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Brexit Webinar

What Would a No-Deal Mean for VAT Compliance?

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Agenda



- Context and current status of Brexit negotiations
- Impact of a no-deal from an Indirect Tax perspective:
 - In the UK
 - In the remaining EU Member States
- Q&A's

Brexit & Indirect Tax: Context

Brexit No-Deal Scenario: Impact on VAT Compliance Context



- Brexit **negotiations** on UK/EU trade relations stalling
- Hardly **6 months** until UK's separation from the EU
- **No-deal scenario** now taken seriously:
 - *Deal* → Possibility to foresee a phase-out period for Indirect Tax matters beyond the general Brexit cut-off date
 - *No-deal* → UK considered as a third country by the EU Member States from 29 Mar 2019 onwards
- Taxpayers to work out a **contingency plan** and ensure business continuity in case of no-deal

Brexit & Indirect Tax Attention Points

Brexit No-Deal Scenario: Impact on VAT Compliance

From a UK Perspective



UK VAT registration & fiscal representation requirements for foreign-based companies



Online checks of UK VAT number's validity



End of triangular simplification where UK traders are involved

EORI numbers used to perform imports into the UK



Call-off stock simplification



Toll manufacturing



Brexit No-Deal Scenario: Impact on VAT Compliance

From a UK Perspective



Regularisation burden for companies that cannot get a UK VAT number by Day 1



Potential changes to existing business flows (e.g. VAT-exempt imports into UK followed by ICS)



Impact on customs import regimes in the UK

Revamp of import VAT scheme in the UK (reverse-charge mechanism)?



Trade between UK and Ireland



Criticality of Incoterms in existing contracts (e.g. DDP between EU and UK would include potential import duties)



Brexit No-Deal Scenario: Impact on VAT Compliance

Imports: An Example



Goods are shipped from Germany to the UK.



Today

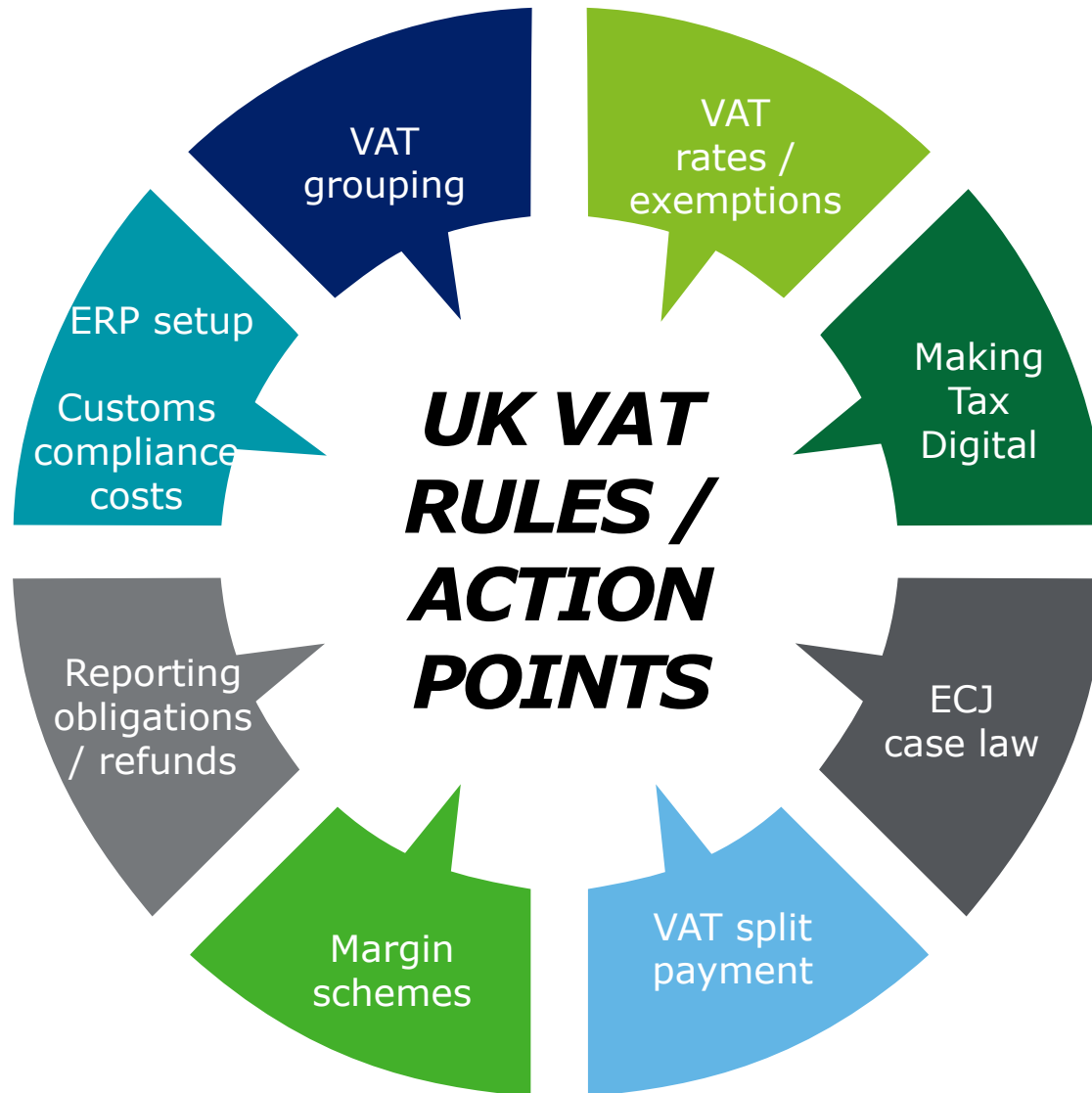
Company B is VAT registered in the UK and performs an intra-EU acquisitions subject to reverse-charge in the UK.

Post 'no-deal' Brexit

Company B is VAT registered in the UK and will have to clear the goods through UK customs. If HMRC does not implement a postponed accounting scheme for the import VAT, company B will have to pay import VAT at the border and claim it later via its UK VAT return.

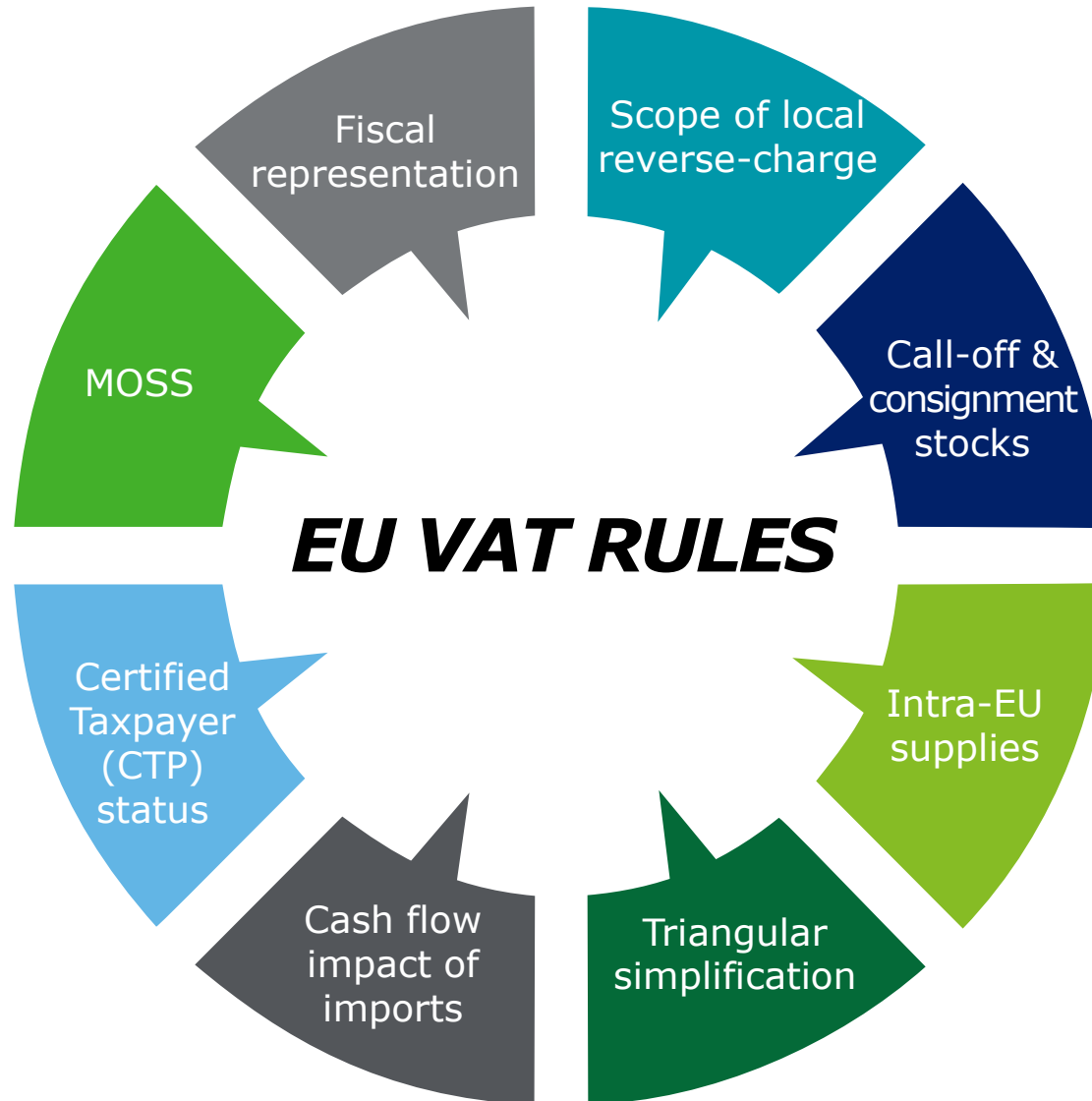
Brexit No-Deal Scenario: Impact on VAT Compliance

From a UK Perspective



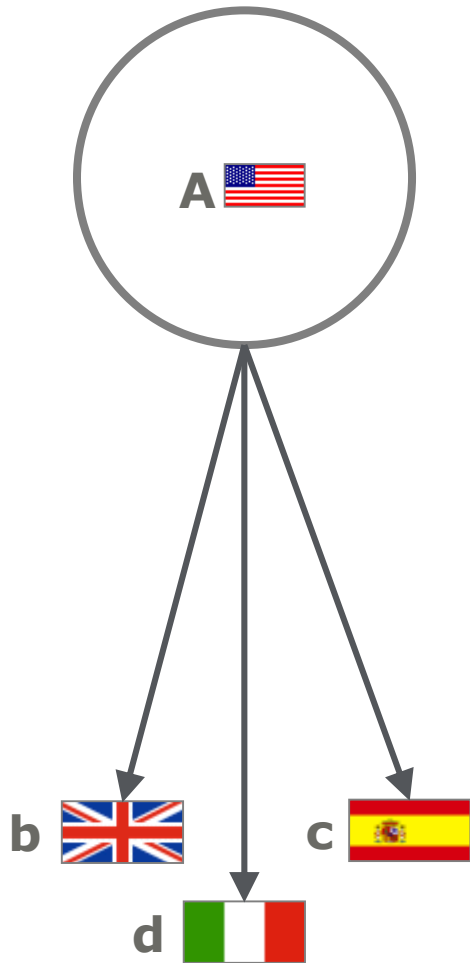
Brexit No-Deal Scenario: Impact on VAT Compliance

From an EU Perspective



Brexit No-Deal Scenario: Impact on VAT Compliance

Mini One-Stop Shop: An Example



US-based company A sells electronically supplied services to customers in various EU countries.

Today

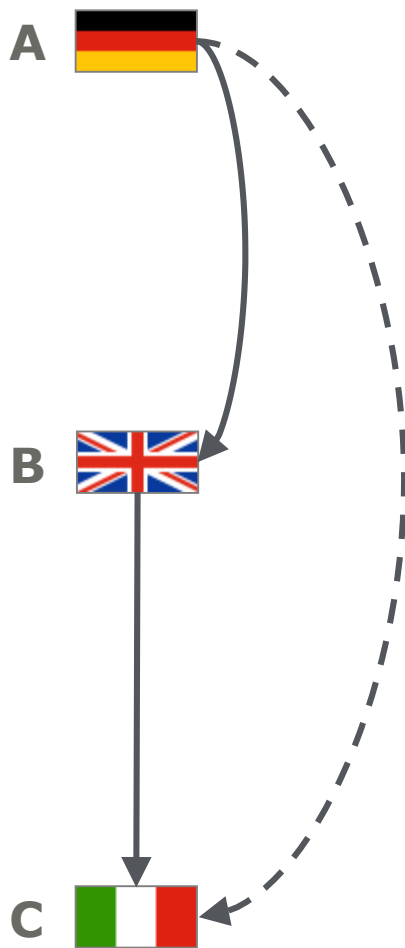
Company A reports electronically supplied services to EU customers via the UK one-stop shop e-filing platform.

Post 'no-deal' Brexit

Company A will likely have to get a fully-fledged UK VAT number to report its sales to UK customers. Additionally, it will have to register for MOSS purposes in one of the remaining 27 EU Member States to report its sales towards customers in these countries.

Brexit No-Deal Scenario: Impact on VAT Compliance

Triangulation: An Example



Goods are shipped directly from Germany to Italy, whereas A invoices B, who in turns invoices C.

Today

UK company B is a trading company acting as middleman and using triangular simplification to avoid VAT registration abroad.

Post 'no-deal' Brexit

UK company B will likely have to VAT register in:

- either Germany, in order to perform a local purchase with German VAT and an onward intra-EU supply to Italy
- or Italy in order to perform an intra-EU acquisition followed by an onward local reverse-charge supply.

Brexit & Indirect Tax: Q&A's

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