



FedEx Regulatory News

Brexit Impacts for US Export Shipments Beginning January 1, 2021

December 7, 2020

Background

The United Kingdom (UK) formally left the European Union (EU) on January 31, 2020 and entered a transition period that will end on December 31, 2020 at 11 p.m. Greenwich Mean Time (GMT). The UK will no longer trade with the EU under the EU Single Market and the EU Customs Union rules. The EU and the UK continue to negotiate for a new trade agreement. In the event a new agreement is not reached prior to the December 31, 2020 deadline, trade will take place under the World Trade Organization (WTO) most-favored-nation (MFN) principle of treatment.

Goods traded between the UK and the EU would be subject to the same requirements as third country goods, including the payment of duty. On January 1, 2021 the UK will still consist of England, Scotland, Wales and Northern Ireland, however, for customs purposes Northern Ireland will continue to follow EU customs rules, as well as some other rules.

The United States currently trades with the EU and UK under the WTO MFN principle of treatment along with some commodity specific tariffs in place. The WTO principle of treatment means that the same rate of duty, on the same goods, should be charged to all WTO members equally, unless a preferential agreement is in place.

Like all businesses, FedEx awaits further updates and details from the UK Government and EU authorities. As Brexit negotiations continue, FedEx is planning to be Brexit ready.

A Few Items Changing for U.S. Export

In the event a new agreement is not reached prior to the December 31, 2020 deadline, the suggestion from the UK Government and EU authorities is that trade between the UK and the EU would take place under World Trade Organization (WTO) rules.

- This is relevant to U.S. companies with distribution centers in the EU that fulfill orders with items that will move between the EU and UK.
- May also be relevant to US companies shipping to Free Trade Zones (FTZ)'s located in the EU or UK that fulfill orders clearing customs upon release and will move between the EU and UK.

The UK is *removing* Low Value Consignment Relief (LVCR). Value-Add Tax (VAT) will be charged on all goods entering the UK as parcels sent by overseas businesses.

- This means that goods worth *less than 15 GBP*, previously tax exempt, will now be subject to VAT.
- New UK regulations means that for most imports of goods from outside the UK in consignments *not exceeding 135 GBP* in value the point at which VAT is collected will move from the point of importation to the point of sale. This will mean that UK supply VAT, rather than import VAT, will be due on these consignments.
- Online marketplaces (OMPs), where they are involved in facilitating the sale, will be responsible for collecting and accounting for the VAT.
- For goods sent from overseas and sold directly to UK consumers without OMP involvement, the overseas seller will be required to register and account for the VAT to HMRC.
- Business to business sales *not exceeding 135 GBP* in value will also be subject to the new rules. However, where the business customer is VAT registered in the UK and provides its valid VAT registration number to the seller, the VAT will be accounted for by the customer by means of a reverse charge.
- The changes will not apply to consignments of goods containing excise goods or to non-commercial transactions between private individuals. Existing rules will continue to apply for these transactions.
- In addition, for sales of goods by overseas sellers, where the goods are already in the UK at the point of sale the responsibility for accounting for VAT will move from the overseas seller to the OMP that facilitates the sale.
- Overseas sellers will remain responsible for accounting for the VAT on goods already in the UK and sold directly to UK consumers without OMP involvement.

Postponed Accounting will be introduced for import VAT on all goods brought into the UK. This means that UK VAT-registered businesses will be able to account for import VAT on their VAT return, rather than paying it on or soon after the time that the goods arrive at the UK border. This applies to imports from all countries outside of the UK.

Next Steps for U.S. Exporters to Consider

U.S. exporters/sellers – Consider revisiting business terms and identify the VAT/duty impacts to costs/item price-points and the cost impacts to your company and customers (buyers).

Items to think about:

- Absorption of the additional VAT/duty to keep current price points the same. Registration with the UK for VAT charges/payments is required. For additional information, see <https://www.gov.uk/vat-registration/how-to-register> and <https://www.gov.uk/guidance/register-for-vat>.
- Establish an Importer of Record (IOR) status with the UK. Determine if an Economic Operator Registration and Identification number (EORI) is required.
- Increase price points to customers to account for the increased VAT and/or duty if appropriate.
 - Advise buyers/customers that they are now responsible for VAT/duty. Advanced notification could help avoid surprises, and possibility of refused orders/shipments.
- Re-visit refund and returns policies for any needed updates.

Shipping with FedEx Post Brexit

Our dedicated cross-functional Brexit team is assessing potential impacts and have plans to ensure we can steer your business through whatever changes might be in store with our knowledge, experience and scale.

Using FedEx Automation to create shipping labels and required documentation is an efficient way to prepare your shipments. The FedEx automation platforms will be updated with the required changes to process your shipments to the EU and the UK beginning January 1, 2021. Use the list below to quickly identify next steps based upon the automation platform you use.

Key Automation Platform Updates

1. The UK countries will be removed from all EU dropdown country selection lists.
2. Shipments between the EU countries and the UK countries will be recognized as international shipments requiring customs value, importer information and applicable documentation.
3. Updates relative to Northern Ireland will be made following the UK governments announcement.

Solution/Product	Beginning January 1, 2021 (unless otherwise noted)
FedEx Web Services	<ul style="list-style-type: none">• Updates to documentation will be implemented.
FedEx Ship Manager	<ul style="list-style-type: none">• A file is required and will be manually loaded by a FedEx Customer Integration Consultant (CIC). <p>January 2021</p> <ul style="list-style-type: none">• Versions below 3409 requires a manual file to be loaded by FedEx CIC to be compliant.• Versions 3409 will have the file automatically included. Request file for manual loading if needed prior to late January release.• Upgrade to version 3409 to be compliant when file is not loaded by a FedEx CIC. <p>International Priority Distribution (IPD) and International Economy (IED) Distribution Services shipments and Single Point of Clearance (SPOC):</p> <ul style="list-style-type: none">• Update and replace Importer of Record (IOR) details where needed to remove UK IOR's for shipments to the EU and EU IOR's for shipments to the UK.• Versions below 3409 will require manual file to be loaded by FedEx CIC to be compliant.

	<ul style="list-style-type: none"> • Manual file will be available after January 1, 2021. • Discontinue IPD SPOC shipments to the UK (STN) SPOC location by suggested date of December 21st to avoid possible clearance delays. • Discontinue IPD SPOC shipments that contain UK-bound packages through the EU SPOC (CGN and CDG) by suggested date of December 21st to avoid possible clearance delays.
<p>FedEx Ship Manager Server</p> <p>FedEx Ship Manager Server, con't.</p>	<p>Policy Grids</p> <ul style="list-style-type: none"> • Versions 16.0x and above will automatically have updates via reconciling or demand download. • Versions 15.0x and below: Upgrade to version 18.0x or higher for the updates needed. <p>International Priority Distribution (IPD) and International Economy (IED) Distribution Services shipments and Single Point of Clearance (SPOC):</p> <ul style="list-style-type: none"> • Versions 17.0x and below: Manual load of updated SPOC file by FedEx CIC is required. • Version 18.0x and above, updated SPOC file will be available via demand download. • Version 17.11 Updated SPOC file will be included. • Update and replace Importer of Record (IOR) details where needed to remove UK IOR's for shipments to the EU and EU IOR's for shipments to the UK. • Manual file will be available after January 1, 2021. • Discontinue IPD SPOC shipments to the UK (STN) SPOC location by suggested date of December 21, to avoid possible clearance delays. • Discontinue IPD SPOC shipments that contain UK-bound packages through the EU SPOC (CGN and CDG) by suggested date of December 21, to avoid possible clearance delays.
<p>Global Ship Manager</p>	<ul style="list-style-type: none"> • Shipments between the UK and EU will require a customs value entry and applicable customs documents.

	<ul style="list-style-type: none"> • US to EU: IPD SPOC location in the UK will be removed from the list and IPD SPOC to FR and DE will remain options. CRN shipments with UK addresses will not be allowed. • US to UK: IPD SPOC locations in the EU will be removed and IPD SPOC location in the UK will be single choice. CRN shipments with EU addresses will not be allowed. • FedEx Ship Manager Software v11 and v12 will require a patch. When FedEx Ship Manager Software prompts you to install the patch, please accept this request and make sure you have the necessary administrator rights to do this.
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FedEx International Priority Distribution (IPD) – Single Point of Clearance services (SPOC)

IPD SPOC shipments allow shippers outside of the EU countries to send packages as a consolidated shipment from a single shipping location in an origin country/territory to multiple recipients in EU countries.

Beginning January 1, 2021, with the UK uncoupling from the EU, the below options will be available:

- IPD Shipments with packages destined to an EU country will have two EU SPOC location options (Paris, France, Charles DeGaulle Airport [CDG] and Cologne, Germany [CGN]).
- The UK SPOC location Stansted, England (STN) will no longer be an option. If previously using the UK as the SPOC for IPD EU shipments, a new Importer of Record will be needed for the new SPOC selected; CDG or CGN.
- UK-bound packages in IPD shipments clearing at an EU SPOC location (CDG or GCN) need to be sent separate from EU-bound IPD shipments. Choices include sending the UK destination packages as a separate IPD shipment for clearance through Stansted or selecting one of the other FedEx International Services.

If previously using an Importer of Record in the EU, you will need to establish a new IOR in the UK or ensure your customers are an established IOR with necessary VAT registration in place with the UK.

References to help

[Learn more about Brexit](#)

[Find guidance about VAT](#)

[Ask questions about Brexit](#)

[Register with the UK for VAT](#)

You can't make the rules, but with FedEx, you can master them.

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