



VILDNIS



BREXIT & SHIPPING TO EUROPE:

AN ATTEMPT TO MAKE SENSE OF IT ALL



HOW ONE SMALL FASHION BRAND IS STILL SHIPPING TO EUROPE...

HELLO,

**WELCOME TO OUR ATTEMPT TO
MAKE SENSE OF BREXIT & STILL
SHIP TO EUROPE.**

First up, you are not alone in finding this confusing!

Secondly, we're not lawyers or advisors so this is not a guide. We're just two small brands working to navigate Brexit & hope this gives you some ideas to consider for your business.

We'd love to hear what you think and we hope you find it helpful.

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OPTION 1: SHIP DELIVERED AT PLACE (DAP)

SHIPPING TO THE EU

- Depending on which courier you ship with, there may or may not be a Brexit surcharge (DPD is £3.50, DHL is £4.50).

- There are no surcharges when using Royal Mail.

- The customer will have to pay:

- 12% duty (if your products are made outside the UK/EU)
- A sales tax of approx. 20% depending on country
- A VAT/duty handling fee of approx. £10-20 upon receipt of the package.

- - If you're VAT registered in the UK, your retail prices will include VAT. This is a lawful requirement. To counterbalance the VAT the customer is paying, you will therefore have to launch a website with prices ex VAT for your EU customers.

RETURNS FROM THE EU

- If a customer refuses delivery of a package, a refusal surcharge may apply (DPD £52.30, DHL same as shipping rate).

- Royal Mail doesn't charge a refusal fee, but warns that the returned package is likely to get stuck in customs.

- You would likely have to pay import duty on the returned item.

VILDNIS CONCLUSION

VILDNIS originally chose this option, however the EU Transition Adviser from the Department for International Trade advised against it, as lots of customers are refusing delivery when they learn about the extra costs.

(If you are not VAT registered and your products made in the UK/EU, this could be a good option. Just make sure your customer is aware of the extra charges before you ship).

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OPTION 2: SHIP DELIVERED DUTY PAID (DDP) HANDLE VAT & DUTY IN-HOUSE

SHIPPING TO THE EU

- In this case there would be no extra costs to the customer.

- A Brexit surcharge (DPD £3.50 and DHL £4.50) would be included in the shipping fee.

- According to HMRC's website, you would have to hire a professional to fill in the customs forms.

- You have to pay 12% duty on the products when exporting them, if the country of origin is outside the UK/EU, even if you also paid 12% duty when you imported them to the UK.

- You are unable to claim the originally paid duty back on single shipments and will have to absorb this.

- You also have to register for VAT in the country you ship to plus hire a fiscal representative in that country to handle your VAT return.

- As the EU hasn't launched its One-Stop-Shop VAT return system yet, it means that you have to register for VAT in every single country you sell to until 1 July 2021.

RETURNS FROM THE EU

It is unlikely customers will refuse delivery, but in the event that a customer wants to return a product, you would likely have to import duty on the returned item.

VILDNIS CONCLUSION

All of this is costly and not an option for us at the time being.

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OPTION 3: SHIP DELIVERED DUTY PAID (DDP), ASK THE COURIER TO HANDLE VAT & DUTY ON YOUR BEHALF

SHIPPING TO THE EU

- Again, there would be no extra costs to the customer.
- As DDP is not an option when shipping via Royal Mail, you would have to use either DPD or DHL to do this.
- A Brexit surcharge (DPD £3.50 and DHL £4.50) would be included in the shipping fee
- A customs and VAT handling fee (between £5.00 - £36.60 depending on the courier) would also be included in the shipping fee.
- You would have to absorb the 12% duty on products made outside of the UK/EU yourself or raise your prices.

RETURNS FROM THE EU

It is unlikely customers will refuse delivery, but in the event that a customer wants to return a product, you would likely have to pay import duty on the returned item.

VILDNIS CONCLUSION

This is the option VILDNIS has currently settled on.

To give you an example of what this option means to VILDNIS in reality:

- The shipping fee on a package to the Netherlands increases from £10.14 to £18.64. (If you ship to Ireland, it increases from £17.10 to £58.20. Not a typo!)
- With higher shipment rates, customers are less likely to buy from them.
- Profit margins are decreased due to the 12% duty they have to absorb on their Made in India products.
- VILDNIS are still unsure how to handle potential returns.

For now, they are asking the customer to return it to an address in the EU and then they'll have to figure out what to do from there.

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OPTION 4: MOVE STOCK TO A WAREHOUSE IN THE EU & SHIP FROM THERE

SHIPPING TO THE EU

- This is what most of the bigger brands are doing.

- By moving large amounts of stock at the same time, they save on both surcharges and shipping fees. (Brands who can afford a bonded warehouse may even get away with just paying duty once).

- For a small brand to do this, you would have to split your stock and move part of it to a third party warehouse and fulfilment provider in the EU, resulting in double admin costs.

- Additionally, you would have to set up a subsidiary in said country and register for VAT plus potentially hire a fiscal representative.

RETURNS FROM THE EU

No issues with refusals or returns as they would go back to the EU warehouse.

VILDNIS CONCLUSION

If your turnover and inventory are big enough to warrant this, this is what the EU Transition Adviser from the Department for International Trade advised.

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