

# Is your business ready for Brexit?



**Chiene+Tait**  
CHARTERED ACCOUNTANTS

Now that the EU Withdrawal Agreement has been ratified by the UK Parliament, the UK will leave the European Union on 31 January 2020. A transitional period will then start until at least the 31 December 2020 where existing EU VAT Regulations and Directives will continue to apply, including those relating to VAT and Customs.

In summary:

- + The UK will continue to have a VAT system after it leaves the EU on 31 January 2020, as VAT is the second- biggest tax revenue earner for the Government (after Income Tax)
- + The VAT rules relating to UK domestic transactions will continue to apply to businesses as they do now
- + VAT procedures will continue as they are now, however there will be some key changes, particularly in relation to trade with EU customers and suppliers

We have summarised the main changes below.

## 1 **UK businesses importing goods from the EU**

In what is possibly the biggest potential impact to UK businesses, the current rules for imports from non-EU countries will also apply to imports from the EU.

The Government announced that in the event of a “no deal” it would introduce postponed accounting for import VAT on goods brought into the UK which meant that UK VAT-registered businesses importing goods to the UK would be able to account for import VAT on their VAT return, rather than paying import VAT on or soon after goods arriving at the UK border. This will apply to imports from both current EU and non-EU countries. As the withdrawal agreement has reached, this simplification measure will not apply (unless this is announced by the Government this year which would be welcomed).

If the measure is not introduced and normal import VAT accounting applies businesses will have to prepare for the cash-flow impact of paying import VAT to HMRC and waiting to recover this on their VAT return. In some instances, it could be up to 3 months before a business can recover import VAT.

Any Customs Duties payable will not be recoverable so this should be factored into cost structures.

Customs measures such as duty deferment accounts can improve this position however we recommend that businesses consider both the additional costs and cash flow implications as a matter of urgency.

## 2 **UK businesses exporting goods to EU consumers**

After the UK leaves the EU, distance selling arrangements will no longer apply to UK businesses and UK businesses will be able to zero-rate sales of goods to EU consumers.

Current EU rules mean that EU member states will treat goods entering the EU from the UK in the same way as goods entering from other non-EU countries, with associated import VAT and customs duties due when the goods arrive into the EU. Any businesses affected by this will have to be mindful that consumers in EU countries will have to bear these additional charges, so this may have to be communicated up front at the points-of sales and on websites.

Businesses could also adopt customs measures where the duty and VAT can be paid up front, however this will require discussions with customs agents in advance and be clear on websites.

## 3 **UK businesses exporting goods to EU businesses**

VAT-registered UK businesses will continue to be able to zero-rate sales of goods to EU businesses but will not be required to complete EC sales lists or Intrastat declarations.

UK businesses exporting goods to EU businesses will need to keep evidence that goods have left the UK, in support of the zero-rating of the supply. Most businesses already maintain this evidence as part of current processes, and the required evidence will be similar in nature to that currently required for exports to non-EU countries. Any differences will be communicated by HMRC in due course.

Current EU rules mean that EU member states will treat goods entering the EU from the UK in the same way as goods entering from other non-EU countries. Import VAT and Customs Duties will be due when goods arrive into the EU. Individual EU member states may have different rules for import VAT from the UK and

import VAT payments may be due at the border. UK businesses should check the relevant import VAT rules in the EU member states where they have customers.

## 4 UK businesses selling their own goods in an EU Member State to customers in that country

UK businesses will be able to continue to sell goods they have stored in an EU Member State to customers in the EU in line with current Rest of World rules.

Current EU rules mean that UK businesses will continue to be required to register for VAT in the EU member states where sales are made in order to account for the VAT due in those countries.

## 5 Place of supply rules for UK businesses supplying services into the EU

The main VAT ‘place of supply’ rules will continue to apply to UK businesses.

The current ‘place of supply’ rules determine the country in which you need to charge and account for VAT. These rules are in line with international standards set out by the Organisation for Economic Co-operation and Development (OECD). The rules around ‘place of supply’ will continue to apply in broadly the same way that they do now. Areas of potential change are:

- + For UK businesses supplying digital services to non-business customers in the EU, the ‘place of supply’ will continue to be where the customer resides. VAT on services will be due in the EU Member State within which your customer is a resident
- + For UK businesses supplying insurance and financial services, input VAT deduction rules for financial services supplied to the EU may be changed. HMRC will update businesses with more information in due course

## 6 EU Tour Operators’ Margin Scheme

The Tour Operators Margin Scheme is an EU VAT accounting scheme for businesses that buy and sell certain travel services that take place in the EU. HMRC has been engaging with the travel industry and will continue to work with businesses to minimise any impact.

## 7 Businesses supplying e-Services (UK VAT Mini One Stop Shop (MOSS))

Businesses that sell digital services to consumers in the EU will be able to register for the MOSS non-EU scheme. There is currently an EU scheme so most providers will already be registered for this. The non-EU scheme is similar but will require UK businesses to register in one EU country.

MOSS is an online service that allows EU businesses that sell digital services to consumers in other EU member states to report and pay VAT via a single return and payment in their home Member State. Non-EU businesses can also use the system by registering in an EU Member State.

This can only be done after the UK leaves the EU. Alternatively, a business can register in each EU Member State where sales are made.

## 8 EU VAT refund system

UK businesses will continue to be able to claim refunds of VAT from EU Member States after Brexit, however they will no longer have access to the EU VAT refund system. In the future they will need to use the process already in place for non-EU businesses.

This process varies across the EU, so businesses will need to be aware of the processes in the individual countries in which they incur costs and want to claim a refund.

## How Chiene + Tait can help

We recommend that any business affected by these changes undertakes a review as soon as possible to prepare for the changes that Brexit will bring. Chiene + Tait has been working with its clients over the past 12 months to undertake these reviews and we are happy to discuss this with any affected businesses.

Our bespoke reviews look at the impact of the changes on relevant business income and expenditure streams and point to potential solutions which will alleviate any potential administration, cashflow or cost on the business.

We also offer a helpline service to businesses to deal with ad-hoc Brexit-related enquiries.

Area of Review (if relevant)	What we will consider	Potential Solutions
Businesses selling goods to EU business customers	+ Summary of current correct treatment;	European Operator Registration & Identification Numbers ("EORI")
Business purchasing goods from EU suppliers	+ Summary of post Brexit treatment;	Duty Deferment Accounts
Businesses selling services to EU customers	+ Practical impact on cash flow, additional costs and administration plus impact on customer position (if applicable);	VAT registration in EU
Business buying services from EU customers	+ Review of Customs tariff codings for goods being imported* & exported from and to the EU;	Authorised Economic Operator ("AEO")
Business selling services to EU consumers	+ Assess impact on other business activities	Customs Warehousing
Businesses selling e-Services to EU consumers		Inward Processing Relief ("IPR")
		Outward Processing Relief ("OPR")
*UK Customs Tariff has not been published at this stage, however our review will be based on the current EU tariff being used (for imports to the UK post Brexit).		

There is Scottish Government funding of up to £4,000 to pay for this advice.

The UK Government has announced that it will make grant funding available to businesses who need to take advice. We can provide assistance in obtaining this funding as part of our overall service to you.

If you wish to discuss the impact of Brexit on your business and would be interested in a review please contact our Director of VAT & Indirect Tax, Iain Masterton  
Tel: 0131 558 5800, email: [iain.masterton@chiene.co.uk](mailto:iain.masterton@chiene.co.uk)