) Quantité et description détaillée du contenu	Weight (*in kg*)(2) Poids	Value (3) Valeur
For commercial items only If known, HS tariff number (4) and country of origin of goods (5) *N°tarifaire du SH et pays d'origine des marchandises (si connus)*	Total Weight Poids total (*in kg*) (6)	Total Value (7) Valeur totale

I, the undersigned, whose name and address are given on the item, certify that the particulars given in this declaration are correct and that this item does not contain any dangerous article or articles prohibited by legislation or by postal or customs regulations

Date and sender's signature (8)

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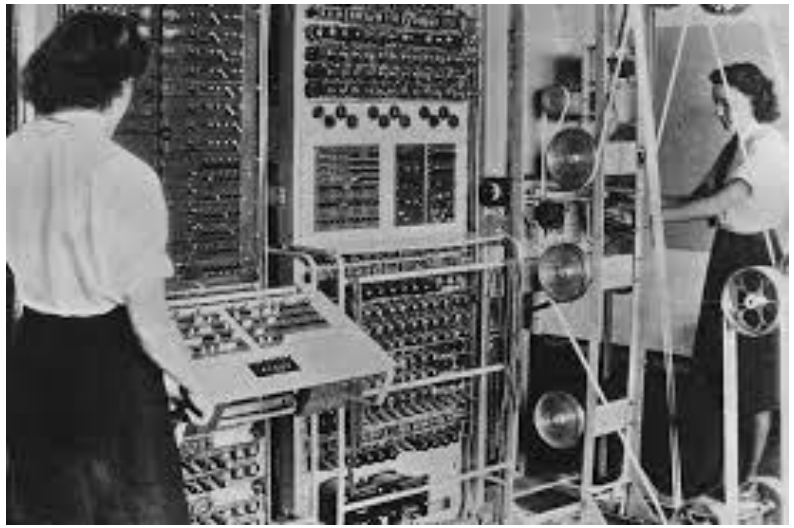
CHIEF to CDS

- Moving from an old and clunky bespoke system to a modern commercial one
- From 50m declarations to 300m
- Compliant with Union Customs Code
- Phased transfer



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Transitional Simplified Procedures - TSP

- Alcohol and other excise goods are defined as “controlled goods”
- Submit a simplified frontier declaration
- Update the declaration to arrive the goods by the end of the next working day after the goods enter the UK

- You need a GB EORI number
- You need a duty deferment account
- Available at any UK port

Or are you using CTC instead? If so, you don’t need to submit a declaration in advance, only when the goods leave the office of destination or registered consignee

You must use postponed VAT accounting

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The Irish border

- Customs declarations will be necessary
- TSP is available
- CTC is available for seaborne RoI/NI imports only
- EMCS to get goods to and from the border

https://www.gov.uk/guidance/trading-and-moving-from-northern-ireland-to-ireland-in-a-no-deal-brexit

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Travellers' allowances

- People can continue to pay tax and duties in the EU and bring back an unlimited amount of most goods (including alcohol and tobacco)
- There will be a duty-free allowance
- Not clear if this is "as well" or "instead"

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Refreshment Break

Please return to your seats 5 minutes before next session

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Rules of Origin for agri-food products

Sion Pryse
DEFRA

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Department
for Environment
Food & Rural Affairs

Rules of Origin for agri-food products

18 October 2019

Forestry Commission England

NATURAL ENGLAND

Environment Agency

What are Rules of Origin?

Rules of Origin (RoO) determine where a particular good originates (i.e. where it was deemed to have been produced or manufactured) and therefore its economic nationality.

Non-preferential RoO	Preferential RoO
Under Most Favoured Nation (MFN).	Under Free Trade Agreements.
Applying commercial policy measures.	Granting access to preferential tariff rates.

How do goods obtain origin?

- Wholly obtained goods: These are products that have been obtained, e.g. plants grown and harvested, entirely within one party.
- Sufficient working or processing of goods: If goods are not wholly obtained their origin is determined by their last “sufficient transformation”.

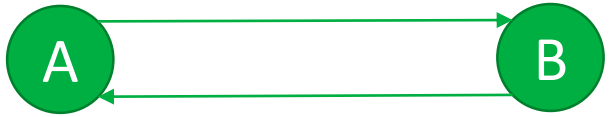
  RoO acknowledge sufficient transformation in a number of ways, e.g.

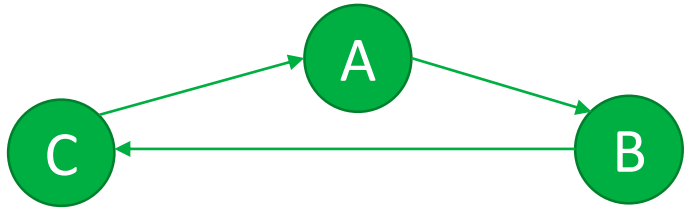
  - Change in tariff classification e.g. from cocoa butter HS18.04 to chocolate HS 18.06.
  - Local content requirements by value or weight e.g. “manufacture in which the value of the non-originating materials does not exceed 20% of the ex-works price of the product”, or “manufacture which the weight of non-originating sugar does not exceed 40% of the weight of the final product”.
- Insufficient processing: Activities which are not deemed significant enough to grant originating status to a product. They generally do not fundamentally change the properties of the product, e.g. simply placing in bottles, cans, boxes and all other simple packaging operations.

What is Cumulation?

Within preferential RoO, cumulation allows a party to use foreign content in its domestic production, and for that content to still be considered as originating.

Bilateral cumulation	Diagonal cumulation	Full cumulation
Bilateral cumulation between two FTA partners allows for content originating in both parties to be considered originating when being exported to either party.	Diagonal cumulation involves more than two countries, all of which usually have harmonised RoO and FTAs in place. Content from these parties can be considered as originating when being exported to each other.	Full cumulation typically applies to countries in a free trade zone and simply demands that origin requirements are fulfilled within the zone as a whole.





The context of EU exit

Rules of Origin is relevant in a number of contexts:

- Free Trade Agreement with the EU and new Free Trade Agreements
- Trade Continuity Agreements with current EU FTA partners
- No agreement with the EU

No agreement with the EU

- UK and EU trading on Most Favoured Nation terms and so goods are subject to non-preferential RoO.
- Responsibility to provide origin falls on the importer however a **declaration of origin** will need to be completed by the exporter.
- UK exporters can complete a UK Certificate of Origin from the British Chamber of Commerce.
- UK importers should speak to the supplier about completing a Certificate of Origin.

Trade Continuity Agreements with current EU FTA partners

- The UK is transitioning existing EU-third country trade agreements.

  A full list can be found on www.gov.uk.

- Rules in all UK continuity agreements seek to enable business to operate, as much as possible, through their established value and supply chains.
- Exporters need to complete a **EUR1 Movement Certificate** to prove origin and benefit from preferential tariffs.

Free Trade Agreement with the EU and new Free Trade Agreements

In Free Trade Agreements (FTAs), preferential RoO used to determine if an importer can benefit from preferential tariff.

To understand the RoO needed by the UK in agreements, Defra has engaged either directly or indirectly over 150 agri-food businesses and trade associations.

This qualitative analysis has been supplemented by trade data, currently from 2015 – 2017, with a particular focus on products with:

- MFN tariff rates above 3%, and
- UK export values above £100,000 per year to the EU and £10,000 per year to the rest of the world (RoW).

Observations

- Based on our analysis and stakeholder feedback to-date we have been able to build an initial picture of how the UK agri-food sector works.
- We have been comparing this to existing agreements to understand where the challenges will be for UK businesses.
- This analysis continues and we want to engage closely with stakeholders to work through any challenges.

Beverages and Spirits Observations

EU and RoW rules generally allow for a change of heading (CTH).

- For example, UK producers of **whisky** using inputs from different chapters, e.g. barley, maize, wheat, etc, would be able to make a CTH rule.

Activities solely focussed on bottling may find it more difficult to confer origin.

EU agreements can be stricter on **wine** as they require grapes to be wholly obtained. UK producers using UK grown grapes would be able to meet this rule.

Beverages and Spirits Observations

UK exporters of **gin and vodka** use bioethanol imported from the EU. Many agreements place restrictions on non-originating alcohol content.

The use of Irish Whiskey in **cream liqueurs** could create challenges.

There are non-originating content restrictions on dairy, sugar and fruit juice content in many agreements.

Department
for Environment
Food & Rural Affairs

This work continues…

Forestry Commission England

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Environment Agency

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International Trade post-Brexit

Rob Ivory
Head of International Trade
WSTA

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Trade Updates

- WTO Schedules and No Deal Tariffs
- Trade Continuity Agreements
- Tariff Rate Quotas

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WTO Schedules and No Deal Tariff Schedule

- New Schedules lodged with the WTO
- Replicate the EU schedules so no changes to bound (ceiling) tariffs
- If there is a deal, we continue to apply EU tariff rates (applied tariff rates) until the end of the transition period (Dec 2020)
- Current tariffs on wines, no tariffs on spirits (with small exceptions – some rums and US whiskey*)

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WTO Schedules and No Deal Tariff Schedule

- HMRC has published ‘D1ND’ temporary tariff schedules
- 87% of goods listed at ‘nil’ tariff
- This schedule removes tariffs on wine imports – 0%
- Keeps a constant state of trade for most, increases access for Argentina, Australia, New Zealand and US
- No tariffs on spirit imports (with small exceptions – some rums and US whiskey [tbc])
- As it stands tariffs would apply to wine exports and those spirits exceptions for trade to EU

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Trade Agreement Continuity

- 16 of about 40 trade agreements signed or agreed in principle
- Defra have also confirmed continuation of the US and Australia wine agreements
- Coverage of about 70% of the trade covered by EU-Third Country FTAs
- Some significant agreements unlikely to be “rolled-over” for a D1ND Exit
- Undertake a comprehensive review of export markets and check against the list of agreements that have been confirmed
- Terms of trade with Canada, Japan, Mexico may change in interim
- Chile and South Africa should stay the same

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Trade Agreement Continuity

- Example of possible change - Mexico:
- 0% is the rate for certain spirit under EU-Mexico FTA
- 20% is the MFN (WTO member) rate for certain spirits

2208.50	- Gin and Geneva:			
2208.50.01	- - Gin and Geneva	0%	20%	RoO
2208.60	- Vodka:			
2208.60.01	- - Vodka	0%	20%	RoO
2208.70	- Liqueurs and cordials:			
2208.70.01	- - Of an alcoholic strength exceeding 14° but not exceeding 23° Gay-Lussac at a temperature of 15 °C, put up in earthenware, pottery or glass containers, other than those of subheading 2208.70.02	0%	20%	RoO
2208.70.02	- - Liqueurs containing hard liquor or distillates of agave	0%	20%	RoO
2208.70.99	- - Other	0%	20%	RoO

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Trade Agreement Continuity

- Example of possible change - Japan:
- 0% is the sparkling wine rate under EU-Japan FTA
- 182.0 JPY/L is the sparkling wine MFN (WTO member) rate

Code	Product description	EU	GEN	MFN	RoO
22	CHAPTER 22 - BEVERAGES, SPIRITS AND VINEGAR:				
2204	Wine of fresh grapes, including fortified wines; grape must other than that of heading 2009:				
2204.10	- Sparkling wine	0%	201.6 JPY/ l	182.0 JPY/ l	RoO
	- Other wine; grape must with fermentation prevented or arrested by the				

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Trade agreements that have been signed

Agreements with the following countries and trading blocs will take effect when the UK leaves the EU:

- Andean countries
- CARIFORUM trade bloc
- Central America
- Chile
- Eastern and Southern Africa (ESA) trade bloc
- Faroe Islands
- Iceland and Norway
- Israel
- Lebanon
- Liechtenstein
- Pacific states
- Palestinian Authority
- Southern Africa Customs Union and Mozambique (SACU+M) trade bloc
- South Korea
- Switzerland
- Tunisia

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Trade agreements

Country or bloc	Nature of agreement	Status of discussions	Percentage of total UK trade, 2018
Albania (Western Balkans)	Association agreement	Engagement ongoing	0.00%
Algeria	Association agreement	Engagement ongoing (agreement unlikely before exit day)	0.21%
Andorra	Customs union	Will not be signed for exit day	0.03%
San Marino	Customs union	Will not be signed for exit day	0.00%
Bosnia & Herzegovina (Western Balkans)	Association agreement	Engagement ongoing	0.01%
Cameroon (Central Africa)	Economic partnership agreement	Engagement ongoing	0.01%
Canada	Free trade agreement	Engagement ongoing	1.41%
Côte d'Ivoire	Economic partnership agreement	Engagement ongoing	0.03%
Egypt	Association agreement	Engagement ongoing	0.23%
Georgia	Association agreement	Engagement ongoing	0.01%
Ghana (Western Africa)	Economic partnership agreement	Engagement ongoing	0.09%
Japan	Free trade agreement	Engagement ongoing (agreement will not be transitioned before exit day)	2.27%
Jordan	Association agreement	Engagement ongoing	0.03%
Kenya (EAC)	Economic partnership agreement	Engagement ongoing	0.10%
Kosovo	Association agreement	Engagement ongoing	0.00%
Mexico	Free trade agreement	Engagement ongoing	0.34%
Moldova	Association agreement	Engagement ongoing	0.05%
Montenegro (Western Balkans)	Stabilisation and association agreement	Engagement ongoing	0.01%
Morocco	Association agreement	Engagement ongoing	0.17%
North Macedonia (Western Balkans)	Association agreement	Engagement ongoing	0.16%
Serbia (Western Balkans)	Association agreement	Engagement ongoing	0.04%
Turkey	Customs union	Will not be signed for exit day	1.37%
Ukraine	Association agreement	Engagement ongoing	0.10%

Tariffs and the EU

- Example of possible change – the EU:
- There is no tariff in place on UK exports to the EU
- In a no deal, the MFN (WTO member) rates would apply against wines
- Below are the rates for sparkling, still wine below 13% abv, still wine 13-15% abv

- The EU's Common Customs Tariff (CCT) for wine:
- €9.90/€12.10 per 100 litres bulk still wine
- €13.10/€15.40 per 100 litres of bottled still wine
- €32.00 per 100 litres of sparkling wine

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Trade Continuity Agreements

- How best to prepare?
  - Review the origins of your imports and destinations of export
  - Are they covered by free trade agreements?
  - Will those FTAs be in place for a D1ND?
  - If not, will you face new tariffs applied?
  - Who bears responsibility of changes in tariff costs?
  - Do you need to update your contracts? What are your Incoterms?

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Trade Continuity Agreements- Some useful resources

UK trade agreements with non-EU countries in a no-deal Brexit
https://www.gov.uk/guidance/uk-trade-agreements-with-non-eu-countries-in-a-no-deal-brexit#trade-agreements-that-have-been-signed

The European Market Access Database
https://madb.europa.eu/madb/datasetPreviewFormATpubli.htm?datacat_id=AT&from=publi

The International Chamber of Commerce - INCOTERMS
https://iccwbo.org/resources-for-business/incoterms-rules/

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Tariff Rate Quotas

- Should the UK exit the EU, it will become an independent member at the WTO and therefore have its own set of TRQs – an allowance of imports that may enter a country at a tariff free or tariff reduced rate.
- TRQs are available for wines. They are not relevant to importing spirits.
- In the event of ‘no deal’, the Government has committed to a zero tariff on wine for approximately 12 months. Under this case, there is no tariff to gain free access from.
- However, post-interim period, if the tariffs return to the current applied level, and/or are no longer zero, importers may apply for a portion of the tariff-free or reduced-tariff TRQ.
- The allowances for the new UK TRQs have been published, and are available to view at the following link: https://www.gov.uk/government/publications/the-customs-tariff-rate-quotas-regulation

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Customs & Excise Warehousing

David Richardson

Regulatory & Commercial Affairs Director

WSTA

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#WSTABrexit

Warehousing

- Current focus on excise warehouses – excise duty and VAT suspended
- Now need to think about customs warehouses – customs duty suspended and goods not in free circulation
- Separate authorisation process

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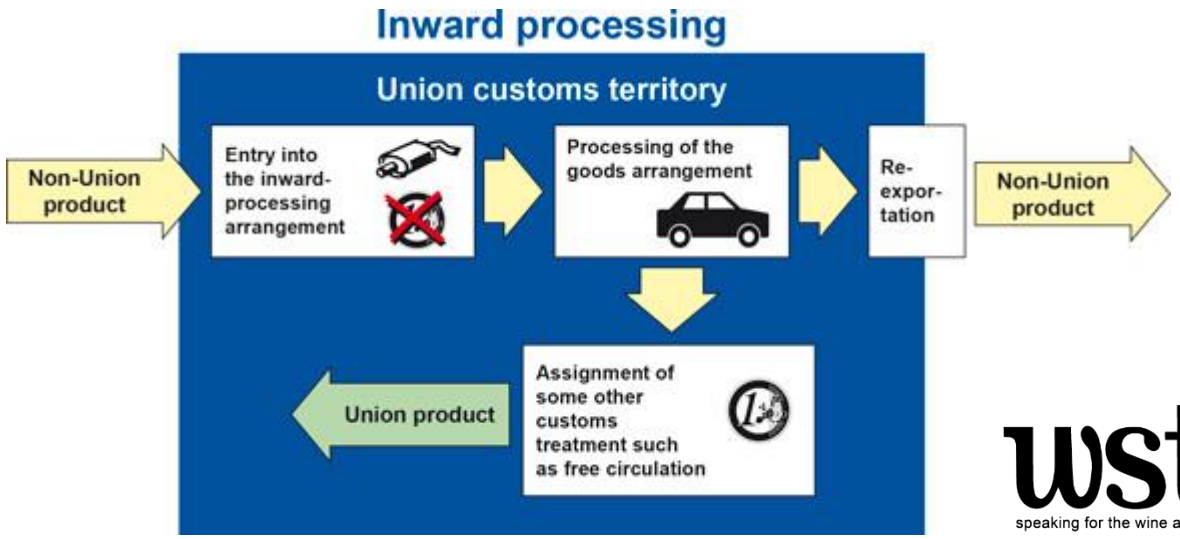
Processing in customs duty suspense

- Key issue for producers and bottlers
- Aim is to pay tariff only once, in the destination market

Inward Processing Relief (IPR)

- Apply for authorisation
- Must have a Comprehensive Customs Guarantee (CCG)
- Export goods after processing or pay duty and release to home market

Relevant to bottlers in the EU supplying the UK market as well



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Questions?

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Lunch Break

Please return to your seats 5 minutes before next session

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Practical Steps

Claire Wilson
HMRC

@wstauk
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HM Government

BREXIT 31 OCTOBER

Get ready for Brexit

Prepare for Brexit at gov.uk/brexit

Customs Update

HMRC Customs and Border Design Stakeholder Engagement

UK border priorities

UK Government objectives and priorities for the border:

- Maintaining security
- Facilitating the flow of goods and people (including animals, food and plants)
- Protection of revenue and compliance with standards

UK will maintain security and prioritise flow, ensuring new controls or processes do not interrupt flow of goods.

Economic Operator Registration Identification (EORI)

You'll need an EORI number that starts with GB to move goods in or out of the UK if there's no Brexit deal

If you'll be dealing with EU customs then you'll need an EU EORI number

If you are VAT Registered:

- You will be auto-enrolled for an EORI starting GB
- The EORI will include your VAT registration number

Excise - What's changing in 'no deal' - Imports

Rest of World rules will apply to imports of excise goods from the EU

What this means

- UK businesses will need to make an import declaration and:
  - account for the excise duty at the border; or
  - enter to the goods to the excise warehousing regime via EMCS (Excise Movement Control System)
- UK businesses can use Customs procedures for EU goods, e.g. Customs Warehousing, Transit etc.
- Businesses can continue to use EMCS to move goods in duty suspense in the UK from the port to a registered warehouse
- The Registered Excise Dealers and Shippers system (REDs) will be obsolete and shut down

Excise - What's changing in 'no deal' - Exports

Rest of World rules will apply to exports of excise goods to the EU

What this means

- Businesses will need to make an export declaration at the point of exit from the UK
- Businesses can continue to use EMCS to move goods under duty suspension in the UK from a registered warehouse to the port/airport of departure
- EMCS will be restricted to movements within the UK
- Businesses will be able to claim Excise Duty Drawback on goods not consumed in UK (will include exports to the EU)
- Businesses will need to make an import declaration on entry of the goods into the EU

Importing wine into the UK from a non-EU (third) country

- There will be a 9-month transition period to a new system for importing wine from a non-EU (third) country

- During this time, you'll be able to bring wine from a third country into the UK using either:
    - an existing EU VI-1
    - a new UK VI-1

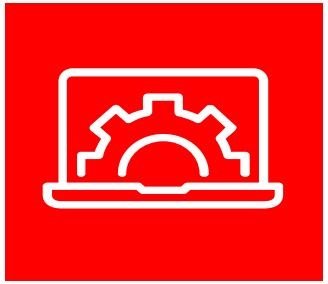
Exporting wine from the UK to the EU

- The UK will become a third country when it leaves the EU
- Consignments of wine exported from the UK to the EU will be subject to EU third country requirements for wine which includes having an EU VI-1
- There are some situations where you do not need a VI-1 to export wine from the UK to the EU. Check exemptions to the VI-1
- Defra will be the UK competent authority for issuing EU VI-1s

What's changing in 'no deal' – Excise Systems

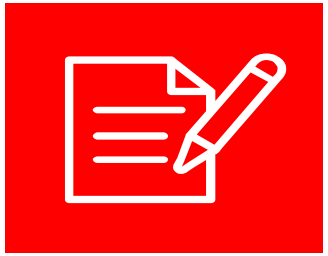
Changes to EMCS

- Switch off EMCS messaging to EU
- Restrict movements to EU



Impact on excise customers who don't currently import or export to Rest of World

- Businesses will need an EORI number
- Importers will need access to a Registered Consignor



Transitional Simplified Procedures (TSPs)

Transitional Simplified Procedures will make importing goods easier for the initial period after the UK leaves the EU

Traders registered for TSP will not need to make full customs declarations at the border and will be able to defer paying their customs duties.

If you are a VAT registered business which imports from the EU you should have been automatically registered for TSP.

To be eligible, traders must:

Be established in the UK

Have the intention to import goods into the UK from the EU

Have an Economic Operator Registration Identification (EORI) number

Business Establishment

Established in the UK – this means:

- you're a sole trader who is resident in the UK
- your company or partnership has a registered office in the UK
- your company or partnership has a permanent place of business in the UK where they carry out their business activities

TSP declaration process

Controlled goods the Trader:

- Submits a simplified frontier declaration
- Ensures all necessary certificates and licences are available.
- Submit a supplementary declaration by the fourth working day of the month

Standard goods the Trader:

- Makes a declaration directly in their commercial records prior to goods arriving at the UK Border.
- Updates records with date and approx. time goods arrive in UK
- Submits a supplementary declaration by the fourth working day of the following month
- **HMRC will allow up to 6 months before you need to start making supplementary declarations from 1/11/2019**

Duty deferment

Required if you have Customs or Excise Duty to pay

In practice, this is a direct debit mandate

It allows HMRC to take a monthly payment of duties 15 days after supplementary declaration is made

Guarantees are required in order to defer duty to make monthly payments

Day 1 easements

Traders will not be required to meet the Customs Comprehensive Guarantee(CCG) criteria when obtaining guarantees.

Traders can still apply for a CCG, as those with Authorised Economic Operator C status can seek a reduction in the level of guarantee

How does the Common Transit Convention (CTC) work?

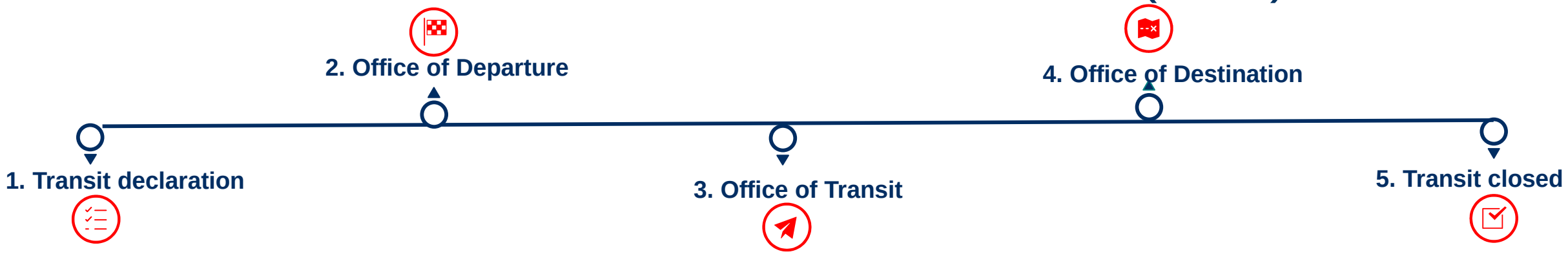
The CTC allows movement of goods - under duty suspension

UK has been invited to accede to CTC

The requirements to use CTC will remain unchanged

Traders will need to have a Transit Accompanying Document (TAD) scanned at the point of entry into the UK or other new customs territory

Transit and the Common Transit Convention (CTC)



1. The transit declaration is completed (including guarantee) using NCTS (the New Customs Transit System)
2. The goods are presented at the Office of Departure (or Authorised Consignor) and the Transit Accompanying Document (TAD) is printed off presented to the haulier and then the goods are released into transit.
3. At every border crossing into a new customs territory, the TAD and goods are presented at the Office of Transit (OoT functions can only be performed by Customs Officials).
4. At the final destination the goods and TAD are presented at the Office of Destination (or Authorised Consignee).
5. The transit movement is closed, the goods must be declared to another customs regime eg free circulation, temporary storage and the guarantee is released.

The goods are tracked and messages are sent from the various offices using NCTS during the journey.

Transit guarantees

To make transit movements a trader needs to provide a guarantee for the customs duties suspended during the movement

To hold a CCG, a business needs to:

Satisfy HMRC's customs/compliance checks

Obtain a guarantee from an approved financial institution

An individual guarantee can include a guarantor undertaking from a bank or financial institution and a cash deposit.

The guarantee requirements are set by the Common Transit Convention.

Simplified transit procedures

Under the CTC, traders can apply for authorisation to use simplified transit procedures.

The main types of authorisation are:

Authorised Consignor Status allows traders to declare goods to transit at their premises rather than an Office of Departure. Traders applying for this need to have a CCG.

Authorised Consignee Status allows traders to end transit movements at their premises rather than an Office of Destination. Traders applying for this generally need a temporary storage facility.

HMRC is working to enable traders to be authorised as quickly as possible

HM Government

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Incoterm Rules 2010

Incoterm Rules 2010	Loading on truck (carrier)	Export Customs Declaration	Carriage to Port of Export	Unloading of truck in port of Export	Loading Charges in Port of export	Freight to Port of import	Unloading Charges in Port of import	Loading on truck in port of import	Carriage to place of destination	Insurance	Imports Customs clearance	Import Taxes
EXW	Buyer											
FCA	Seller			Buyer								
CPT	Seller									Buyer		
CIP	Seller										Buyer	
DAT	Seller							Buyer		Seller	Buyer	
DAP	Seller										Buyer	
DDP	Seller											
FAS	Seller				Buyer							
FOB	Seller					Buyer						
CFR	Seller						Buyer					
CIF	Seller						Buyer			Seller	Buyer	

Import VAT - What's changing?

In a No Deal Scenario, postponed VAT accounting will be introduced for imports from the EU and Rest of the World

- Business will not need to register to use postponed VAT accounting
- Provide VAT registration number on their customs declaration
- Online monthly statement will show the import VAT that's been postponed – this provides the evidence to declare/ recover import VAT on your VAT return
- Postponed accounting won't be available for postal goods of £135 or less
- Postponed accounting won't be available for non-VAT registered businesses

VAT - What’s changing?

- HMRC are working with stakeholders to help businesses be compliant and parcel operators adjust to the new processes
- HMRC updated GOV.UK with more guidance on the service and rules around VAT
- The parcels service is now available for non-UK businesses to register online

Authorised Economic Operator - AEO

The AEO programme forms part of the World Customs Organisation (WCO) SAFE Framework of Standards to Secure and Facilitate Global Trade

Introduced to act as a deterrent to international terrorism, secure revenue collections and promote trade facilitation worldwide

The EU introduced two AEO schemes

- AEOS – security and safety
- AEOC – customs simplification (fiscal compliance)

A business can have both AEOS and AEOC

Legislation has been be put in place to establish a UK AEO scheme if the UK leaves the EU without a deal

AEO Criteria

In order to achieve AEO status, a business must meet the following criteria:

- Compliance with customs and other taxes related to the economic activity of the business.
- Satisfactory management of commercial and transport records.
- Financial solvency
- Practical standards of competence or professional qualifications (this is not required for AEOS).
- Security and safety standards (not required for AEOC)

- How to apply:
  - Application Form C117, Self Assessment Questionnaire Form C118 & Explanatory notes

Trade benefits of AEO Security & Safety

- Reduced risk rating
- Reduced data requirements (PAPD)
- Reduced physical & documentary control
- Priority treatment when goods selected for examination
- Notification of risk selections
- Quicker release of goods
- Enhanced reputation & image
- Mutual recognition

Trade benefits of AEO Customs Simplifications

A holder of an AEOC status can benefit from being able to qualify for:

- a notification waiver when making an EIDR
- a 70% reduction in a business's deferment account guarantee
- undertaking centralised clearance (when available)
- completing self assessment (when implemented)
- AEOC holders could also benefit from a faster application process for customs simplifications, authorisations and reductions or waivers of potential debt guarantees.

Any questions?

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Drivers and vehicles

Duncan Buchanan
Policy Director – England and Wales
Road Haulage Association (RHA)

@wstauk
#WSTABrexit

Brexit Update

WSTA - 18 October 2019

Duncan Buchanan – Policy Director – England and Wales
@RHADuncanB

Brexit

When?

What?

Customs - Permits/Licences - Labour

Responsibilities

Hauliers and commercial drivers will need the correct documentation to travel to, from or through the EU if the UK leaves without a deal.

It's the responsibility of the trader to make customs declarations and to get the relevant documentation to the haulier and driver.

UK photocard driving licences will be recognised, without the need for an international driving permit (IDP), in 24 of the 27 EU countries.

A driver should not attempt to cross the UK EU border in either direction without all required customs paperwork for all shipments carried.

Drivers moving goods between Ireland and Northern Ireland will face different custom procedures compared to other UK-EU trade. Further information can be found on GOV.UK

Traders transporting animals or animal products from the UK to the EU will need to apply in advance for an export health certificate (EHC).

A driver should not attempt to cross the UK EU border in either direction without all required customs paperwork for all shipments carried.

Passports and visas

UK passport holders may need to renew their British passports earlier if they are travelling after a no-deal Brexit. On the day of travel, a driver will need the passport to have at least 6 months left to travel to countries in Europe (not including Ireland).

RHA 75 YEARS

The Border (Ireland)

Tomorrow

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Refreshment Break

Please return to your seats 5 minutes before next session

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Post-Brexit Paperwork

Rebekah Kendrick

Head of Brexit & EU Affairs

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What is a VI-1?

- Document which accompanies wine imports and exports
- It is a paper form which includes analysis of the wine itself
- A VI-2 is basically the same but for split consignments
- Currently required by the EU for wine imports – unless there is a preferential agreement
- Because of the Withdrawal Act, the EU's VI-1 legislation has been rolled over into UK law – with some caveats

Full new UK VI-1

a

Stamp:

Place and date:

Signature, name and title of official:

(1) Delete as appropriate.
(2) Put an 'X' in the appropriate box.

b

4. Means of transport and transport details	5. Place of unloading (if different from 2)
6. Description of the imported product	7. Quantity in l/hl/kg (1)
	8. Number of containers

9. CERTIFICATE

The product described above (2) ☐ is/ ☐ is not intended for direct human consumption, complies with the United Kingdom definitions or categories of grapevine products and has been product using oenological practices (2) ☐ recommended and published by the OIV/☐ authorised by the United Kingdom.

Full name and address of the competent body:

Place and date:

Stamp:

Signature, name and title of the official:

10. ANALYSIS REPORT (describing the analytical characteristics of the product described above)

FOR GRAPE MUST AND GRAPE JUICE

— Density:

FOR WINE AND GRAPE MUST STILL IN FERMENTATION

— Total alcoholic strength:

— Actual alcoholic strength:

FOR ALL PRODUCTS

— Total dry extract:

— Total sulphur dioxide

— Total acidity:

— Volatile acidity:

— Citric acidity:

Full name and address of the designated body or department (laboratory)

c

1. Exporter (name and address)	THIRD COUNTRY OF ISSUE: VI 1 Serial No DOCUMENT FOR THE IMPORT OF WINE, GRAPE JUICE OR GRAPE MUST INTO THE UNITED KINGDOM
2. Consignee (name and address)	3. Customs stamps (for official use only)

Exemptions for wine…

- in labelled containers up to 10 litres with a single use stopper, where the total quantity of the shipment (which can be in separate consignments) is less than 100 litres
- your personal property
- in the personal luggage of travellers, up to a maximum of 30 litres
- sent in consignments from one person to another, up to a maximum of 30 litres per consignment
- for trade fairs if the wine is in labelled containers of up to 2 litres with a single use stopper
- imported for the purpose of scientific and technical experiments up to a maximum of 100 litres
- held in stores on board ships and airplanes operating in international transport
- originating from and bottled in the UK, exported and then returned to the UK to be sold
- originating from and bottled in the EU, exported and then returned to the EU to be sold
- traded for diplomatic purposes in accordance with the Vienna Convention or the New York Convention

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How will they work with a No Deal Brexit?

- WSTA campaign means new SI tabled so **NO** requirement for VI-1s from the EU to the UK in the event of No Deal for 9 months
- BUT that doesn't make them obsolete
- Other situations where VI-1s need to be considered

Decanter

Home / Wine News

New 'no-deal Brexit' paperwork could hit UK wine industry with £70m bill

Government U-turn on 'red tape' on EU imports could add 10p to a bottle of wine, claims the Wine and Spirit Trad

Chris Wilson
September 12, 2019

POLITICO PRO Europe Edition

BREAKING NEWS: EU and UK say they have Brexit deal

UK wine traders face Brexit paperwork explosion

xtra forms and lab tests would drive up costs for importers and wine drinkers if there is no Brexit deal.

By EMMET LIVINGSTONE | 2/28/19, 3:30 PM CET | Updated 4/19/19, 1:15 AM CET

DrinksRetailing NEWS
CHAMPIONING THE OFF-TRADE SINCE 1863

Home / News / Wine News

WSTA slams Government for plans to introduce post-Brexit red tape for EU wine imports

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EU
→ UK

- 9-month exemption period for EU wine coming to the UK
- However, need some additional info on your documentation accompanying the wine:
  - evidence of the alcohol content
  - volume of wine in the consignment
- Could change after 9-months

UK → EU

- Wine produced in the UK will need to be accompanied by a full EU VI-1
- Defra will issue EU VI-1s
- Need to register **ASAP** with FSA Wine Standards Team (or FSS) to get a WSB number (you may have already have one)
- You'll need to give the number to DEFRA
- More info on laboratories to come

EU
→ UK
→ EU

EU wine in bottle:

- Exemption, so can be returned to the EU without a VI-1

EU wine in bulk:

- Will need to be accompanied by an EU VI-1 when returned.
- Original lab test can be produced by either EU supplier or UK bottler.

- Look at IPR!

Third country → UK

- Third country wine entering the UK (except from the EU) will still need to be accompanied by a VI-1 form
- Some third countries are only required to provide a simplified form (Australia, US, and Chile)
- However the EU VI-1 is now a UK VI-1 form
- BUT the UK Government has put in place a 9-month transition period so the EU form will still be accepted.

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Third country
→ UK
→ EU

- Wine from third countries going to the EU via the UK will still need to be accompanied by an EU VI-1
- This can be the VI-1 it originally travelled with (or the simplified version) as long as the composition of the wine hasn't changed. This should be accepted if it's a UK VI-1
- However it will need a covering EU VI-1 or EU VI-2 issued by the UK
- If bottled in the UK, it can travel with the original form as long as it only goes through current EU permitted processes
- Look at IPR!

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Labelling in No Deal

- **in the EU…**
  - Products placed on the EU market before the exit date can continue to be sold until exhaustion
  - Products placed on the EU market after the exit date must comply with EU labelling regulations
  - So if you have any goods which you label for the UK market but sell in the rest of the EU, you will need to make sure the labels are compliant in the EU

in the UK…

- There UK Government has agreed to a 21-month transition period for labels on the UK market in the event of a No Deal exit.

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Event roundup

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Questions?

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Thank you!
Please join us
for a drink

Feedback or further questions?
Please contact:

Rebekah Kendrick
Head of Brexit & EU Affairs
Rebekah@wsta.co.uk