



# Prepare for Brexit

## Understanding Incoterms

From 1 January 2021, a customs border will be established between Great Britain and the EU. Moving goods across borders can be complex, and it is important that your business has the capability to meet its customs obligations and compliance requirements.

### Incoterms

Incoterms, or international commercial terms, are a globally recognised set of standards used to set out the roles, risks and responsibilities in cross-border transactions. Incoterms indicate who is responsible for clearing goods through customs, insurance, freight and other handling charges. They are intended to minimise uncertainty around roles played by parties to an agreement and harmonise interpretation of rules. There are 11 Incoterms which allocate responsibilities for the delivery of goods from sellers to buyers. For more information about Incoterms please [click here](#)

### Contracts

Elements of a contract will need to be agreed prior to the import/export of products to and from the UK. Incoterms will help you determine some of the aspects that must be considered, including:

- Where the goods will be delivered
- Who arranges transport
- Who handles and pays for insurance
- Who handles customs procedures
- Who makes customs declarations
- Who pays any duties and taxes

### The most commonly used Incoterms:

- |   |  |
|---|--|
| 1 | Ex Works (EXW) - all responsibilities are on the buyer             |
| 2 | Free Carrier (FCA)   |
| 3 | Free on Board (FOB)  |
| 4 | Cost and Freight (CFR)   |
| 5 | Cost, Insurance and Freight (CIF)                                  |
| 6 | Delivered Duty Paid (DDP) – all responsibilities are on the seller |

Find more at **GOV.UK**



### PwC customs intermediary services



[customs.services@pwc.com](mailto:customs.services@pwc.com)



03307 260113

Monday to Friday 8am to 6pm excluding bank holidays.  
From 1 January 2021 – Saturdays and Sundays 9am to 1pm





## Why reviewing Incoterms matters

Incoterms determine what additional costs are to be added in the valuation build up of a customs declaration. Depending on the Incoterm stated, costs such as freight, insurance or customs declarations may need to be factored in.

Common issues faced by UK businesses include:

- Suppliers agreeing that they will shoulder the 'Delivered Duty Paid' (DDP), but then requesting that the buyer's EORI number is stated on import declarations. This action leaves the buyer responsible for the customs declaration and any associated charges.
- Suppliers that are not willing to make UK import declarations, due to the additional compliance burden. This leaves the UK buyer to make arrangements to submit customs declarations and pay any duties.
- A reluctance from businesses to pass on any increased cost, in customs duty or import VAT, to their customers - as this affects the competitiveness of their product.

## How can PwC help?

Organisations should review their Incoterms, ensuring that they are able to meet their customs obligations and keep their goods moving. Our customs experts can help determine which incoterms fit the requirements of your business and how they will impact your customs processes.