

Azets and moneycorp teamed up to deliver a webinar which looked at 'The value of money within international businesses'. When reflecting upon the session, it was clear there were some common questions and challenges faced by businesses relating to traditional supply chains across three flows: product, information and financial. With this in mind to further assist businesses, Director of National Customs Lucy Sutcliffe from Azets and Senior Account Manager Andy Medler from moneycorp respond to a few questions to address some of the common themes.

Our webinar audience asked:

We rely on our customs agent or freight forwarder to confirm what information they need to declare goods at importation and to calculate and fees and duties – is this a usual approach?

Azets: It is imperative that you provide the representative with clear written instructions regarding the treatment of and clearance of the movement of your goods. This should include the commodity code to use, the customs procedure code, what is expected of the representative and that copies of supporting paperwork such as customs commercial invoices, waybills, packing list etc. are made available to you in the event of a compliance visit by customs authorities. This consideration should be extended to the content of contracts, where the responsibilities of each party are clearly articulated to avoid any ambiguity. You should ensure that you engage any intermediaries on the correct type of representation – 'Direct' or 'Indirect'. This means that under 'Direct' representation the agent acts in the name of the Principal and any liability would rest with the business. Under 'Indirect' representation the agent acts in their own name but with joint and several liability with the Principal. These terms should be the subject of a Power of Attorney or written agreement. The customs authorities have the power to alter these terms if they feel that revenue may be lost.

What are the currency risks for my business post transition at the end of December? Will the value of the Pound increase or decrease?

moneycorp: This really is the million-pound question. Currency markets move every 3 seconds, and are affected by many factors including COVID, politics, jobs, manufacturing, GDP and many more. When we look at multi bank forecasts, the range for Q1 2021 is between €1.0 and 1.20, that is nearly a 17% variance between banks 'views' on where the markets 'may' be. For a business trading £1m per annum, that is a potential swing of £170k (either gains or losses) based on high and low forecasts. By putting in place a robust hedging strategy, this would protect the business against any risk of downside currency movement, which will of course keep profits where you would want them to be. Certainty rather than uncertainty is what businesses need to be looking for in this period.

With the potential risk to supply chain disruption post Brexit, I'm concerned about the financial impact to our business. Payment terms may have to be extended, or delays in payments. What can we do to avoid a negative impact on my business?

moneycorp: There are a few things to take into consideration here. Firstly, payment delays is a simple solution as far as currency goes. Using a simple product like a forward when placing your order ensures there would be no hidden costs (gains or losses). If you are importing, at a cost of £50,000, by locking the rate in meant that even if goods are delayed by 14-30 days, you have the flexibility that the currency rate stays the same, despite the goods being delayed, therefore the costs to the business remain the same. The other option is to look at alternative markets. Are you able to source the goods from a Non-EU country where you know delays on imports/exports are not a problem.

What should we consider in respect of the customs value for goods which are imported into the UK?

Azets: The Customs Valuation is the figure used to calculate any import duties and so it will have a direct bearing on any import duties levied and if you are remaining compliant with customs law. Not only is the application of the correct customs valuation method important for businesses who are or have European or Rest of World subsidiaries - sales between related entities. It is vital that the appropriate valuation method for customs purposes is used to avoid future inflated costs.

The customs valuation does not just relate to the 'cost price' of the goods, it must also include certain other elements such as insurance and freight costs connected to the movement of the goods. Additionally, there are other elements which must be included, or which may be excluded. For example, buying commissions, discounts, royalties, rights to reproduce, licence fees, tooling charges etc.

How might our existing supply chains be influenced by INCOTERMS?

Azets: The INCOTERMS (shipping terms) will have a key impact on the end-to-end supply chain of your goods. These terms set out where the liability, responsibility, risk, and costs rests between the two parties – usually the 'seller' and the 'buyer'. These responsibilities may incorporate any freight and logistics charges, delivery costs, which party obtains shipping document and any import or export licences, packaging, security related costs and any import duties in the country of destination.

Linked to each of these responsibilities may be contractual obligations, payment considerations involving different currencies or terms of payment. All these factors will have an impact on your overall business costs and by extension profit margins.

We work with lots of European clients and including our holding company based in the EU zone. Should I be concerned in regards to banking regulations post exit?

moneycorp: From a client/supplier point of view the changes implemented within the financial services sector should be completely invisible to you from a business perspective. The emphasis is on the Financial Institution that you work with to be compliant in the relevant location. Certainly, through trading with moneycorp there will be no concerns with trading post 31st December, this is due to us being set up with a European hub based out in Ireland. This enables us to be able to continue to trade seamlessly across not only the EU Zone but also globally as we currently do.

Any changes that are made to comply with legislative changes will be seamless to your supply chain.

The fluidity of supply chains will be of increasing importance as we move from intra-EU trade to International trade at the end of the transition period and into 2021.

By considering your existing supply chain models and how you may be able to vary these, this will provide greater flexibility and fluidity for your business. It may not be possible to use one set of supply terms or currency for all goods and movements. However, if you can introduce some variations or renegotiate, you can then flex the requirements of your trading partners to respond to market demands. This will allow you to streamline costs and maximise your profit margins across your supply chains.

Now is the time to consider what alternatives are available beyond the traditional routes to compliment what may already be your standard practice, ready to respond to change to grow and transform your business.

If you need advice or help to navigate the impending changes or assistance with your end-of-transition-period planning, please contact:



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