

# Business Checklist following the UK's Exit from the EU

Revised September 2020



**Isle of Man**  
Government

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As a result of Brexit, the UK legally ceased to be a Member of the EU on 31 January 2020.

A transition period continues in operation (until 31 December 2020), in which the UK has been conducting intensive negotiations for a Free Trade Agreement (FTA) with the EU, but if the UK is unsuccessful in concluding an Agreement during October, then the UK will finally exit on WTO terms.

This Checklist, first issued in December 2018, has again been updated as at September 2020 to reflect the impact of recent developments and help local businesses consider the changes resulting from the outcome of either 'deal' or 'no deal' scenarios at the end of 31 December 2020.

The UK's final withdrawal from the EU after the transition period will bring changes for business of every size in every sector in the UK and impact many if not all businesses in the Isle of Man.

While the Isle of Man is not leaving the EU as such, we will, after the transition period, nevertheless see the end of Protocol 3, which provided for our rights of access to the EU market for our goods.

In that sense, Isle of Man companies which move goods in and out of the EU, will be required to comply with a new regime for the cross border movement of goods, including new customs and VAT arrangements and regulatory conformity arrangements, just as these will apply to the UK.

Meanwhile, for services (including digital and financial), the Isle of Man has been and will remain a 'third country' in respect of trade with the EU and so it is likely that only very limited changes affecting services will apply. Nevertheless, the Isle of Man will look for opportunity to benefit from alignment on services with any new FTAs, such as those under discussion between the UK and US etc.

The UK will be treated as a 'third country' to the EU in future but has sought to have a Free Trade Agreement intended to maximise the potential benefits for UK trade - the outcome for the Isle of Man if the UK successfully concludes a deal, will be the same continued free access for goods; conversely if the UK and EU fail to reach agreement, both UK and Isle of Man will trade with the EU on WTO terms.

This Checklist remains relevant in the sense that local businesses still need to be prepared, as far as possible, for these new terms of trade with the EU, which in particular, affect manufacturers and those involved in importation of goods from the EU and/or the rest of the world, (including retail and construction sectors), and we will update it further if there are any important new developments.

There is still some further time for businesses to prepare, ie to end of December 2020, irrespective of the UK's negotiation outcome and despite the recent distractions of the Coronavirus, businesses are urged to re-examine their final contingency planning validity for the upcoming final Brexit outcome.

In the run up to 31 December, businesses should continue to monitor developments as announced and keep under review their risk assessments and UK/IOM preparations for change - this updated Checklist may help with some of the key issues to consider.

Final preparations in the coming weeks for the changes and risks and how your business responds is a worthwhile part of business planning and could even yield real benefits in the future.

**Note:** to support local businesses, the Department for Enterprise has a new grant category under its Business Improvement Scheme to obtain external consultancy for help with 'Brexit' planning:

- Businesses in any sector may apply, not just exporters;
- 50% support (up to a maximum of £5,000) is available, on prior application to the Department.
- See also DFE's FAS Scheme that can help with the cost of new plans for overseas marketing.

Area	Context	Considerations/Actions
<b>1 Cross Border Trade</b>		
<b>UK/EU customs checks</b>	The IOM and UK as 'third countries' outside of the EU customs regime would mean that IOM and UK exporters to the EU will need to start making customs declarations on all goods destined for EU.	<p>Consider what customs arrangements and documents you currently need to comply for non - EU markets; you will have to apply the same treatment to all imports from and exports to the EU in future and you should expect to have goods/checked inspected at the EU border. See here re UK import controls: <a href="#">import controls</a></p> <p>Businesses that will import goods from the EU or export goods to the EU will need to apply for an EORI number. Information on applying for an EORI number can be found here:</p> <p>1) if you are already VAT registered: <a href="#">EORI for Isle of Man applicants</a></p> <p>2) if you are <u>not</u> VAT registered: <a href="https://www.gov.uk/eori">https://www.gov.uk/eori</a></p>
<b>Potential delays at UK/EU and Northern Ireland borders</b>	With potential customs checks between the UK and EU borders, there may be some delays in shipments.  (NB: Special customs arrangements will apply to Northern Ireland).	<p>Have you considered how resilient your supply chain is to UK/EU border delays as you may need to change that?</p> <p>Do you have penalty clauses in your contracts for late delivery of your inbound goods and/or, can you insure against your losses?</p> <p>Have you consulted your logistics provider/freight agent regarding anticipated changes in arrangements or in the absence of a customs agent, do you have the software and knowledge to process documentation yourself to avoid delays in shipments?</p> <p>Do you need additional buffer stocks or to find storage for these?</p>
<b>Tariffs on UK - EU Trade</b>	In the event the UK defers to WTO terms in 2021, there would be tariffs between the UK and EU based on MFN (Most Favoured Nation rules) which apply when countries have no other special trade agreements.  (NB: if the UK secures a FTA with the EU, tariffs should be minimised on goods in scope).	<p>The UK's aim is to have a FTA with the EU which minimises or eliminates tariffs and quotas on most goods, but tariffs on imports and exports will apply, if there is no agreement.</p> <p>Consider if there will be additional costs to be financed through having to meet MFN tariffs, if there is no deal, or if your goods are not protected from these by inclusion in a new FTA.</p> <p>Do you know the HS codes (international classification codes) for your products or the EU MFN tariff that would apply to them?</p> <p>The UK has published its tariffs that will apply to goods imported into the UK from 2021 and these can be found here alongside the Common External Tariffs the EU would charge if there is no deal:</p> <p><a href="https://www.check-future-uk-trade-tariffs.service.gov.uk/tariff?q=&amp;n=25&amp;p=1">https://www.check-future-uk-trade-tariffs.service.gov.uk/tariff?q=&amp;n=25&amp;p=1</a></p>

<p><b>Rules of Origin in UK - EU Trade</b></p>	<p>Even if the UK has a FTA which includes a zero - tariff trade agreement with the EU, IOM and UK companies will need to prove that their products are of IOM/UK origin to benefit from tariff preferences, (though the exact terms would be down to being defined in any agreement).</p>	<p>If you are a supplier/manufacturer/exporter of goods, can you provide proof of origin if required?</p> <p>Can you evidence your source of components or are you able to audit your suppliers to help prove your goods contents?</p> <p>The IOM Chamber of Commerce issues Certificates of Origin.</p> <p>For more information see: <a href="http://www.iomchamber.org.im/">http://www.iomchamber.org.im/</a></p> <p>Additionally, the UK has published its proposed new system of tariffs and preference rules of origin for imports and exports to be applied after the UK has left the EU, see:</p> <p><a href="https://www.gov.uk/government/publications/notice-830-tariff-preference-new-general-system-of-preference-rules-of-origin">https://www.gov.uk/government/publications/notice-830-tariff-preference-new-general-system-of-preference-rules-of-origin</a></p>
<p><b>EU Trade Agreements with existing Third Countries (FTAs)</b></p>	<p>Although the UK's intention is to secure the benefits of existing EU trade deals with other countries, (it has secured some 20 of around 40 to date), these will take further time to secure and in the event of 'no deal' or if not secured, preferential trade terms will no longer be available with these countries.</p>	<p>Consider if you currently benefit from preferential duties and trade terms via FTAs with third countries which are already available to you by virtue of the UK's EU membership (eg FTA with South Korea) and what the costs and other implications might be if these FTA benefits are not secured by the UK in future?</p> <p>Consider if these are critical markets and your customer's potential reaction to any changes and how you might mitigate any additional costs of doing business with them.</p> <p>The Isle of Man intends that those FTAs secured by the UK on a grandfathering basis from the EU will continue to apply to the Isle of Man to the extent they did previously, when the rollover of these takes place.</p> <p>Note that countries which have FTAs with the EU are also NOT legally obliged to uphold the beneficial terms of these with the UK during the transition period.</p>
<p><b>Customs facilitation and reliefs etc after 2020.</b></p>	<p>There are a number of duty relief/deferral schemes available to IOM and UK businesses from Customs. There is also a trusted trader scheme - AEO (Authorised Economic Operator). IOM Customs and Excise can advise.</p>	<p>Consider if there may be any additional customs reliefs or trusted trader schemes you might use - contact IOM Customs and Excise for information.</p> <p>See also: <a href="https://www.gov.uk/duty-relief-for-imports-and-exports">https://www.gov.uk/duty-relief-for-imports-and-exports</a> and: <a href="https://www.gov.uk/guidance/authorised-economic-operator-certification">https://www.gov.uk/guidance/authorised-economic-operator-certification</a></p> <p>Consider if your staff have sufficient knowledge of customs matters and if additional staff or training might be valuable.</p>

## 2 Taxation

<p><b>Import VAT</b></p>	<p>After the transition period, it is certain that both the UK and IOM will exit the EU VAT area. The UK proposes to permit import VAT to be declared on VAT returns for many VAT registered businesses. For those that are not registered, VAT may be payable at the border on goods imports from EU.</p>	<p>Consider cash flow and other implications of making earlier VAT payments or the possibility of setting up a 'deferment account' with Customs.</p> <p>See also: <a href="https://www.gov.uk/government/publications/vat-for-businesses-if-theres-no-brexit-deal/vat-for-businesses-if-theres-no-brexit-deal">https://www.gov.uk/government/publications/vat-for-businesses-if-theres-no-brexit-deal/vat-for-businesses-if-theres-no-brexit-deal</a></p>
<p><b>VAT - General</b></p>	<p>Businesses may need to have VAT registrations in EU countries in future if they want to hold stocks there.</p> <p>Businesses may no longer be able to recover VAT incurred in EU countries which is presently possible under the EU refund scheme.</p> <p>Traders may in future need to register under the MOSS Scheme (Mini One Stop Shop) in an EU country if the UK/IOM has to discontinue such a scheme, especially if future proposals for it to extend to goods as well as services come in.</p>	<p>Consider the impact of VAT changes on the business and any financial, accounting and other planning implications.</p> <p>Consult IOM Customs and Excise and VAT Office if uncertain of changes ahead.</p>

<b>Deferment Accounts</b>	Deferment Accounts - (allowing for deferment of VAT and Customs Duty payment for up to 1 month) may be available to qualifying companies on application to IOM Customs Office.	Consider if the business would be eligible for a deferment account to postpone VAT and Customs Duty on imports and if it would be helpful.
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### 3 Currency Risk

<b>Currency volatility</b>	The Bank of England anticipates further volatility in Sterling continuing in the year to 31 December 2020 and beyond.	Consider the currencies you are paid in, possible currency movements and their impact on your cash flow/finances.  Also, consider if new contracts can be made more favourable to you to cover this, or if other hedging methods for currency risks can be employed by you.
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### 4 Product Regulations

<b>EU Regulation/ Conformity/ Labelling</b>	<p>If no FTA is agreed, the EU would no longer recognise UK conformity assessments without reassessment by an EU body.</p> <p>Self-declared CE marked goods will not be affected and CE will be valid for the UK in 2021, despite the UK introducing a new CA mark.</p>	<p>Consider which regulatory bodies (Notified Bodies) and measures you may have to comply with and whether you may have to take steps to deal with EU bodies instead of UK ones.</p> <p>You may need to if your goods are those which can continue to use the CE mark or which might eventually need a new 'UK CA' mark for the UK market after 2021.</p> <p><a href="https://www.gov.uk/guidance/using-the-ukca-mark-from-1-january-2021">https://www.gov.uk/guidance/using-the-ukca-mark-from-1-january-2021</a></p> <p>The UK will have its own new 'UK CA' marks for certain goods assessed against UK approval bodies for UK markets but will accept CE marking during 2021.</p> <p>Consider also whether your labelling will need to change.</p> <p>The potential introduction of a FTA between the UK and the EU may result in an agreement on 'mutual recognition' of regulatory bodies, but it is as yet by no means clear which ones would be included, if there is a deal.</p>
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### 5 Intellectual Property Rights

<b>Copyright</b>	Copyright protection is underpinned by international	Businesses relying on 'sui generis' database protection rights may need to consider other protections such as restrictive licensing agreements.
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	<p>treaties and does not depend on the UK's membership of the EU, so will not be affected if the UK leaves the EU without a deal.</p> <p>There are a number of 'cross -border' EU mechanisms but only one of these, the sui generis database rights, applies in the Island. The sui generis database rights would however be 'lost' under a 'no deal' scenario.</p>	
<b>Patents</b>	<p>The IOM does not have its own Patent Office. Instead, patent applications to the UK Intellectual Property Office automatically cover both the UK and the IOM. UK and EU law on patents applies to the IOM. The UK's intention is that existing systems, such as that for supplementary protection certificates, will remain in place. The IOM is working with the UK to ensure that those mechanisms continue in a 'no deal' scenario.</p>	<p>There should be no need for immediate action as the current rules remain in place at the point the UK exits the EU on 31 December 2020.</p>
<b>Trademarks and registered designs</b>	<p>Anyone in the world can apply for an EU trademark or registered</p>	<p>No immediate action should be required, though businesses with trademark registrations should monitor the situation for new legal developments ahead.</p>

	<p>Community design. These rights cover all EU member states, including the UK. These rights are also recognised in the IOM. However, after 2020, EU trademarks and registered designs will no longer cover the UK. The UK intends that equivalent UK protections will be granted to existing right holders after 2020. The IOM is working with the UK Government to ensure that those rights also cover the Island.</p>	
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## 6 Other Legal Issues

<p><b>Contracts</b></p>	<p>Terms of contracts with EU customers and suppliers in existing contracts may no longer be valid, relevant, or enforceable after 2020. New contracts may benefit from expert legal input.</p>	<p>Consider what contracts may be open to challenge or non-performance and if they depend on references to the EU and EU regulations, seek expert legal advice, as appropriate.</p>
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## 7 Employment, staff and immigration

<p><b>Workforce retention</b></p>	<p>If you employ EEA nationals, the IOM has a Settlement Scheme offering the same rights to them and their families to stay in IOM as in the UK (as negotiated by the UK in the</p>	<p>Consider the need to reassure affected employees about their status and encourage them to enquire or apply for Settlement via the IOM Immigration Office as soon as possible.</p> <p>See: <a href="https://www.gov.im/categories/travel-traffic-and-motoring/immigration/eu-nationals">https://www.gov.im/categories/travel-traffic-and-motoring/immigration/eu-nationals</a></p>
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	Withdrawal Agreement). (NB: In the event of ‘no deal’, a modified scheme is expected, but offering similar rights).	
<b>Recruitment of staff</b>	The UK is planning future changes to the immigration rules for new applicants (including EEA and non EEA Nationals) and the IOM’s position is largely expected to mirror these.	Consideration may need to be given to the process of making visa applications for new EEA recruits and businesses may wish to monitor the IOM and UK Immigration websites for developments (see: <a href="https://www.gov.uk/government/publications/the-uks-points-based-immigration-system-policy-statement?utm_source=adda7e36-20e4-4894-ac9d-dc892abcae49&amp;utm_medium=email&amp;utm_campaign=govuk-notifications&amp;utm_content=daily">https://www.gov.uk/government/publications/the-uks-points-based-immigration-system-policy-statement?utm_source=adda7e36-20e4-4894-ac9d-dc892abcae49&amp;utm_medium=email&amp;utm_campaign=govuk-notifications&amp;utm_content=daily</a>  <a href="https://www.gov.uk/government/publications/migration-advisory-committee-mac-report-eea-migration">https://www.gov.uk/government/publications/migration-advisory-committee-mac-report-eea-migration</a>  or, consult the IOM Immigration Office for further information).

For further information:

**DEPARTMENT FOR ENTERPRISE:**

UK Exiting the EU Business Help Desk - Steven Beevers: tel. 686402; email [steven.beevers@gov.im](mailto:steven.beevers@gov.im)

Manufacturing & Construction lead - Kirree Goberman: tel. 687148; email [Kirree.goberman@gov.im](mailto:Kirree.goberman@gov.im)

Retail lead - Rachel Hopkinson: tel.687175; email [Rachel.hopkinson@gov.im](mailto:Rachel.hopkinson@gov.im)

Business Improvement & FAS Scheme (Grant Enquiries): tel. 687333; email [enterprisesupport@gov.im](mailto:enterprisesupport@gov.im)

**IOM CUSTOMS AND EXCISE AND VAT OFFICE**

Advice Centre: tel. 648130; Customs Enquiries: tel. 648140; email [Customs@gov.im](mailto:Customs@gov.im)

**IMMIGRATION OFFICE**

<https://www.gov.im/categories/travel-traffic-and-motoring/immigration/eu-nationals/eu-settlement-scheme/>

**CABINET OFFICE**

Brexit Website link: <https://www.gov.im/media/1367007/isle-of-man-brexit-guide.pdf>

**OTHER USEFUL LINKS TO GUIDES**

<https://www.gov.uk/transition>

[https://ec.europa.eu/info/publications/getting-ready-changes-communication-readiness-end-transition-period-between-european-union-and-united-kingdom\\_en](https://ec.europa.eu/info/publications/getting-ready-changes-communication-readiness-end-transition-period-between-european-union-and-united-kingdom_en)

