Brexit
Client Solutions

October 2020



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Summary

The team at Hermes have been working alongside our customs partners to develop a delivery solution into the EU aligned with the requirements set out by the EU and UK governments to date.

We are pleased to announce that we have developed multiple solutions to meet the needs of our retailers and offer the best customer experience possible. The following slides explain the differences, the requirements and processes for each solution.

"What does 'Brexit' mean to you?"

In the worst case scenario, the UK will leave the EU with no deal. This means:

- Your EU traffic will be subject to duties and VAT
- You'll need to provide detailed information for each consignment
- Inspections may take place on some exported goods

DDU vs. DDP….
What's the difference?

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DDU vs. DDP

Delivery Duty Un-paid

DDU requires the recipient to bear responsibility for the costs and settlement of any VAT and import duty chargeable with their local postal operator in order to release their parcel from customs

✓ *DDU may appear cheaper at checkout*

✗ *A call from customs may negatively impact the customer experience*

Delivery Duty Paid

DDP requires the seller to bear responsibility for the costs and settlement of any VAT and import duty chargeable on their items.

Although Hermes will take care of the export and import of your parcels, we do so in a 'direct way' and therefore all liability for the customs data remains with the seller of the goods.

✓ *Duties and taxes are paid upfront leading to a more frictionless experience for the end-customer*

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Moving parcels into the EU... DDP

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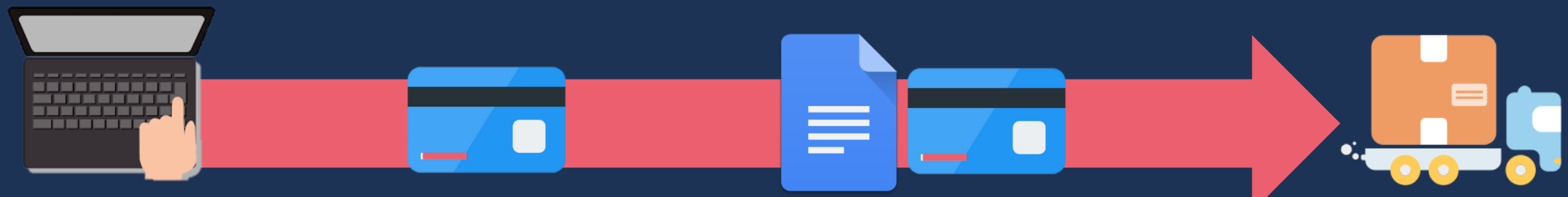
The new process for EU Deliveries - DDP



Customer places order on **Retailer website**

Customer pays

Pre-advice, duties and taxes sent to **Hermes**

Collected and injected into the **Hermes** network

Retailer Actions	Retailer Actions	Retailer Actions	Hermes Actions
Make it clear at checkout how much VAT and duty is chargeable on the items in their basket and whether this is: • chargeable at point of sale • free of charge (absorbed by the retailer)	Collect the payment from the customer, including the following: • *Item Cost* • *VAT Value (if applicable)* • *Import Duty (if applicable)*	Collect **mandatory customs data** about the items to be shipped and submit to Hermes in the parcel pre-advice: • Commodity Codes (HS Codes) • Origin of Goods • Item Sale Price • Import VAT Value – **21%** • Duty Value • Net Weights • Quantity Transfer the applicable VAT and duties for each parcel into the secure customs bank account set up by Hermes – *details will be provided by your account manager*	Hermes will sort your parcels and carry out the customs formalities on behalf of all our clients. ***Data is critical** in this process, therefore you need to ensure the data you provide is **true and accurate** – failure to do so will lead to delays on the delivery of yours and other clients parcels.*

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Where do we import your parcels?

- Your traffic reaches Liege, Belgium for import clearance - LVBI
- Hermes International settles the VAT and Duty Liability
- We recover this from you (which you have taken payment from your customer at checkout)
- The parcels continue their journey to our Hubs in France and Germany
- We deliver your parcel to the customer



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Paying your import duties and taxes…

The value of duties and taxes applicable on your parcels is likely to be significant (depending on the items you ship). This means we will need to collect a 'holding deposit' from all our clients in order to ensure sufficient funds are available to pay these liabilities on your behalf. The value of the deposit will differ for each client as it will be based on the average basket value for your shipments into the EU.

Deposit

- We require a deposit to the sum of 5 days worth of shipments into the Hermes network. Hermes will calculate this based on your average basket value – we will look at your pre-advice over the last year and claims made in order to calculate this.
- The deposit will be paid into a secure 'holding account' setup by Hermes. Hermes has no right to use these funds for any other reason than paying your duty and tax liabilities.
- **Please Note: the deposit will be subject to change should we see the value is insufficient.**

Invoicing

- We plan to invoice you daily the sum of the duties and taxes owed on your parcels using the data submitted. A 'top up' invoice will be issued to cover any differences in the charges imposed by the EU customs authorities and the values provided in your shipment data.

Payment Terms

- All invoices for payment of duties and taxes will be subject to Next Day payment terms. Non-compliance will result in suspension of your international account until sufficient funds are available within the 'holding account' to process your parcels.

Please Note: The above is subject to change at short notice as new guidance and legislation is made available from the UK and EU tax authorities

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Low Value Bulk Imports... Explained!

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Low Value Bulk Imports



Summary

- Low Value Bulk Imports (LVBI) is a customs simplification procedure granted to importers of parcels to reduce delay clearing goods with the customs authorities. The simplification allows us to import your parcels into the EU in the most cost effective and frictionless way as possible.

- Importing under the LVBI simplification means that the duties and taxes chargeable on your items is dependent on their value, as well as the country of manufacture. The table below outlines the value thresholds and whether duties and taxes are chargeable

	Item Value		
Charge	***<€22***	***€22 - €150***	***>€150***
VAT – 21%	×	✓	✓
Duty	×	×	✓

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Moving parcels into Europe... DDU

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The new process for EU Deliveries - DDU



Customer places order on **Retailer website** & pays

Pre-advice sent to **Hermes**

Apply a **CN22/23** to the outside of the parcel

Collected and injected into the **Hermes** network

Retailer Actions	Retailer Actions	Retailer Actions	Hermes Actions
• Collect payment for the items • Make it clear to the customer how much VAT and duty is chargeable on the items • Inform the customer how they will need to pay the duties and taxes on or before delivery	Collect **mandatory customs data** about the items to be shipped and submit to Hermes in the parcel pre-advice: • Commodity Codes (HS Codes) • Origin of Goods • Item Sale Price • Import VAT Value • Duty Value • Net Weights • Quantity	Apply a CN22/23 to the outside of the parcel. Please ensure this is safely secured in a document wallet to avoid damage during transit. *Please Note: any **parcels without** a CN22/23 will be **returned to you** by our operations team*	Hermes will sort your parcels and submit them into the postal network of destination country. ***Data is critical** in this process, therefore you need to ensure the data you provide is **true and accurate** – failure to do so will lead to delays on the delivery of yours and other clients parcels.*

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What are CN22/23'S?



Summary

- CN22 & CN23's are the customs declaration forms needed in order to ship parcels around the globe where taxes and duties are payable on delivery by the parcel recipient. They are needed currently for imports into rest of the world countries such as the USA & Australia

- All DDU shipments **must, by law** have a copy of a CN22 or CN23 attached to the exterior of the parcel – any parcel injected into the Hermes network without this will be returned at cost.
    - Value of goods in the parcel **less than £270 = CN22**
    - Value of goods in the parcel **more than £270 = CN23**

What is the CN-22/23 used for?

1. Assist customs with checking what goods are entering the EU post Brexit
2. Help customs assign the correct duties and charges
3. Aid the monitoring of prohibited/restricted goods

****It is essential the CN22/23 is completed in full and accurately – it is the senders responsibility to complete the form****

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CN22 Template

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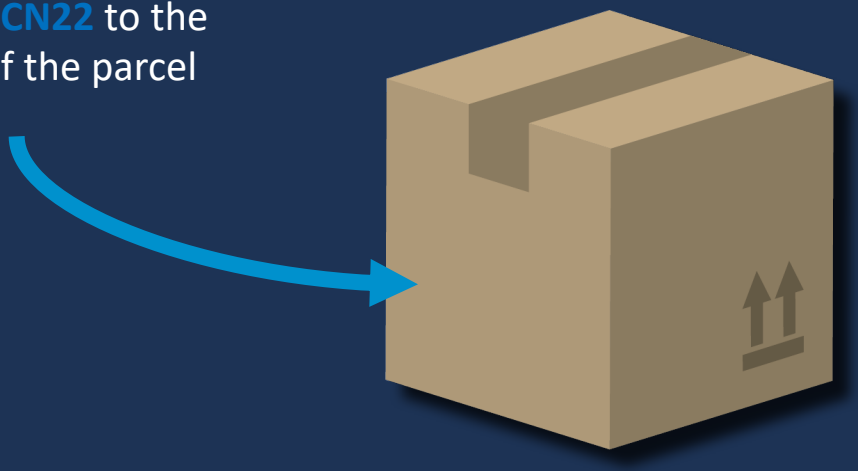
CUSTOMS DECLERATION				CN 22	
Complete in **BLOCK CAPITALS.**				May be opened officially **Great Britain**	
Sender's Name					
Sender's Address & Postcode					
Contents Tick all that apply		Gift		Commercial Sample	
		Documents		Returned Goods	
		Sale of Goods		Other	
Description of contents			Quantity	Weight (kg)	Value (GBP)
Total					
Commerical items only; if known enter the HS tariff no. & origin					
If applicable, VAT reg number					
I, the undersigned, whose name and address are given on the item, certify that the particulars given in this decleration are correct and that this item does not contain any dangerous article or articles prohibited by legislation or by postal or customs regulations.					
Sign & Date					

Apply the **CN22** to the **outside** of the parcel



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CN23 Template

Hermes CN-23 Customs Decleration

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From	Name	Sender Customs Reference (if any)	Insured Value - Words	Figures
	Business			
	Address			
	Address	Tel. No.	Importer/Addressee reference (if any) (tax code/VAT No/importer code) (**optional**)	
	Postcode	Country		
To	Name			
	Business			
	Street	Tel. No.	Importer/Addressee telephone/fax/e-mail (if known)	
	Postcode / City			
	Country			
	Office of Exchange	Customs Stamp	(Please affix offical labels here, when required)	
		Customs Duty		
			Office of Origin/ Date of Posting	Number of Items / Certificates and invoices
				Insured Value £
				Total gross weight of the parcel / Charges
	Decleration by addressee	I have received the parcel described on this note. Date and addresses's signature	Parcel Barcode	
	I certify that the particulars given in this customs decleration are correct and that this item does not contain any dangerous article prohibited by legislation or by postal or customs regulations	Date and senders Signature	In case of non-delivery, Return to Sender in accordance with delivery standard	

Apply the **CN23** to the **outside** of the parcel



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Republic of Ireland...
DDU & DDP

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Your Irish Traffic

The Facts

We use the AnPost postal network to fulfil our Irish deliveries.

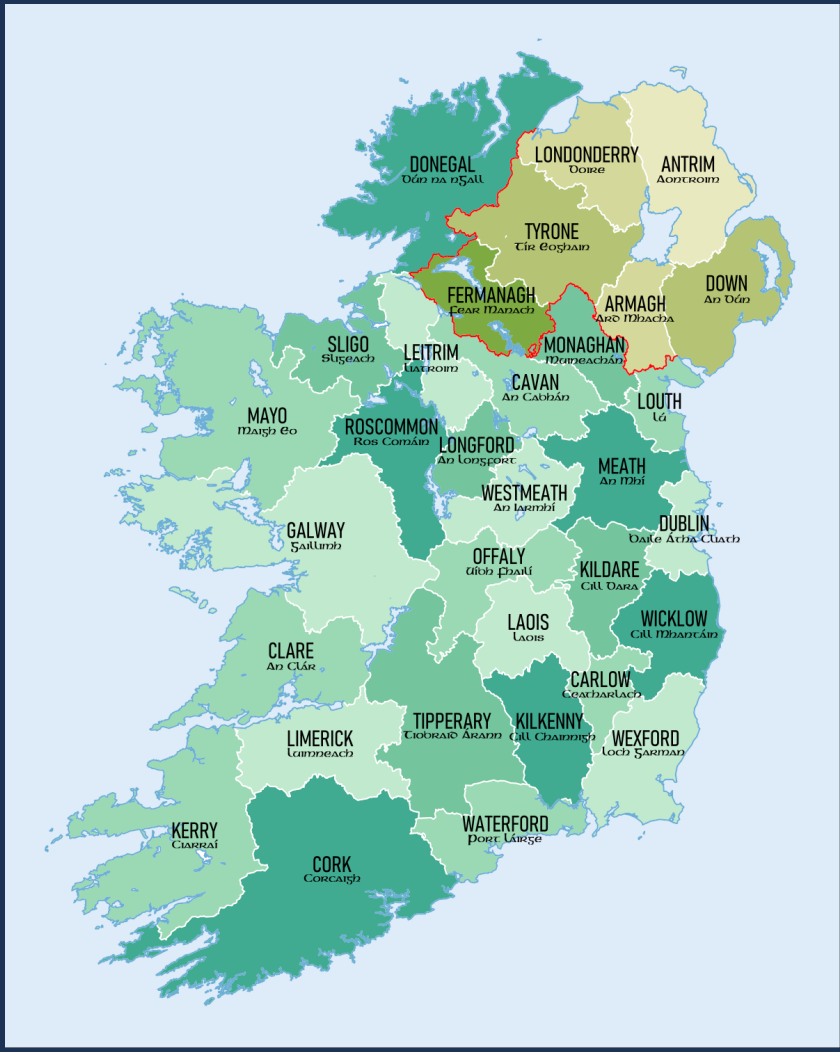
Our **AnPost delivery service is a DDU & DDP** offering which means you have the choice to collect duties and taxes at checkout or allow An Post to collect them from the customer

As AnPost is a Postal Operator **all parcels must have a CN22/23** on the outside, enclosed in a safe and secure document wallet for inspection by Customs.

Data

All shipments into Ireland **post Brexit** will require the following information:

- Commodity Codes (HS Codes)
- Origin of Goods
- Item Sale Price
- Import VAT Value – **23%**
- Duty Value
- Net Weights
- Quantity



DDU – Customer Experience

In order to offer the best customer experience the couriers delivering the items within Ireland will no longer collect duties and taxes at the door. Instead all **customers will be sent a link to a website** where they can log on to **pay their duties and taxes**.
Once paid the parcel will clear customs and be shipped straight to the customer

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Returns...
Hassle Free!

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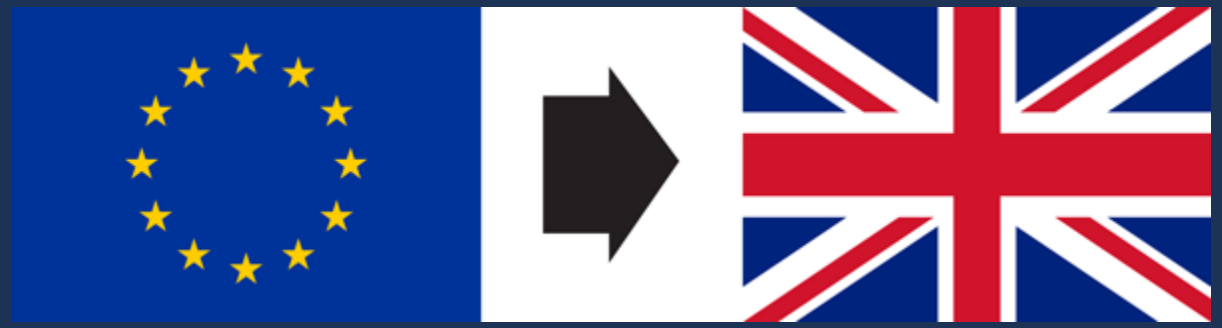
Undelivered Parcels



The Facts

All undelivered items will be **subject to customs formalities** similar to the outbound journey, but in reverse.

As we already have the details of 'what's inside the box' **we will take care of the repatriation for you… hassle free!**

Duties and Taxes are chargeable on all imports back into the UK, however… using simplified customs procedures **we can reduce your liability**, provided you have a 'returns good relief license'

The Process

1. Our EU delivery partners have been unable to deliver the customers parcel
2. Our EU operations team will consolidate the parcels and ship them to Frankfurt (our EU export Hub)
3. Hermes UK will provide the item data to our international team who will take care of the export procedures
4. We will ship the parcels back to the UK via the Eurotunnel and back to our returns centre
5. We will sort your parcels and send them back to you with proof of the import back into the UK

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Returned Goods Relief



Summary

- All items imported into the UK are subject to the duties and taxes applicable on the item
- When importing returns it is recognised that duties and taxes have already been paid on the outward journey. HMRC recognises that this would mean you are paying the duties and taxes twice and therefore allows traders to claim 'Returned Goods Relief'
- Claiming 'Returned Goods Relief' (RGR) on import will therefore allow HMRC to zero rate the VAT and Duty charges

The Rules

In order to import goods using 'RGR' we will need to satisfy conditions as set out by HMRC:

- The imported goods were in free circulation at the time they were originally exported
- There is proof of original export
- The returned goods are the same as those which were
- The goods were not enhanced in value whilst abroad – this does not include running repairs
- The goods are being returned within 3 years of export
- In order to obtain Vat relief the goods are being returned to the same exporter

Hermes and our customs partners can satisfy these requirements on your behalf, provided we have your permission. We will therefore need you to sign and return a 'Returned Goods Relief Consent Form'.

Please Note: The UK Government have not yet published the customs relief legislation that will take effect post Brexit. It is therefore unknown at this stage whether or not 'RGR' will continue after the 31st December 2020. Commentators within the industry strongly believe 'RGR' will continue as a mechanism to reduce the impact on businesses and cross border trade.

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Data...
The key to Exports

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Data is CRITICAL!

The Facts

In order to export parcels from the UK, it is essential Hermes are provided with accurate data regarding the contents of your parcels

It is the clients responsibility to ensure the data is truthful and accurate – *HMRC may choose to investigate you if the data you provide sub standard*

The quality of your data will be reviewed on a weekly basis and feedback will be sent via your account manager. **If the data isn't correct, Hermes will not be able to ship your parcels into Europe after the 31st December**

In order to submit the required data in your pre-advice, you must ensure your IT teams are connected to version 4 of our Routing API

What data do you need to send Hermes?

All clients must provide the following data for each of your shipments:

Parcel Entity

Origin of Parcel – *the alpha 2 code country code where the **parcel has originated** (i.e. where did the individual items get packaged as one parcel) – Length = 2*
Duty Paid Indicator - *U= Duty Unpaid, P = Duty Paid*
Duty Paid Value - *Mandatory if 'dutyPaid' field contains 'P'. This field should contain details of duties/tariffs applied. – Max length = 6*
VAT Value – *Mandatory if 'dutyPaid' field contains 'P'. This field should contain details of the VAT charges – Max length = 6*

Content Entity

HS Code – *Harmonised Tariff System Code for the item being shipped. The minimum length of this code is 8 digits however, we are strongly encouraging our clients to adopt the full 10 digits to avoid issues importing your goods. Where the value of the parcel is over €150 we will enforce this to be 10 digits.*
Country of Manufacture - the alpha 2 code country code where the **item was manufactured**. Length = 2
Item weight – the weight of the parcel in grams. Max length = 6
Item quantity – the quantity of the same item within the parcel. Max length = 6

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Brexit Checklist...
Are you ready?

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Are you ready for Brexit?

In order to ship with Hermes post Brexit we need to ensure that you have completed the actions below:

- ❑ Registered your business for an EORI number and sent this to your account manager?
  - Follow this link to find out more: https://www.gov.uk/eori
- ❑ Signed and returned a 'Power of Attorney' letter to your account manager
- ❑ Updated your IT integration with Hermes to Route v4
  - Latest spec included in the back of this pack
- ❑ Confirmed with your account manager whether you will be shipping DDP or DDU with Hermes
- ❑ Ensure the data on your items is correct and meets the legal standards/requirements – it is essential the data you send to Hermes is completed in full and accurate. If not, your parcels will not clear customs and will be returned to you at cost
- ❑ Signed and returned a copy of the 'Returned Goods Relief Consent Form'

If operating DDU…

- ❑ Have you got your warehouse processes setup to generate and apply a CN22/23?

If operating DDP…

- ❑ Have you made provisions to:
  - ❑ Collect VAT & duty from your customers at checkout
  - ❑ Pay the duties and taxes to Hermes UK
  - ❑ Have the ability to provide a holding deposit to Hermes UK or transfer all VAT and duty payments to Hermes in advanced of the parcels being injected into the Hermes network

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Appendix...
Useful Documents

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Useful Links and Documents

Description	Link/Document
Route v4 – latest API specification	Microsoft Word Document
GOV.uk guidance - how to register for an EORI number	https://www.gov.uk/eori
GOV.uk – 'Get ready for Brexit' Homepage	https://www.gov.uk/transition?utm_campaign=transition_p1&utm_medium=cpc&utm_source=seg&utm_content=nat&gclid=CPrV46ziquwCFZCnGwod79QAWQ

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