

## Appendix 1

Summary of the main issues raised in discussions with experts that have been working with SMEs through EU Exit and draws out the implications for the support they need.

- 1. Change of focus** - issues around exporting to importing means that EU Exit is affecting a larger group of businesses than anticipated. In total, purchases of goods from GB is estimated to be worth £10.4bn<sup>1</sup> and of this 63% (£6.5bn) was purchased by the NI Wholesale and Retail Sector. The table below shows how many more businesses in NI make purchases from GB than sell there. An estimated 15,134 businesses purchased from GB, while half of this (7,804<sup>2</sup>) sold goods there. It suggests that the number of businesses that could potentially be affected is substantial, that many are micro businesses and that much of this volume will be in wholesale and retail.

**Number of businesses purchasing from and selling to GB, by size**

Type	Size	Total no. businesses in BESES* population	Purchase from GB	Sell to GB
Micro	0-9	44,071	10,538	5,363
Small	10-49	8,558	3,649	1,827
Medium	50-249	1,299	729	445
Large	250+	319	218	169
<b>Total</b>	-	<b>54,247</b>	<b>15,134</b>	<b>7,804</b>

\*Broad Economy Sales and Exports Statistics (BESES)

*Source: NISRA: Overview of NI Trade with GB, October 2019*

- 2. Timing:** lockdown and stockpiling prior to EU Exit has meant that the volume of trade has been limited so far (volumes of trade across the Irish Sea is around half of its pre-pandemic levels). Some seasonal businesses may not yet have started to address these issues yet. For example, many small retailers will still be closed. It will become more

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<sup>1</sup> <https://www.nisra.gov.uk/statistics/eu-exit-analysis/eu-exit-trade-analysis>

<sup>2</sup>

[www.nisra.gov.uk/sites/nisra.gov.uk/files/publications/NISRA\\_Overview\\_of\\_NI\\_Trade\\_with\\_GB\\_2017\\_0.pdf](http://www.nisra.gov.uk/sites/nisra.gov.uk/files/publications/NISRA_Overview_of_NI_Trade_with_GB_2017_0.pdf)

important that new paperwork, procedures and logistics adapt and challenges will continue for some months. Protocol and elements of the Deal will change through further negotiation. For example, there is a grace period for supermarkets and food and requirements for UKCA certification on sales into GB and will be implemented from next year. It means that uncertainty, and the need to raise awareness and provide new information will continue for some time yet.

There are still people who misunderstand what a grace period is and that it relates only on export health certificates. There is still that body of education to be done, especially at the microbusiness level.<sup>3</sup>

- 3. Logistical issues:** Most obviously, EU Exit has caused a number of logistical problems. Some goods and shipments have been delayed as a result of missing or the wrong paperwork, as businesses in NI and GB were not prepared and were unclear what was needed. Hauliers have then faced problems as they have been unable to collect shipments, delaying deliveries, reducing efficiency and increasing rates.

Consultations found that NI businesses have reported struggling to deal with GB suppliers – a lot of GB suppliers were not prepared or aware of the Protocol leading to a lack of engagement or not supplying at all. Some NI businesses have offered to do this. The experience of one consultee was that there were many cases where GB suppliers were not prepared, and some where GB businesses had paused supply completely. As a result, clients have been charged with VAT because of the wrong paperwork. These are particular issues where different goods are combined and require separate declarations. There are specific challenges for small businesses that use consolidators in GB and more generally for companies that bring in goods (or sell to EU) that transit GB. For some, it may be easier to import directly from the EU, which would have implications for NI ports. Suppliers and hauliers will no doubt be considering efficient methods and routes. (Information provided from small qualitative sample).

- 4. Customs administration:** The main tool for managing goods between Great Britain and Northern Ireland, or bringing goods into Northern Ireland from outside the UK, is the free Trader Support Service (TSS). However, some businesses are either not aware of it or

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<sup>3</sup> Aodhán Connolly Northern Ireland Affairs Committee, Oral evidence: Brexit and the Northern Ireland protocol, HC 767, Wednesday 6 January 2021

find it difficult to use. In general, businesses will need to apply for a special 'XI' EORI code with HMRC.

There are issues around who is responsible for completing the paperwork – supplier or customer – and what documents need to go with goods. Often the supplier will do the first declaration and the customer in NI must complete the supplementary declaration, but it is not always clear who has done what. Hauliers have also asked for payments for completing declarations.

The Protocol also introduces the idea of “at risk” goods – goods that are at risk of onward sale into the EU. Consultations suggest that the definition of this is much broader than anticipated and that current definitions are very high level, leading to a higher proportion as high risk. There is a limited capacity among agents and even knowledge in making these changes. The definitions of “at risk” and categorising goods is a new process for everyone. For small businesses, there is concern and uncertainty about whether they are doing the right thing and what the paperwork should look like for “at risk” goods.

**5. Cashflow, VAT, Tariffs, Credit terms:** There is an impact from problems on businesses' cash flows and the treatment of VAT payments. There are new costs associated with much of this; the time required, getting advice, additional haulage costs, new markings, delayed supplies etc. It may be necessary to find new suppliers and this will require new credit term agreements. Businesses will have to look at pricing as the system settles down, while some are tied into longer-term fixed price contracts. The process for reclaiming duties is another area of uncertainty, with a lack of clarity around how this will function, and how long repayments will take. Consultees reported issues around the de-minimis rules on rebates which may impact some businesses.

**6. Diverging emerging standards**

Consultees described potential challenges around the replacement of the CE marks. These will expire for goods placed in the GB market at the end of this year and be replaced by the new UKCA. It means that manufactured goods produced in NI may require dual certification. Again, advice will be needed on how these will change and for which products.

7. **Visas and recognition of qualifications:** This will relate mainly to service-sector businesses and has been less of an issue recently, perhaps overshadowed by the short-term challenges relating to goods. Where there are issues, it may be that businesses are able to use industry bodies for help.
  
8. **Wider understanding of the protocol in the EU:** There have been cases of goods being delayed because customs are considering NI as outside the EU and are unaware of the Protocol. For example, where NI businesses have transported goods between EU countries.