

The UK left the EU (European Union) Single Market and Customs Union on 31 January 2020. During the 11-month transition period to 31 December 2020, the UK and EU must negotiate and agree the terms of their future relationship. At the end of the transition period, fundamental changes will come into play. Businesses trading in, with, or through the UK have less than a year to plan, take action, and engage with government in preparation for the post-Brexit environment.

The transition period: Prepare for change

Immediate changes

Some immediate changes by virtue of the UK leaving the EU, including:

- Certain regulatory agencies cannot act as 'leading authorities' for approvals and assessments.
- UK parent companies are no longer resident in the EU so a mechanism for accessing US Double Tax Treaties no longer applies. US withholding tax issues may arise.

Prepare for change

A number of areas will change – irrespective of the outcome of the negotiations – and a number of tax impacts fall into this category.

Tax teams will need to review Brexit implications and make sure that tax impacts are integrated into business decision-making.



Key post-Brexit tax impacts from 1 January 2021

Some of the key tax impacts of Brexit that businesses should consider:

Customs compliance

Customs declarations and proof of origin result in additional administration requirements.



Customs duties

New UK Tariff will establish 'Most Favored Nation' customs duty rates. The UK and EU have set out their ambition for zero tariffs and quotas under the Free Trade Agreement (FTA). The UK plans to negotiate FTAs with third countries e.g. USA, Japan, Australia, New Zealand.



Customs regimes and simplifications

Customs authorizations could be used to simplify arrangements e.g. Customs Freight Simplified Procedures simplify the declaration process at the border. Authorized Economic Operator (AEO) status may be beneficial for businesses with significant cross-border trade.



VAT law changes

UK/EU movements of goods become imports and exports; sector-specific changes e.g. Tour Operators Margin Scheme and specified supplies of financial services.



VAT simplifications and reporting

VAT simplifications no longer apply to UK (including triangulation, distance sales, supply and install and call-off stock) potentially creating additional registration and reporting obligations.



Systems and data

Customs and VAT systems, processes and data need to be reviewed and updates scheduled to allow sufficient lead time for implementation.



Corporate tax

Additional tax may be payable as a result of EU Directives no longer applying e.g. withholding taxes on payments to UK companies, subject to bilateral double tax treaties. EU status is required for certain tax reliefs and exemptions such as permitting local tax consolidations between subsidiaries in certain member states.



Transfer pricing and exit charges

Business restructuring can create a number of tax impacts, including potential exit taxes in respect of activities transferred out of the UK. Businesses may need to review transfer pricing in light of changes to where functions are carried out, assets employed and risks borne.



Social security

Dual social security liabilities could arise for mobile employees in the UK and EU member states if no agreement is reached between the UK and the EU or individual member states.



Northern Ireland (NI)

A new unique trading position has been agreed for NI. Broad alignment to EU rules on goods but not services in NI, including customs (where the Union Customs Code applies) and VAT (EU VAT law for goods). Detailed terms will be determined during the transition period.

The tax impacts of Brexit
Define your future





How can Deloitte help?

Assess the impacts of Brexit across business operations, building on Brexit planning undertaken to date.

Our services include an initial Brexit impact assessment, gap analysis and validation of Brexit planning, and advice on implementing the changes required to prepare for the post-Brexit landscape.

Includes a suite of tax and advisory services to prepare for the known tax changes that will arise at the end of the transition period:

- **Identify the tax impacts.** Prioritize focus based on business structure, supply chains, operating model, location.
- **Map existing and proposed supply chains** and analyze the resulting customs and tax obligations and mitigations, including potential systems updates.
- **Manage customs compliance.** Our [Global Trade Bureau](#) combines deep global trade expertise with technology to offer a differentiated solution for managing customs compliance.
- **Assess tax consequences** of activities transitioning to a European branch or subsidiary and ongoing intercompany charges.
- **Review financing structures** to identify potential withholding tax costs.
- **Assess employment tax and social security considerations** related to mobile employees.
- **Engage with tax authorities** on post-Brexit tax policy.



Why Deloitte?

Proven expertise

- Combines Brexit insights, industry knowledge and technical expertise to support our clients with their Brexit readiness.
- Our central Global Brexit Insights team collaborates with subject matter experts – such as tax technical, trade policy, regulatory, and systems implementation, across our network of member firms – to help deliver solutions.
- Provide up to date insights, benchmarking and guidance on best practice to prepare businesses for the post-Brexit trading environment.
- We have advised over 300 businesses and trade bodies across a range of industries on their Brexit readiness preparations.

Leading voice

- We are a leading voice in navigating Brexit considerations with business and government.
- We are actively contributing to the debate on UK domestic trade policy for both goods and services trade.
- We engage with government in the UK, Ireland and key EU member states on Brexit preparations.



Contacts

To find out more about how our Brexit services, please contact your usual Deloitte contact or our Global Brexit Insights team at brexitsupport@deloitte.co.uk



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Additional resources:

Learn more on how to prepare for Brexit:

- Visit our [Brexit webpage](#)
- Read our [blog](#)
- Subscribe to the [weekly newsletter](#)

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