

Brexit and Indirect Tax

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Agenda

- Background – why does this affect us?
- What does this mean in practice?
- Movement of goods – EU vs. non-EU
- Good housekeeping

Background

Background – why does Brexit affect us?

- VAT in the UK is derived from EU law, in particular the Principal VAT Directive.
- Although VAT law generally is harmonised within the EU VAT area, the UK (like certain other member states) benefits from a number of derogations
- One is the ability to charge a 0% VAT rate – we are the only EU member state with one – and otherwise the EU demands a minimum standard VAT rate of 15% and a minimum reduced rate of 5%
- Leaving the EU means leaving this harmonised VAT regime
- Whilst not necessarily a bad thing, it will be a different!

What does this mean in practice?

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- By leaving the EU without an agreement, the UK would effectively become a “third country” for VAT purposes.
- It would therefore be treated as any other country in the world when doing business with the EU, and loses the “use” of the harmonised EU VAT regime.
- Supplies of services would be largely unaltered
- However, the movement of goods would be subject to significant changes.
- Refund mechanism altered
- Customs Duties to consider which represent an absolute cost.

What does this mean in practice? (cont.)

- In a no-deal scenario, how the movement of goods is treated for VAT and Duty purposes will change.
- “Dispatches” and “Acquisitions” become “Imports” and “Exports”
- Increased cost and administrative considerations to importing and exporting
- Customs Duty and absolute cost to businesses (on expiry of temporary tariff regime)

Movement of goods – EU vs. non-EU

“Dispatch”

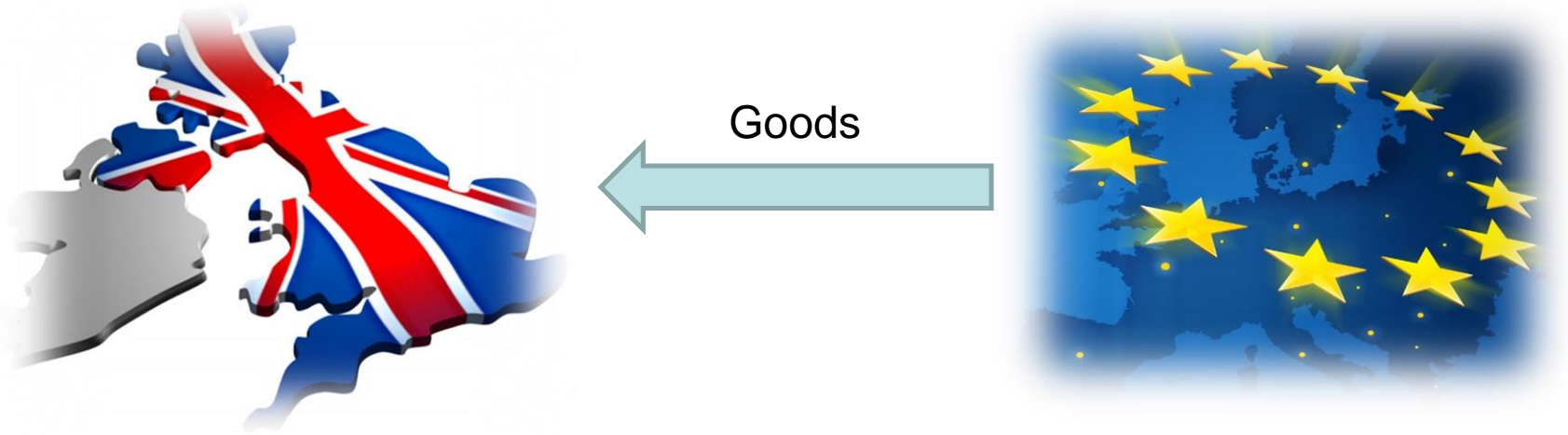


Goods



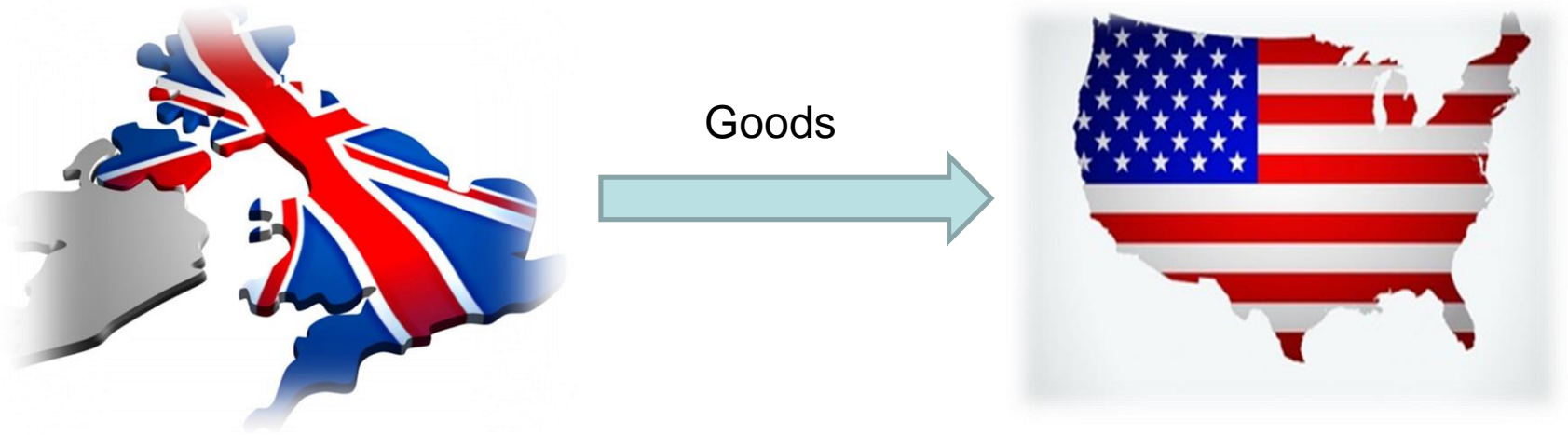
- No UK VAT if customer in business with valid EU VAT number and removal evidenced
- Goods move freely across border
- No Customs declarations necessary
- Relevant entries into Boxes 6 and 8 of VAT return
- Intrastat and EC Sales List Declarations (subject to thresholds)

“Arrival”



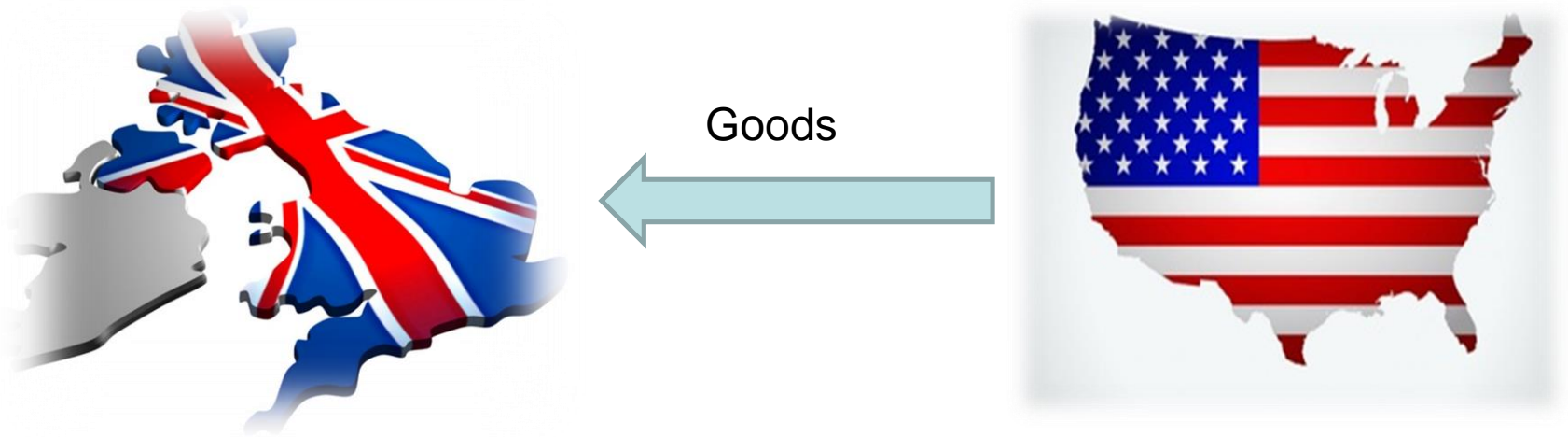
- No overseas VAT incurred
- Goods move freely across border
- No Customs declarations necessary
- “Acquisition VAT accounting” – no cost to fully taxable business – on return of arrival
- Intrastat and EC Sales List Declarations (subject to thresholds)

“Export”



- No UK VAT if goods can be evidenced to have left UK
- Export Declarations required (classification of goods, destination country etc)
- EORI Number required to legally export
- Export Cargo Shipping Instruction
- Standard Shipping Note
- Relevant entries into Boxes 6 VAT return

“Import”



- UK Import VAT – recoverable only when evidence held – cashflow
- Customs Duties potentially payable – not recoverable and an absolute cost
- Goods cannot be released into circulation until Customs Duty paid – consider mitigation
- EORI number required to legally import
- Invoice and transport documentation also required for Customs clearance
- Proof of origin required if preferential Duty rates sought

- Supplies to and from the EU become imports or exports
- Potentially increased absolute costs due to Customs Duties
- Administrative burden increased
- Potential commercial impact
- Upskilling needed

A large, red, distressed stamp reading "NO DEAL" in a tilted rectangular frame. The text is in a bold, sans-serif font, and the stamp has a grainy, ink-like texture. The stamp is tilted diagonally across the page.

Good Housekeeping

VAT good housekeeping - Brexit

- Assess supply chains and understand fully any affected purchases or costs which may increase.
- Take all required administrative steps required – especially if any transactions with overseas (e.g. EORI numbers – required to legally import)
- Understand what additional VAT/Duty reporting requirements are created by Brexit – e.g. import VAT, Customs Declarations
- Upskill relevant staff where necessary
- How do we factor increased costs into pricing?
- Can costs be mitigated – particularly Duty: classification, value, reliefs

VAT good housekeeping – General

- Focus on compliance and process – HMRC much more active from an enquiry perspective – MTD increases power.
- Ensure readiness with MTD if not already done.
- Take advantage of any permissible planning opportunities.
- Remove the impact of any irrecoverable VAT where possible
- Take any sector-specific opportunities available, for example:
 - Caravan/leisure operators – re: removable contents
 - Hotels – retained deposits
 - Retailers – ensure correct liabilities
- Take proactive advice

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