NI Market Breakfast Briefing

Are you braced for Brexit?

PwC Belfast
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Indirect Tax

Michael McNeill

Brexit:
Its time to act

Here are our eight 'no regret' decisions all businesses should take now to lay the groundwork for future trading beyond Brexit:

Eight 'no regret' decisions

1. Support your people
2. Know your supply chain
3. Clean up your current data
4. Think about new data requirements
5. Take advantage of existing government schemes
6. Check out your contracts
7. Engage with key 3rd parties
8. Plan to be agile

November 2018

- 14 Nov 2018, draft deal between the UK and EU agreed and presented to the UK Cabinet.
- 25 Nov 2018, EU Summit deal finalised
- Second phase of EU Settled Status Scheme launched

December 2018

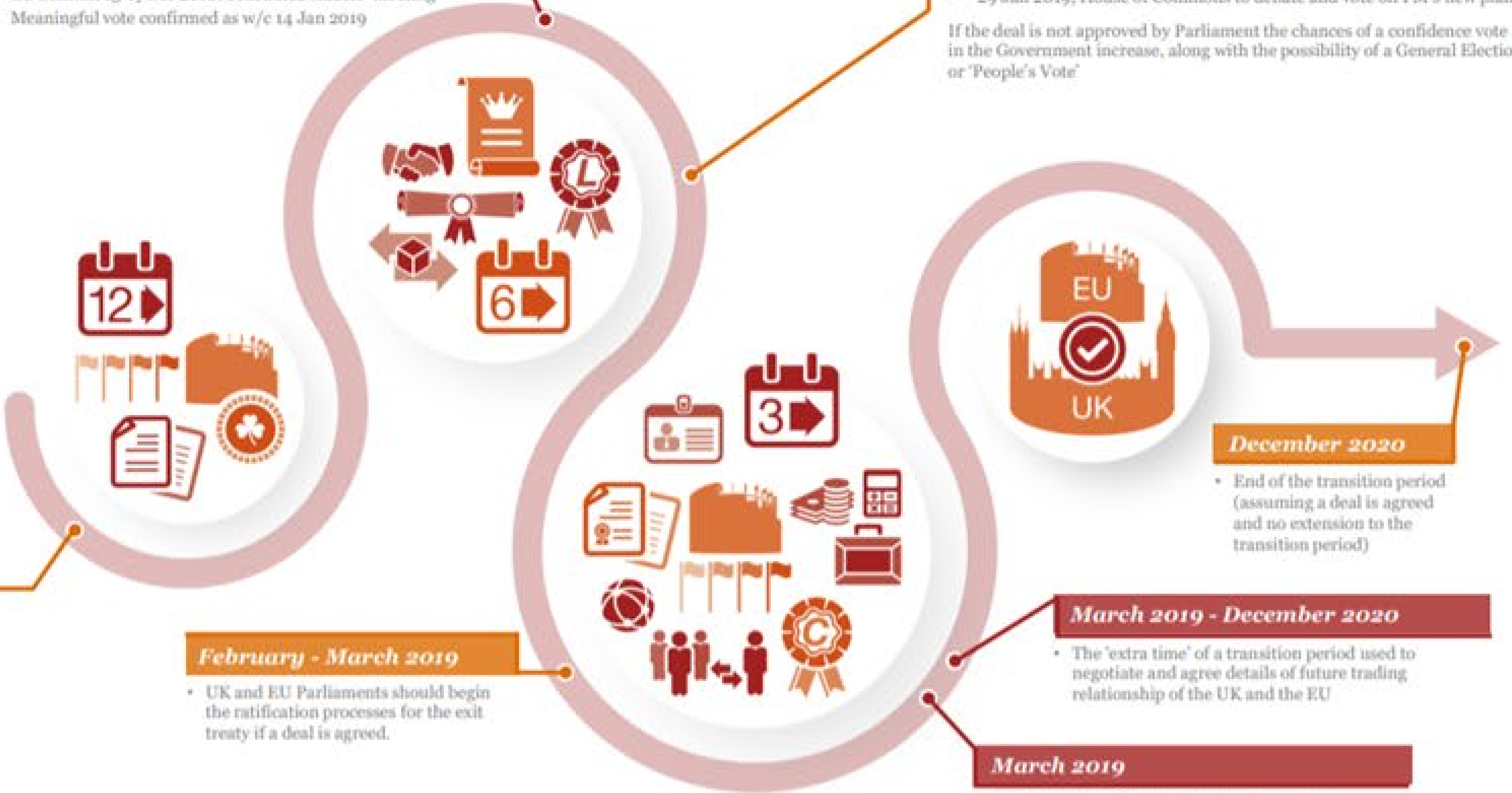
3 months until UK leaves the EU

- Ongoing debate in the UK Parliament on the proposed deal
- 11 Dec – Meaningful Vote in UK Parliament deferred by PM
- 12 Dec UK PM survives confidence vote
- EU Summit 13-1] Dec 2018: Scheduled leaders' meeting
- Meaningful vote confirmed as w/c 14 Jan 2019

January 2019

- 7 Jan 2019, deal returned to UK Parliament for debate
- 15 Jan 2019, Meaningful Vote in the UK Parliament – Govt defeated
- 16 Jan 2019, Prime Minister survives Vote of No Confidence
- 21 Jan 2019, Prime Minister to publish new plan on EU withdrawal
- 29 Jan 2019, House of Commons to debate and vote on PM's new plan

If the deal is not approved by Parliament the chances of a confidence vote in the Government increase, along with the possibility of a General Election or 'People's Vote'



February - March 2019

- UK and EU Parliaments should begin the ratification processes for the exit treaty if a deal is agreed.

March 2019

- 23:00 29 March 2019 - UK leaves the EU
- 23:01 29 March 2019 if a deal agreed then transition period begins
- Free Trade Agreement negotiations with non-EU countries can begin

March 2019 - December 2020

- The 'extra time' of a transition period used to negotiate and agree details of future trading relationship of the UK and the EU

December 2020

- End of the transition period (assuming a deal is agreed and no extension to the transition period)

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For more information please visit ***pwc.co.uk/brexit***

HMRC advice on preparing for a 'No Deal'

HMRC wrote to all taxpayers September 2018

Taxpayers should...

1. **Register for an EORI number**

1. **Determine how Customs declarations will be submitted** – appoint a broker, in-house ...

1. **Engage a Freight forwarder**.

HMRC advice on preparing for a 'No Deal'

HMRC Partnership Pack

Summary from HMRC of the changes which will occur in the event of a no deal Brexit and covers matters such as:

- The VAT, customs duty and excise duty consequences of a no-deal
- The additional administration in relation to imports and exports between the UK and the EU and also the UK and non-EU countries;
- General matters such as Customs warehousing, procedures at ports and airports
- HMRC proposed actions for businesses to prepare for a no-deal.

So what can we be talking to our clients about now?

As a result of Brexit, these are some of the key implications from a ITX perspective which should be considered by our clients:

01

Changes to supply chains

Assess whether Brexit has resulted in any changes to the supply chain which may require new indirect tax registrations such as **new EU VAT registrations (see below), EORI numbers, deferment accounts.**

02

Export Evidence

If your client currently moves goods from the UK to the EU, the **evidence** they need to retain to substantiate the removal from the UK to secure zero-rating **will change**. Are clients aware and how they will obtain the required evidence?

03

Loss of Triangulation simplification

Does your client use a UK VAT registration number in order to benefit from **Triangulation**? If so, this won't be available post-Brexit. Can they utilise another **existing EU VAT number** or will they need to register for VAT in a new EU Member State?

04

Call-off and Consignment Stocks

UK businesses supplying **goods** to customers in EU Member States on a **call off or consignment stock basis** may be required to **register for VAT** there. Review of supply flow necessary to address. Also consider EU clients holding such stock in the UK.

05

Systems configuration

Clients' reporting and inventory management systems will need to hold all relevant data which is **sufficient to complete import/export documentation where Intrastats were previously filed. Changes to the VAT structure will also need to be assessed.**

06

Contracts

A review of all **key contracts** to assess whether current arrangements may result in new VAT or customs obligations post Brexit or could frustrate your contracts. Incoterms were less relevant historically for intra-EU trade but may result in **unexpected VAT/Customs consequences** for clients post Brexit.

07

Customer contracting position

VAT may become chargeable on certain transactions where the supply chain has changed, VAT simplifications can no longer be used or the need to 'import' rather than 'acquire' changes local VAT reporting . **Does the current contract allow a VAT charge?**

08

Mini-One Stop Shop (MOSS)

Clients using this simplification will no longer be able to use the UK MOSS to report relevant EU B2C sales post-Brexit. UK clients **will need to consider where to register** for such EU B2C sales and EU clients will need to register for the **new UK scheme** for B2C sales to UK consumers.

As a result of Brexit, these are some of the key implications from an ITX perspective which should be considered by our clients:

09

Distance Selling

Distance selling arrangements should **no longer apply for sales from the UK to the EU**. Consider whether this may **trigger new VAT registrations** in EU Member States. EU clients may also need to register for VAT in the UK.

10

Importing goods into the UK

Does your client have the correct **EORI number** to allow them to import into the UK and also into the EU? Are clients aware that postponed VAT accounting may reduce current guarantees/security in the UK but may give rise to security being required in EU countries. Does the client need a **deferment account in the UK/EU?**

11

EU legal entities

If a UK client currently exports from/ imports into an EU Member State as an EU business today, post Brexit as a non-EU entity it may require an **EU entity to fulfil export/import requirements.**

12

Use and Enjoyment ('U&E') provisions

Certain services currently treated as outside the scope of local VAT may become subject to local VAT where the U&E takes place in the EU but a UK client receives the services as a non-EU entity. Relevant services may include the letting on hire of goods, ESS, some marketing services, telecommunications, repairs to goods under insurance claims, radio and TV broadcasting services.

13

Recovery of UK VAT

If your client is not UK VAT registered and incurs UK VAT, the method of recovering this VAT will be by way of a **13th Directive Claim assuming reciprocity**. Similarly, UK businesses should review the recovery of EU VAT. Different deadlines may apply.

14

Importing goods into the EU

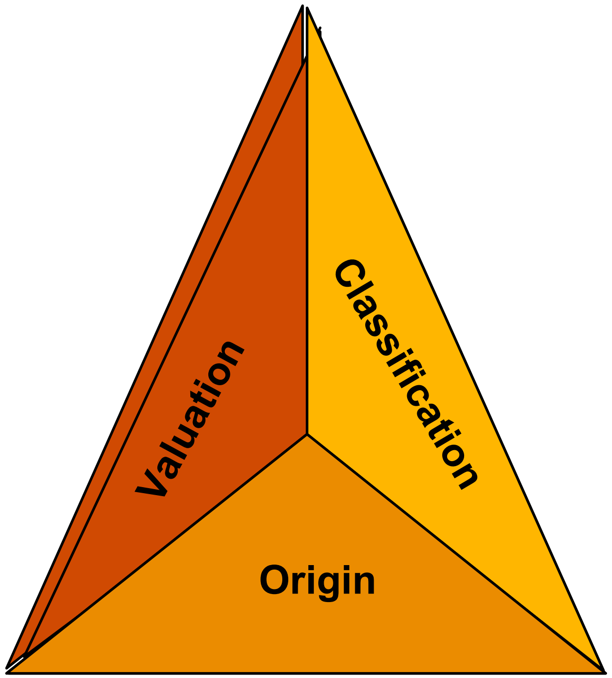
Clients must understand the key tax consequences of **importing goods** into a EU Member State. Clients should consider **Import VAT accounting, deferment schemes, an EU EORI number,** the requirement to appoint an EU entity to assist with the import or create an EU establishment.

15

Fiscal Representatives

As an EU entity a UK business is typically not required to appoint a fiscal representative when it registers for VAT in an EU member state. As a non-EU entity post Brexit, **UK businesses are expected to have to appoint fiscal representatives** in certain EU countries to avoid the need for an establishment.

Turning planning into action – No Regret Actions



Let's get back to the basics of our Customs Duty Data Requirements which will apply to all UK – EU movements of goods post Brexit.

Three most important data elements to get right, as they determine how much customs duty is paid on importation:

Classification:

- You will classify your goods moving between UK and EU for Intrastat purposes to 8 digits.
- Customs declaration requires to 10 digits.
- Undertake a classification review of your materials, parts and goods.

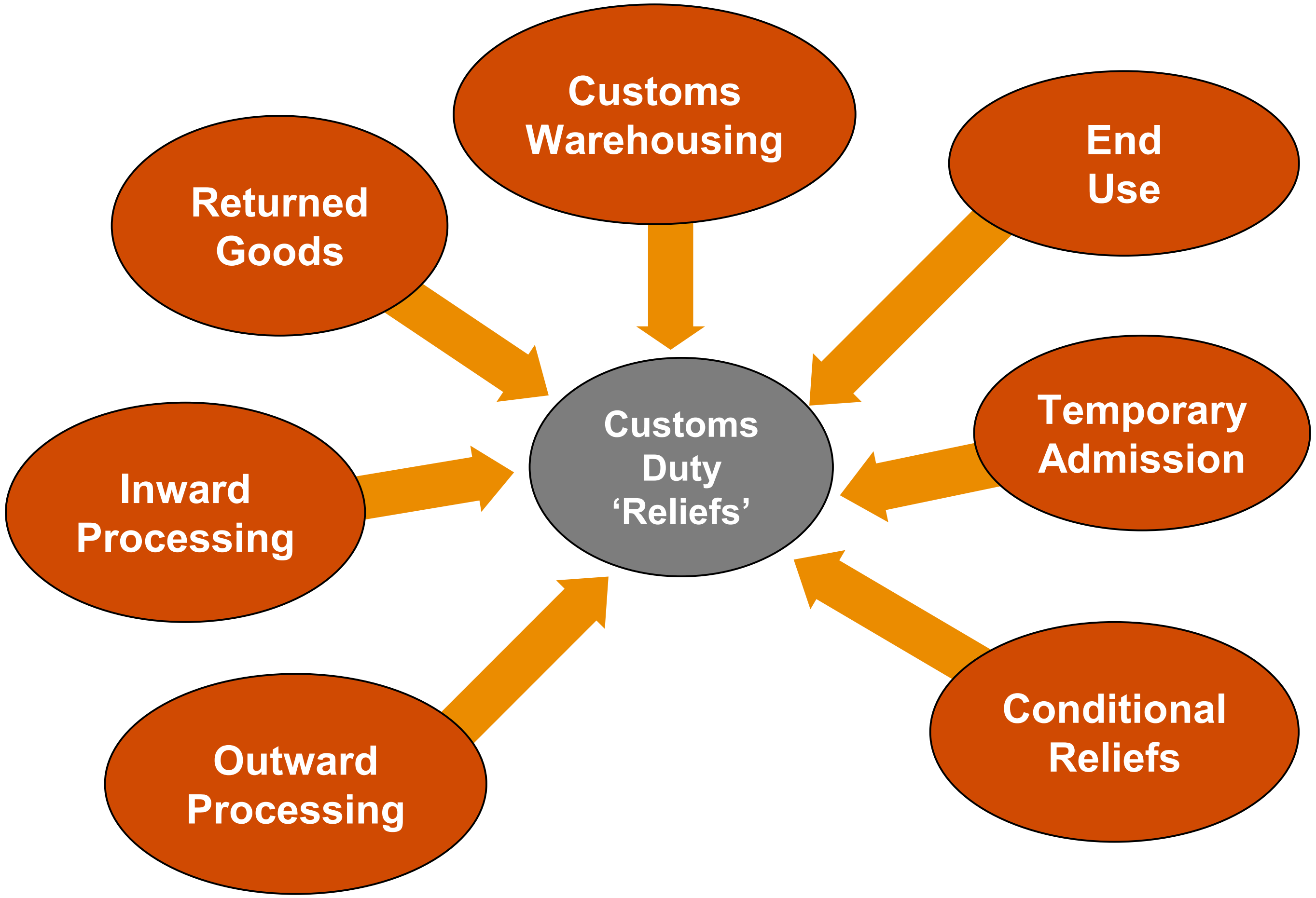
Valuation:

- Cost, Insurance and Freight to move goods from UK to EU or vice/versa.
- Value – transaction value, do you need to make adjustments to this value i.e. TP cost/profit adjustment, royalties, IP rights, management fees, sales commission etc.
- The above won't have been analysed before as it was a VAT zero rated supply.

Origin:

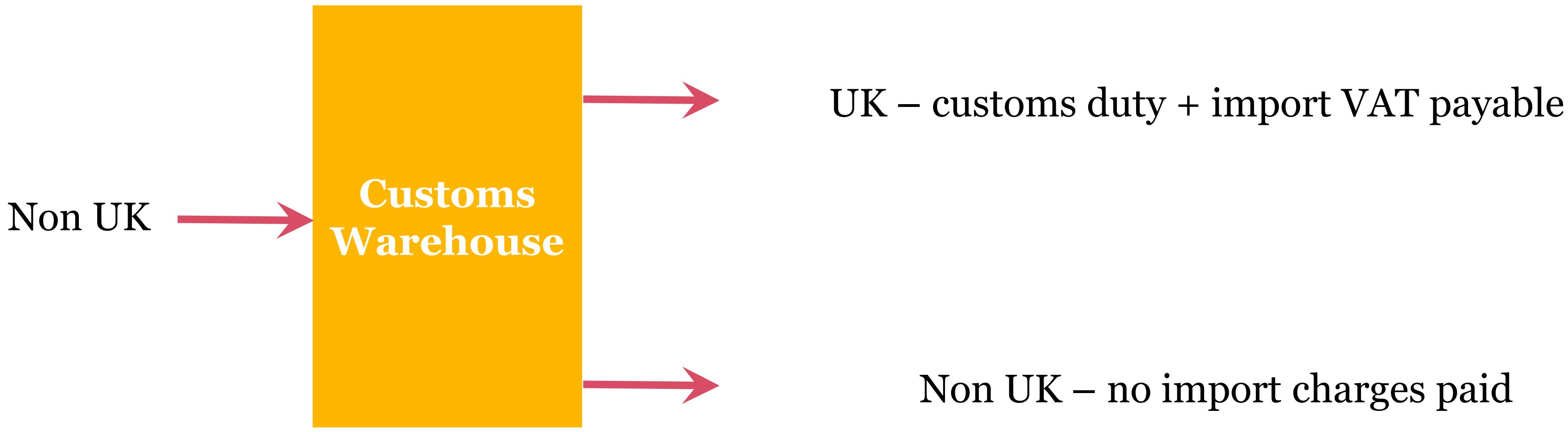
- If a Free Trade Agreement, is reached with the EU, only goods meeting the UK-EU FTA Origin rules will pass across the border free of duty.
- Ascertain where your goods originally come from, may have to undertake a bill of materials calculation to ascertain this.

Customs Duty ‘Reliefs’



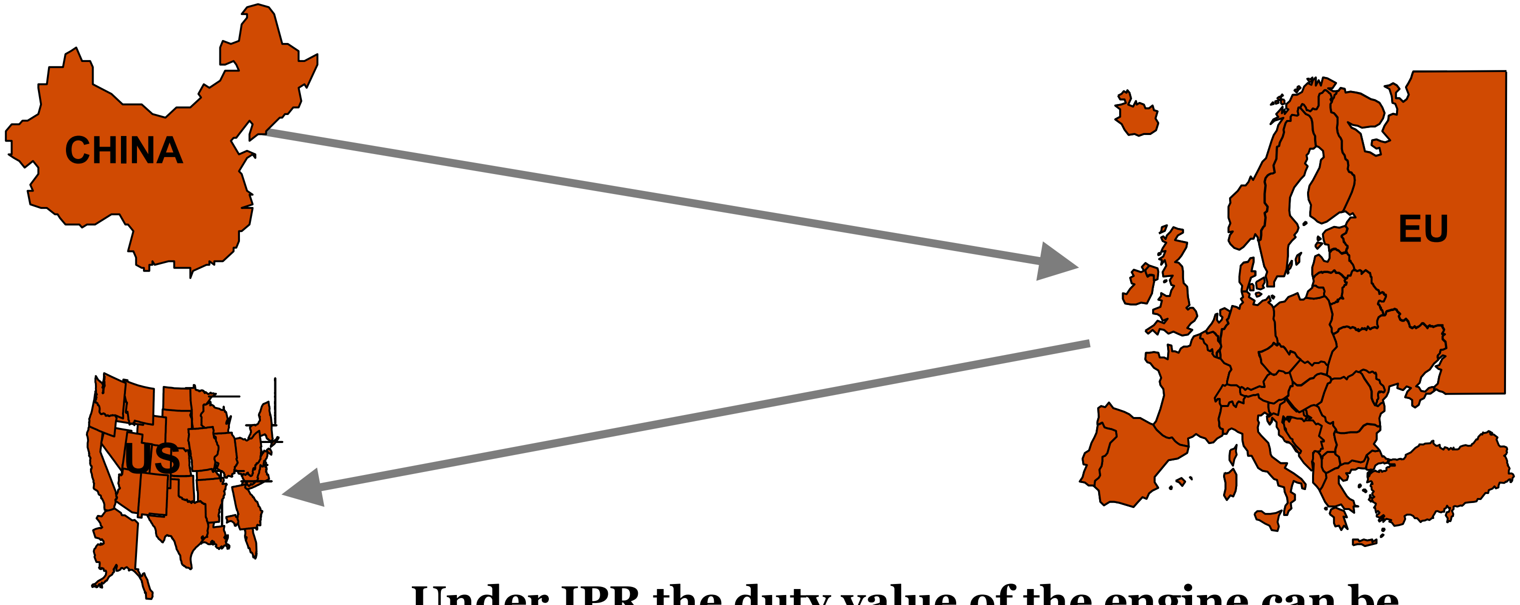
Customs duty reliefs
Customs Warehousing

Goods physically in the EU but not fiscally in the EU:



- Cash flow
- Absolute savings on exports
- “Thinking” time

IPR – How does it work?



Under IPR the duty value of the engine can be suspended

Engine Value £ 2,000
Duty Rate 4.2 %
Duty Saving £ 84

Brexit planning – VAT Considerations for operational model change

Transfer of business and assets	• VAT treatment and place of supply • Payment and whether consideration exists • HMRC's policy on cross border TOGCs
Future treatment of existing supplies	• Scope of VAT exemptions • Location of establishment making supply • Risk transfer/back to back transactions
New transactions	• Supplies to/from the UK • Back and middle office support • Transfer pricing
VAT Recovery	• UK supplies and partial exemption proxies • Changes to specified supplies and partial exemption methods

- **Deal or no-deal?**
- **HMRC's policy on VAT grouping**
- **Skandia**
- **Systems changes**
- **Impact on non-UK businesses**

Brexit restructuring - propositions

Transition to new business structure	• Indirect tax analysis of options • Project management/planning support • Business transfers and related transactions, registrations etc
Implementation of new operating model	• Identifying and analysing new transaction flows • Impact on future VAT profile (UK and overseas) • Developing/implementing operating guidelines and governance
Compliance and assurance	• Tax function delivery model • Post implementation review and assurance

Key minimal actions before 29 March 2019

1 Identify who will be the import, exporter, customs broker and logistics agent in your affected supply chains.

2 Understanding your role in the supply chain, ensure you have the right tax approvals, VAT registration, EORI, Deferment account etc. Apply by end of month to ensure they are in place before 29 March deadline.

3 Ensure you have the data and tested your systems to transmit the data required to your customs broker and logistics agent to move your goods and submit the requisite customs declarations, shipping docs etc.