

The Border Target Operating Model and Beyond: Navigating changes to trade rules in the UK



About the Institute of Export & International Trade

The Institute of Export & International Trade (IOE&IT) is the professional membership body representing and supporting the interests of everyone involved in importing, exporting and international trade. The IOE&IT's mission is to empower organisations and equip individuals with the expertise to trade effectively, sustainably and competitively.

IOE&IT is the leading authority in best practice and competence for businesses trading globally. It offers a world-renowned suite of qualifications and training. As a partner to the UK government, IOE&IT delivers national and international programmes, acting as evangelists for the UK and establishing UK processes and standards globally.

IOE&IT co-partners in running the online Customs Academy, the world's first training platform dedicated to customs skills. It is also part of the consortium that delivers the Trader Support Service for goods moving between Great Britain and Northern Ireland. IOE&IT leads a consortium piloting the UK government's Ecosystem of Trust programme, and is a member of several industry committees, including the Border Vision Advisory Group.

Headquartered in Peterborough, UK, IOE&IT has offices in London, Brussels, Northern Ireland, Kenya, Hong Kong and Geneva.



Executive summary

For the rest of this 2023 and throughout 2024, the UK's international trade community is set to experience wide, systemic changes. Following the announcement from the government of the Border Target Operating Model (BTOM) in August 2023, businesses will require support to understand the legislation that applies to their trading operations to carry on trading effectively and compliantly with the European Union (EU) and the rest of the world.

This whitepaper provides an analysis of BTOM as well as a timeline for other major legislative and policy changes. It shows how businesses may be affected directly or indirectly and seeks to provide practical guidance and solutions for businesses in the UK and overseas exporters trading with the UK to ensure they are aware of the implications. It also demonstrates the importance and benefits of exporters, importers and all supply chain actors working together.

BTOM cannot be considered in isolation. Since leaving the EU, the UK has been evaluating the way it trades with the world. BTOM is part of a broader approach from the UK Government, encapsulated in its Border 2025 strategy. The deadlines and timelines for the implementation of all the aspects of this strategy are rapidly approaching. Businesses need to act now.

Government initiatives include the Electronic Trade Documents Act (ETDA), the Single Trade Window, the Ecosystem of Trust and Trusted Trader Schemes. These are all changes businesses need to be aware of and familiar with.

Beyond BTOM, the first significant change coming into effect is UK Internal Market Scheme (UKIMS), which under Windsor Framework replaces the UK Trading Scheme for Northern Ireland and comes into force on 30 September, 2023.

This is followed by the New Computerised Transit System, the fifth release of which (NCTS5) is currently scheduled for release on 16 November, 2023. This change will affect many transport providers including couriers, air cargo operators and road freight hauliers.

There is also the switch from the Customs Handling of Import and Export Freight (CHIEF) system to the Customs Declaration Service (CDS), as the new UK's customs platform. This is planned for the end of March 2024.

CHIEF needs replacing because it is no longer compatible with changes in international standards since its introduction in the 1990s. Customs declarations standardisation with the UK's trading partners is essential.

We also look at the timeline for the implementation of EU legislation, such as EU Import Control System and the EU Carbon Border Adjustment Mechanism, Digital Product Passports and Deforestation Regulations.

Foreword

International trade is a constantly changing landscape that impacts every part of our daily lives. We often pay little attention to how food finds its way to our local supermarket or how online purchases arrive on our doorstep the day after we order them. But there is a complex, interconnecting global supply chain behind these seamless movements.

In many ways international trade is still conducted how it was in the 1700s, with documentation requiring a wet signature to cross borders. But we find ourselves at the start of a potentially seismic change in how we trade, with digitalisation and smart technologies replacing manual processes that underpin every aspect of how business is conducted.

In the UK, these changes have become even more pronounced in recent years. The way we trade and interact with the world is being reimagined. This document is about facing the reality that lies in front of us, helping business leaders to recognise the opportunities and challenges ahead and understand the decisions that must be taken now to ensure we all benefit from future developments and innovations in global trade.

Border 2025 Strategy

In December 2020, the UK Government published an ambitious vision for UK borders. Its Border 2025 Strategy outlined the principles for the UK border to become one of the most effective in the world. The Border Target Operating Model (BTOM) brings a new digital, process-based approach to trade that will lead to stronger security and biosecurity, combined with lower-friction borders.

There are several other key initiatives taking place as part of the 2025 Border Strategy, including the Electronic Trade Documents Act, the Single Trade Window, the Ecosystem of Trust and Trusted Trader Schemes. These are all things that business leaders and traders will need to know about as they are implemented over coming months and years.

This new approach has the potential to convert our borders into engines that support economic growth. But businesses need support and guidance to implement these changes. Much of the discussion around BTOM so far has focused on its new approach to sanitary and phytosanitary (SPS) controls, especially as it affects trade with the EU.

But BTOM should not be looked at in isolation and the focus should not be solely on SPS checks. We should also consider other changes due in the next 18 months that will impact UK business.

Warning

The recent delay to implementing BTOM is the fifth such delay to the implementation of SPS checks. Meanwhile, checks on UK goods entering the EU have been in place from day one of the Trade and Cooperation Agreement (TCA). The approach set out in BTOM will help support supply chain operations and, when used in conjunction with rules of origin compliance, trade agreements and customs special procedures, support export trade.

Businesses that trade internationally require certainty and clarity to plan. Repeated delays to BTOM have caused frustration and uncertainty. In recent years, the number of UK firms trading internationally has declined. This can't continue. Research shows that businesses which trade internationally are more sustainable, resilient and innovative. They also employ more people and are more profitable. If we are to tackle the UK's productivity lag, reshape our economy and tackle the most significant challenges our communities face, we have to help more businesses grow their international trade. At IOE&IT, we are committed to pointing out what lies ahead for British businesses over the next 18 months; and we suggest leaders start to act and prepare now.

From our analysis of UK and EU legislation, over 20 separate measures will come into force between the end of September 2023 and the end of 2024. Some will have a direct impact on businesses, others may affect them indirectly through supply chains, delivery partners or freight forwarders.

International trade does not happen in isolation. While the UK is bringing in lots of changes, so is the EU and other countries and trading blocs around the world. For instance, from the 1 March 2024 the EU Import Control System 2, Release 3 comes into effect. It will affect maritime, road and rail traffic (air traffic was covered by earlier releases). And EU Deforestation Regulations, which entered into force on 29 June 2023, require large companies to comply by 30 December 2024 and smaller ones by 30 June 2025.

There are also changes arising from the Windsor Framework and the switch from CHIEF to CDS in March 2024, while the fifth release of New Computerised Transit System (NCTS5) is scheduled for 16 November 2023.

Call to action

We are on the edge of great and exciting change. Full digitalisation of UK trade has the potential to add £25bn to the country's GDP. But such change can't be achieved without certainty and support.

We can't take it for granted that everyone in business is aware of all the changes coming into force. It is essential there are no more delays, and vital that the Government commits to timelines, giving businesses certainty and with clear deadlines by which they must comply.

Our focus is on supporting businesses, whether UK businesses or businesses trading with the UK from the EU and around the world, helping them to understand the requirements of these new rules and regulations. To do this we'll provide practical assistance in compliance with new systems.

The UK can only reap the benefits of a world-class digital border if businesses of all sizes are equipped and armed with the right skills and knowledge. Now is the time to prioritise educating businesses on how to trade sustainably, safely and securely and IOE&IT stands ready to provide that help, support and training.

Marco Forgione, Director General
The Institute of Export & International Trade



CDS

What is it?

Most movements of goods across borders require a customs declaration to be lodged at both the point of export and import. The Customs Declaration Service (CDS) is the new software for UK declarations, which replaces the legacy system Customs Handling of Import Export Freight (CHIEF). The switch for imports, concluded in October 2022 is now mainly completed, though several workarounds still exist and a small subset of declarants is allowed to continue to use CHIEF in specific circumstances. For exports, phased migration will begin in November 2023 and be complete by the end of March 2024. At this point most declarants will be using CDS for both import and export declarations.

Additionally, national waiver code 999L, which declarants can use to confirm that no restrictions apply to certain products, will be phased out and replaced with appropriate codes linked to particular restrictions.

Who will it affect?

Importers/Exporters/Declarants/Freight forwarders/Customs intermediaries

When is it happening?

- **30 November 2023**
Selected high volume declarants will be moved to CDS for their non-inventory linked export declarations
- **31 January 2024**
Waiver code 999L removed for import declarations
- **30 March 2024**
All other export declarants moved to CDS for all types of declarations
- **31 January 2025**
Waiver code 999L removed for export declarations

Why does it matter?

The phased approach to CDS implementation for exports has been welcomed by most of the industry. The new timeline gives government and businesses breathing space to properly prepare for the CDS migration, as issues remain with the new system, including functionalities around creating declarations for inventory-linked locations.

Exporters that use the services of multiple agents for customs declarations may also find themselves in a position where they have a mix of CHIEF and CDS entries, similar to the issues experienced with the rollout of CDS for imports.

Traders should be liaising with their declarants or, in the case of self-representation, with software providers to ensure they understand the timeline for migration and any system limitations. Now is also the time for conducting training to understand how CDS differs from CHIEF and how processes will need to be adapted.

Safety and Security Declarations

What is it?

While customs declarations are focused on the fiscal elements of cross-border movement of goods, the safety and security elements are considered separately, through Safety and Security Declarations (SSD). Their implementation is recommended under World Customs Organization (WCO)'s SAFE Framework, which the United Kingdom is a signatory to.

While SSDs are applicable to both exports and imports, since Brexit and end of the transitional period in January 2021, there has been a waiver in place removing the requirement for Entry Summary Declarations (ENS) on movements arriving in Great Britain (and the Isle of Man, Jersey and Guernsey) from the EU and several other territories.

This waiver will be removed in October 2024 when ENS declarations will become mandatory for movements arriving from the EU. But simplifications will also be applied, including reviewing which data fields will be compulsory and which ones will be conditional or optional.

Recognising that certain exports carry a low security risk, additional waivers for Exit Summary Declarations (EXS) will become available in December 2023.

The waivers will cover:

- Goods placed under the free zone procedure that are exported where certain conditions are met (there is already a waiver for goods removed from temporary storage under certain conditions, so this SI specifically adds free zone procedure)
- Chargeable goods deemed to be declared for a transit procedure that are exported and where certain conditions are met (there are already scenarios under which goods under transit may not need an EXS but this builds on it)
- Products of sea-fishing and other products taken from the territorial waters of the UK that are to be landed outside of the UK.

Who will it affect?

Importers/Exporters/Declarants/Freight forwarders/Carriers/Customs intermediaries

When is it happening?

- **19 December 2023**

EXS waivers for certain categories of goods meeting certain criteria

- **31 October 2024**

ENS from EU and other countries where waiver applies will become mandatory (Andorra, Monaco, Norway, Liechtenstein, Switzerland, Ceuta and Melilla, Heligoland, San Marino, the Vatican City State, the municipalities of Livigno Campione d'Italia, the Italian national waters of Lake Lugano, which are between the bank and the political frontier of the area between Ponte Tresa and Porto Ceresio)

Why does it matter?

SSDs themselves are not new and have been applicable in the UK for a long time. Many traders might not even realise they comply with SSD requirements, as often the EXS will form part of the export declaration and the ENS is the responsibility of the operator of the active means of transport.

But as the journeys from the EU via road freight and across the Short Straits are quite dynamic with a fast turnaround, the requirement for an ENS might pose challenges for transport operators and traders.

The ENS needs to be lodged ahead of the goods leaving the country of export, as risk analysis needs to be performed on the movement of the goods. This is done through S&SGB system and through the Home Office Cerberus system and ensures that the information provided in the ENS is correct and matches the cargo being transported, to avoid the risk of illicit activities such as smuggling.

This is why from 31 October 2024 the data elements required for completion of the SSD will be split into three categories – mandatory security critical fields (20), conditional fields (up to 8) and optional fields (9). It is worth noting that none of the fields will be disabled, meaning that those declarants currently completing SSDs will not need to change their existing software or processes.

As SSDs are separate from customs declarations, traders will need to ensure they have appropriate contractual arrangements in place that dictate who will arrange for the ENS. Without it, transport carrying the goods will not be able to board the ferry or enter the Eurotunnel. This will be especially important for those importers that self-declare or use a different customs intermediary for their customs declaration to a freight forwarder moving their goods.

Requirements for SSDs are also changing in the EU (for details see EU Changes and ICS2 commentary).

Transit

What is it?

When goods move across borders, they often need to cross the territories of multiple countries. Without facilitations in place such as transit, it would result in an import and export declaration needing to be done at each crossing point, adding significant amounts of procedural complexity and cost. The UK is a signatory to the EU's Common Transit Convention (CTC), which allows for goods placed under transit procedure to move across the borders of the EU and other CTC countries in a duty-suspended state, meaning export and import formalities are only completed in the countries of despatch and destination.

Transit declarations are separate to customs or safety and security declarations (SSDs) and are administered through the New Computerised Transit System (NCTS). Each party to the CTC operates its own version of the NCTS gateway, meeting technical requirements set out by the CTC and TAX UD of the European Commission. All national systems communicate with each other to operate and monitor transit procedures.

The update to NCTS5 is due to happen by 30 November 2023, with the GB/NI intending to move to the new platform on 16 November 2023. As some CTC countries will not be able to meet the technical requirements for the switch, they have been given permission to delay, with an Operational Continuity Period (OCP) lasting until December 2024. It means certain countries will continue to operate NCTS4 while others will have moved to NCTS5.

Who will it affect?

Importers/Exporters/Declarants/Freight forwarders/Customs intermediaries

When is it happening?

- **16 November 2023**
GB/NI migration to NCTS5
- **19 December 2023**
Transit and Safety and Security Declarations – additional EXS waiver for chargeable goods deemed to be declared for a transit procedure that are exported and where certain conditions are met
- **31 January 2024**
Transit and SPS Goods. High- and medium-risk EU SPS goods using GB as a land bridge will require health certificates and be subject to 100% documentary checks on entry and 100% identity (seal) checks on entry and exit.
- **31 April 2024**
Transit and SPS Goods. Both high-risk and medium-risk EU SPS goods using GB as land bridge will be subject to checks in line with those for imports.
- **2 December 2024**
The end of the OCP for CTC countries unable to switch to NCTS5 in time
- **June 2025**
NCTS6

Why does it matter?

Changes to the operation of transit affect certain supply chain actors more than others. Freight forwarders responsible for the movement of goods need to ensure they understand the implications of changes both for NCTS5 and for how transit interacts with SPS Goods under BTOM. Traders that are Authorised Consignors or Consignees, meaning they are able to open and close transit movements at their premises, rather than designated border locations, will need to understand the changes as well.

Once fully implemented, NCTS5 will bring new functionality, such as the ability to draft, retrieve, amend and copy pre-lodged transit declarations and an electronic version of the Transit Accompanying Document and Office of Incident designation for border locations for better ways to deal with incidents in transit.

As part of its Multi-Annual Strategic Plan for Electronic Customs (MASP-C), the EU is already planning for implementation of sixth revision to NCTS from June 2025, so further developments are expected in this area.

Single Trade Window

What is it?

The Single Trade Window (STW) aims to be a single route for users to complete customs and Safety and Security Declarations under a “tell us once” approach from government. Data submitted either by a trader or intermediary will be used by multiple government departments to facilitate the movement of goods across the border and simplify and digitise processes. The UK STW is still being developed and therefore timelines and proposals are tentative.

Who will it affect?

Importers/Exporters/Customs intermediaries/HMRC/OGD

When is it happening?

- **Spring 2024**

First strategic release for testing

- **31 Oct 2024**

First strategic release available to the public

Why does it matter?

While the development of the STW is still in its early stages, traders and intermediaries should start thinking about how they could interact with it and what changes it will bring to their processes and procedures.

With the first strategic release focusing on developing the user interface for import Safety & Security Declarations (ENS) and pre-lodged customs import declarations, this will be an area with opportunity to develop completely new processes. Traders might use this to take more control of their data, increasing visibility, compliance and reducing cost, as STW will be accessible for free.

As the STW develops and provides access to other government systems, such as IPAFFS for pre-notifications of SPS goods arrivals, it will allow for greater collaboration across the whole supply chain and between traders, intermediaries and government.

Sanitary and phytosanitary goods

What is it?

Changes to the Sanitary and Phytosanitary (SPS) regime will affect a subsection of traders and their supply chains, but due to the nature of the goods affected, it will have perhaps the biggest direct impact on consumers.

SPS regulations deal with everyday consumer products such as food, both plant-based and of animal origin. While imports from rest of the world countries are subject to controls, goods from the EU are currently free to enter GB (except for the highest-risk categories, such as live animals). The SPS regime is built on three pillars of pre-notification, health certification and physical inspection, applied differently to a variety of goods according to the risk they pose.

Pre-notification supports action at the point of entry, allowing officials to target activities on shipments posing the biggest risk. The detail allows traceability, enabling animal, plant and public health authorities to identify and respond to a disease outbreak or emerging threat.

Health certification provides assurance as it requires authorised officials in exporting countries to certify that the goods have been produced to the safe standards required by the importing country. These are monitored through documentary checks.

Physical inspection, usually at a border control post, allows health officials to check that goods match the health certification, to identify any trends of concern in non-compliance and to sample the goods for any pests and diseases.

As well as applying SPS controls on goods from the EU, BTOM aims to modernise and simplify controls while keeping them effective. Goods subject to SPS controls will be assigned a risk category of low, medium or high, depending on the product's risk profile and the country of origin. Controls will be introduced in three main stages, with some procedural adjustments happening in-between the key milestones.

Who will it affect?

Importers of SPS goods/Freight forwarders/Customs intermediaries

When is it happening?

The following timelines cover key milestones for new processes only. Not all scenarios are covered

- **31 January 2024**

Health Certification on medium-risk animal and plant SPS goods and high-risk food and feed of non-animal origin (HRFNAO) from the EU

- **30 April 2024**

Documentary and risk-based identity and physical checks on medium-risk animal and plant SPS goods and HRFNAO from the EU (except for the island of Ireland).

Existing inspections of high-risk plants and plant products will move from destination to BCPs. Removal of health certificates and routine checks from non-EU countries on low-risk animal products (EHC) and low-risk plant and plant products (PC)

Reduction in physical and identity check levels from non-EU countries on medium-risk animal products

- **31 October 2024**

Documentary, identity and physical check requirements for EU SPS goods that enter Great Britain via West Coast ports from island of Ireland (TBC, could be later)

Why does it matter?

Businesses operating in the SPS arena will need to consider the impacts of the changes to the SPS regime.

For traders dealing with SPS goods from the rest of the world there may be some simplifications, as processes are brought in line with those for goods arriving from the EU. But businesses currently only dealing with the EU will find a layer of complexity added to processes, with the need to comply with pre-notification, certification and inspection requirements.

While the UK Government is exploring different facilitations, such as those for groupage movement of goods or establishing Trusted Trader schemes for traders dealing in mainly medium-risk goods, they might not be applicable to all SPS traders.

The most important message for traders is to understand their products and what risk category they will fall under, as this will drive the rest of the procedural requirements.

Traders importing goods or materials from the rest of the world will need to pay particular attention to where they are sourcing products from. For goods to be considered under the BTOM risk categories, the country of origin needs to have market access to the GB marketplace and it needs to undergo a Target Operating Model assessment. Many countries that currently have access to the GB market are yet to be assessed and might need to trade under current regulations and not be able to make the most of BTOM simplifications.

Movements to and from the island of Ireland

What is it?

For businesses that trade between Great Britain and the island of Ireland (whether NI or the Republic), whether exporting or importing, will need to be aware of changes to trading and customs rules introduced by the Windsor Framework.

Who will it affect?

Businesses selling goods in Northern Ireland/ GB businesses importing from the island of Ireland/
Freight forwarders/Customs intermediaries

When is it happening

Windsor Framework (goods entering NI from GB)

- **30 Sept 2023**

UK Internal Market Scheme (UKIMS) replaces UK Trading Scheme (UKTS) for Northern Ireland under Windsor Framework

- **01 Oct 2023**

Northern Ireland Retail Movement Scheme (NIRMS) replaces STAMNI for NI under Windsor Framework

- **30 Sept 2024**

Full implementation of UKIMS, with a Green Lane for customs

BTOM (imports from ROI and Non-Qualifying Northern Irish Goods)

- **31 Jan 2024**

Full customs controls on goods from Irish ports, including non-qualifying Northern Irish goods (GVMS will need to be used where appropriate and 175 Deferred Declaration Scheme is ending)

- **31 Jan 2024**

Health Certification and pre-notification for SPS goods, in line with EU changes

- **31 Oct 2024**

Safety and Security Declarations, in line with EU changes

- **No earlier than 31 Oct 2024**

SPS Goods - Documentary and risk-based identity and physical checks on medium-risk SPS goods from Ireland

Why does it matter?

There are two distinct aspects to changes happening in how GB trades with the island of Ireland. The first covers GB businesses placing their goods on the market in Northern Ireland, which is governed mainly by the changes under the Windsor Framework.

Depending on their presence in NI and the types of goods they deal with, businesses might find they need to register for various schemes, such as the NIRMS or UKIMS, or maybe both.

NIRMS affects businesses selling or facilitating the movement of food to NI, while UKIMS will allow registered traders to declare goods they bring into NI “not at risk” of moving to the EU, so that EU duty will not be payable on those goods.

Businesses that place goods on the market in NI will need to explore if they fit the requirements of either of these schemes to establish whether they can benefit from them.

The second aspect is BTOM, where changes mainly cover movement of goods from the island of Ireland to GB and have both customs and SPS impacts.

Movement of goods from the EU are subject to full customs controls, with facilitations available to authorised traders under customs special procedures and simplified declarations.

But imports into free circulation of goods from the island of Ireland currently benefit from a delayed declaration simplification, where the full details of the movement do not need to be submitted to HMRC for up to 175 days after the goods have arrived.

This facilitation will be removed on 31 January 2024, meaning that goods imported from the island of Ireland will be subject to the same customs rules as those coming from the European mainland, with pre-lodgement of customs entries required in the absence of other facilitation authorisations.

Transport operators will also need to start using GVMS to obtain a GMR for the inbound movement and goods may be subject to customs controls on arrival in GB.

From 31 Oct 2024, just as with other EU routes, ENS Safety and Security Declarations will be required on the inbound shipments from the island of Ireland.

For the SPS goods, there are two stages to implementation of the controls, with pre-notification and health certificates in January 2024 (the same as for the other EU SPS Goods) and the controls, both documentary and physical happening no earlier than 31 October 2024, though the exact date is yet to be confirmed.

EU Activity

What is it?

While the UK is no longer part of EU, international supply chains mean that British businesses need to consider if any EU specific regulations will have an impact on them and, if so, how. There are several EU developments happening over the next 24 months that businesses in the EU need to familiarise themselves with so they can either continue to export compliantly to the EU, support customers in due-diligence or if they act as a EU Economic Operator as well as a UK trader to understand their obligations.

Who will it affect?

Exporters to the EU/UK businesses also operating in the EU/Freight forwarders

When is it happening?

● 29 June 2023

EU Deforestation Regulations (EUDR) entered into force and large companies will have to comply from 30 Dec 2024. Smaller businesses have until 30 June 2025. It repeals current EU Timber Regulations.

● 1 October 2023

The Carbon Border Adjustment Mechanism (CBAM) begins its transitional phase, with first reporting period ending 31 January 2024.

● 1 March 2024

Import Control System 2, Release 3 affecting maritime, road and rail traffic (air already covered by earlier releases).

Why does it matter?

Some EU regulations will affect all supply chain actors dealing with the EU. ICS2 Release 3 in March 2024 will bring additional data requirements for Safety & Security Declarations for arrivals into the EU, including the six-digit HS code of the products and EORI number of the importer in the EU. In comparison, the UK is planning to make the Commodity Code an optional field on the SSD, meaning a divergence from information required in the UK for EXS and in the EU for ENS for the same movement.

EU Deforestation Regulation is undergoing analysis, with further details expected such as benchmarking for specifying the deforestation risk for countries. But exporters to the EU that deal with products such as soy, beef, palm oil, cocoa, coffee, rubber and some derived products, such as leather, chocolate, tyres and furniture, can expect to be asked for detailed information about their supply chain as part of due diligence requirements.

CBAM is another EU Regulation that will require UK businesses to comply with the requirements directly or to assist EU importers with their reporting and due diligence efforts. Exporters of goods such as iron and steel, aluminium, cement, fertiliser and electricity should familiarise themselves with the regulations to establish their obligations.

