



# EU Retained Legislation Bill

Briefing Note

April 2024

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## **Summary:**

IoD members cite the UK's trading relationship with the EU, as set out in the Trade and Cooperation Agreement (TCA) as the foremost challenge to the export environment. Being the UK's closest and biggest trading partner, reducing friction at the UK-EU border should be at the forefront of an export strategy.

Data from an IoD survey in June 2023 found that 46% of members are finding the UK's trading relationship with the EU challenging. Of these, 72% responded this is due to changes to business mobility and travel, and 57% responded that customs changes are contributing to the challenges.

However, IoD data also suggests there is some reorientation occurring, as particularly business on the larger end of the spectrum look to markets beyond the EU. An economic monitoring indicator from an IoD survey in December 2023 shows that 41% of exporters are expecting export growth over the next 12 months. Of these, 84% expect higher growth in non-EU markets compared to 49% in EU countries.

Free Trade Agreements (FTAs) with international markets offer businesses wider opportunities for growth. While FTAs are not necessarily seen as a solution to declining UK export performance, it is important companies are able to understand and grasp the benefits of trade deals.

## **Changes to business mobility and travel**

Member data from December shows that for those businesses which have an exportable product but do not currently export, the most helpful action the government could take would be to pursue an agreement with the EU on business mobility and visa rules.

During our qualitative research of the business mobility issue, members have told us that administration, visa documentation has been burdensome and long and



complex to understand, varies from member state to member state and often has to be completed in the destination country's language.

Then, they have told us that getting through passport controls has been much longer and clunkier than it was before, disincentivising business travel in the first place: *“Travel within Europe has become less convenient, with occasionally long waits to get through the “non-EU” gates at passport control when flying through an EU hub.”* (Sole trader, professional, scientific and technical activities)

Separately, members have told us that they are finding it difficult recruiting the right employees with the right skills, and that the new relationship with the EU has exacerbated their skills shortages now businesses have access to a much smaller pool of people from which to recruit.

In June last year we asked businesses if they are facing difficulties in hiring staff due to a shortfall in EU applicants. 27% responded yes – with 17% of those saying it is harder now to recruit skilled workers, and 10% saying harder to recruit unskilled workers.

Similarly, in July 2021 we asked businesses why they think they have been experiencing skills shortages, and 38% responded due to a lack of potential EU recruits.

For example, one member told us: *“It will take us up to 3 months to get a work permit for each member of staff and will cost €345 each. (pre-Brexit immediate start, no paperwork, no cost). If a member of staff is sick and we need to send another, the job stops while the paperwork is processed or we have to apply for several staff as back up... additional cost. Previous requirement = zero. The permit has a good deal of boxes to tick – staff must have been with us for 1 year +, they need at least 3 years provable experience, and provable relevant qualifications etc. Previous requirement = zero.”* (10 – 49 employees, construction)

Another said, *“Before Brexit we would attract candidates for both medical writing and account management roles from Europe – free movement meant it was easy for them to move in and out of the country to live, and having staff with native French/German/Spanish is useful. Since Brexit we have not had a single candidate.”* (10 – 25 employees, pharmaceutical industry)

Another explained what was required to obtain a freelance visa to work in Germany, and described a list of 18 conditions, such as application forms, recommendation



letters from previous employers, CV and cover letter, portfolio of previous work, profit and loss statements. All of this had to be completed in German.

Many members have told us they refer to EU guidance for information on visa requirements for each member state because UK sourced advice is unclear.

### **Changes to customs procedures**

The IoD's latest data shows that 57% of businesses who import or export are finding customs changes implemented by the Trade and Cooperation Agreement challenging. Businesses are now spending significantly more time and money on Brexit-related paperwork. Any have hired extra staff to manage customs processes, or to oversee the export end of the business. But it is clear that the administrative burden is particularly affecting smaller businesses and less frequent exporters, who do not necessarily have the same knowledge, resource and time bigger businesses do to overcome these challenges.

"...nobody could give me the information we needed to actually get overseas. So at that point, we pulled the plug on every single export we did because it was just too hard." (Statistical analysis research company, small business)

"Brexit has delayed our delivery times by about 24 to 40 hours. We can't do next day deliveries to Europe anymore. That's just simply not possible." (Homeware distributor, medium-sized business)

Those who have had the option have set up subsidiaries or distribution centres within the EU to bypass border regulation. Members who offer consulting services to businesses on international growth have said they are also advising their UK clients to form long-term relationships with EU businesses in order to establish an export base from their location. Similarly, some less frequent exporters looking to expand are targeting multinational corporations as new clients which already have established global links, meaning they also have the necessary experience in international trade processes.

However, while businesses are finding ways around the customs challenges, many have encountered tax-related issues from operating both in the UK and from their EU base. Some have told us they have been victims of double taxation, and that government guidance has not been helpful at finding a solution. This problem has been particularly linked to Ireland. For example, one member said, "we are still getting differences of opinion on VAT application... into Ireland. We had HMRC telling



us one thing, our tax advisers telling us another, and the road freight haulage industry telling us something else on who should be paying the VAT on that transaction with Ireland.” (Chemical distributor, medium-sized business)

But, while administration has created a certain amount of friction at the border, it has not necessarily deterred many businesses from continuing to export to the EU. Perhaps a more significant obstacle to UK exports is that UK businesses are being squeezed out of the EU by European firms which are not constrained by regulation, administration or extra costs.

Anecdotally, many businesses feel at a disadvantage to EU companies who can provide goods or services often more quickly, sometimes more cheaply, and without the hassle of paperwork. For example, one company told us that their European competitors “are trying to wrestle our market presence off the back of the fact that we are now as a country not as easy to do business with... Brexit has inevitably made us not as easy to do business with and so we have we probably lost a couple of distributors.” Another confirmed that “...the distributors just said ‘for the amount of money that we’re generating from your product, we’re better off putting our efforts into something else because we’re now diluting the benefit that we’re getting’.”

Digitisation of border processes will have the most immediate benefit for members.

IoD members are really encouraged by the development of the Single Trade Window policy. Firstly, burdensome paperwork has impacted business’ abilities to trade seamlessly with the EU. Removing the administrative barrier will make it a lot simpler for businesses to send and receive goods across the border both in terms of cost and time.

Secondly, as the government continues to sign new trade agreements with nations across the globe, having the right technology at the border will help the UK and its new trading partners to be able to engage in more seamless customs exchanges.

The Single Trade Window can also be used as a tool for data collection and reporting. For example, Singapore’s single window, known as TradeNet, includes a function for documenting and facilitating the exchange of export declaration information with interoperable single windows in partner countries. This electronic document contains multiple data sets which supplement risk management and help to reduce customs clearance times for traders.



This type of reporting will be important in the government's mission to control and track border data, and to maintain connectivity with international single trade windows. The government should produce regular reports based on data collection from the Single Trade Window to inform future developments of the technology in line with business needs.

**The IoD is calling for:**

- **Create a single database of requirements for each different type of visa for each different EU jurisdiction that is easily accessible for business and updated as changes occur**
- **Pursue an individual agreement with the EU on business mobility and extend the 90 days in every 180 limit on travel into the EU.**
- **Expedite plans for the implementation of the Single Trade Window and use the platform to produce regular reports based on data collection to inform future developments of the technology in line with business needs.**