

AUDIT • TAX • ADVISORY

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# BREXIT

Overview



## Brexit The basics



The UK has left the EU. It is in a transitional period until 31 December 2020.

There will be no extension to the transitional period. Deadlines for trade negotiations have been pushed back to October, with the EU Council meeting 15-16 October.

From 1<sup>st</sup> January 2021 all supplies of goods from the EU to UK will become imports and be subject to Customs declarations. Customs Duty will be charged on imported goods, depending on the tariff applying to them.

Goods supplied from the UK to the EU will be exports from the UK and subject to export declaration.

Without a Deal, goods imported into the EU from the UK will be subject to WTO tariffs and import declarations.

**There are challenges ahead and for businesses to thrive they will need to navigate the complex rules of Customs Duty and VAT to continue trading with the EU.**

# Customs Changes



1

## Introduction of the UK Global Tariff

- Simplification into bandings 2% -20%
- Applies to all imports into the UK
- Scrapping tariffs under 2%
- WTO if No-Deal for imports into the EU

2

## Deferred Import Declarations

- Not mandatory
- Ends 30 June 2021
- Helpful? Still need to gather data.

3

## Postponed Import VAT accounting

- From 1/1/21
- Cash-flow benefit
- Not mandatory unless using deferred imports
- Self-account on the VAT return

4

## Low value imports - £135

- Seller required to charge and collect VAT at time of sale

5

## New Customs import system

- Replaces CHIEF
- More management data.



# Key Points

1

## The vital importance of Incoterms

- This determines who will be the importer and responsible for Duty and VAT
- DDP means the Seller is the importer.
- EXW means the Buyer is the importer.

2

## Customs Procedures – to help minimise duty costs

- Customs warehousing
- Inward Processing
- AEO
- CFSP
- Approved exporter

3

## Being ready – HMRC Grants

- Funding for training, software and recruitment
- Customs Duty is a bottom line cost

4

## Easy wins

- EORI number
- Duty deferment account
- Get an agent

5

## Trading in the EU

- Fiscal representatives
- VAT registration



**January 1, 2021:**

**VAT and the B2B trade in goods in case of a no deal Brexit:**

- All supplies of goods coming from the UK to the EU will be an export in the UK and an import in the EU.
- Responsibility of import in the EU - Incoterms
- Import duties and VAT and import VAT deferment
- Required fiscal representative
- VAT reporting changes
- EORI number in an EU country
- No legal entity requirement



January 1, 2021:



VAT and the B2C sale of goods in case of a no deal Brexit:

- Distance selling regime will no longer apply if goods are sent to the UK, same for new EU VAT regulation for e-commerce of July 1, 2021.
- All supplies of goods coming from the UK to the EU will be an export in the UK and an import in the EU.
- Payment of the import VAT and import duties: your company or the consumer?
- Pricing on the website accurate, incl. responsibility for import in the EU country?

# No longer applicable for the UK:



VAT simplification rules no longer applicable for the UK in case of a no deal Brexit:

- Triangular transactions, including the simplified triangular scheme
- Call-Off stock simplification
- Installation of goods
- Distance selling rules (B2C e-commerce)
- MOSS registration for digital services (media, apps, online books, etc.) no longer available via the UK. UK service providers must register in one of the EU countries to apply MOSS.

# No longer applicable for the UK:



VAT simplification rules no longer applicable for the UK in case of a no deal Brexit:

- VAT refund claims submitted by UK companies in the EU or by EU companies in the UK: companies can still use the EU VAT refund system to claim VAT on expenses incurred before January 1, 2021, until 11PM on March 31, 2021,
- The EU VAT refund system will not be available to claim refund of VAT incurred on or after January 1, 2021.
  - UK businesses must check the procedure per EU country
  - EU businesses must check the procedure for the UK





# Checklist



Relevant checks for VAT

**Analyse your supply chain and pricing**

**Check your customs and logistics partners**

**Check the contracts closed with all parties relevant for your supply chain**

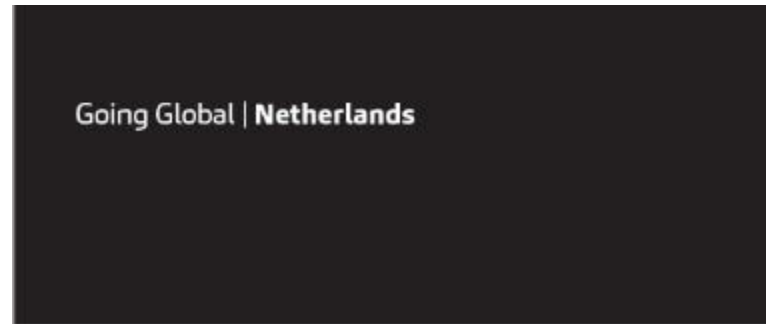
**Arrange all formalities**

# International Tax Structuring Considerations



Which of the following structures works best for your business?

- ✓ VAT registration for overseas entity
- ✓ Local Branch
- ✓ Local Subsidiary



## Netherlands

Once the conditions of having a Permanent Establishment in a particular territory have been met, the following key points should usually be considered:

Key requirements	Response
Main types of entity	<p>Companies:</p> <ul style="list-style-type: none"> <li>- Private Limited Liability Company (besloten vennootschap or BV) (most common)</li> <li>- Public Limited Liability Company (openbare vennootschap or NV)</li> <li>- Cooperative (coöperatie)</li> </ul> <p>Partnerships:</p> <ul style="list-style-type: none"> <li>- General Partnership (vennootschap onder firma or VOF)</li> <li>- Limited Partnership (commanditaire vennootschap or CV)</li> <li>- Private Partnership (maatschap)</li> </ul> <p>Other:</p> <ul style="list-style-type: none"> <li>- Sole proprietorship (eenmanszaak)</li> <li>- Foundation (stichting)</li> <li>- Association (vereniging)</li> <li>- Branch and representative office</li> <li>- Joint venture</li> </ul>
Any material advantages regarding having a branch or a company?	<p>Advantages company:</p> <ol style="list-style-type: none"> <li>1. No profit split / profits location is required</li> <li>2. Mitigates tax residency discussions</li> <li>3. Well known for dealing with (commercial advantage)</li> </ol> <p>Advantages branch:</p> <ol style="list-style-type: none"> <li>1. No legal / notarial formalities (lower costs)</li> <li>2. Termination is easier</li> <li>3. No substance is required</li> </ol>
(Excluding the liability of a company typically not extending to its parent company and losses of a branch potentially being available to an overseas parent)	
Can company and branch registrations be completed by Baker Tilly or must a third party, such as a law firm, be involved?	<p>For companies, the assistance of a (Dutch) civil law notary is required. Companies must be incorporated by notarial deed.</p> <p>For branches, registration can be completed by Baker Tilly in the Netherlands. No third parties need to be involved.</p>

Key requirements	Response
Once the company or branch has been set up, what other main registrations are typically required?	<p>Companies and branches must be registered with the Trade Register of the Dutch Chamber of Commerce (Kamer van Koophandel) through which it will receive its tax registration number.</p> <p>Other registrations may include:</p> <ul style="list-style-type: none"> <li>- wage tax and social security registration</li> <li>- VAT registration</li> </ul>
What information must typically be provided to set up a company or branch?	<ul style="list-style-type: none"> <li>- Information about:</li> <li>- Ownership / USBO's</li> <li>- Directorship</li> <li>- Corporate details of the company / branch</li> </ul>
Does a local company / branch require a local shareholder, local nominee director or local representative? If so, indicative typical costs.	<p>Companies should have at least 50% of local directors to meet substance requirements to be considered a resident in the Netherlands for tax purposes.</p> <p>Branches do – in principle – not require a local shareholder, local director or local representative.</p>
Any other local requirements for a company or branch, such as a business licence?	<p>Depending on the size and nature of the business activities. For example, some financial and banking institutions require a special business licence.</p>
Typical cost of registering a company including professional fees and authorities' charges?	<p>Assuming that the company will take the form of a BV (Private Limited Liability Company), the notarial costs will be €1,500 - €2,500 (excl. VAT) for incorporating and registering the company. This includes coordination costs and support in tax registration.</p> <p>For other types of entity, the costs may be higher.</p>

# Restructuring

# Rationalisation

# Repatriation



1

Initiate a detailed conversation with your main EU tax adviser to agree a coordinated and efficient approach to Brexit changes

2

Identify all areas of risk and opportunity

3

Immediately agree the plan to mitigate risks and explore opportunities.

4

Implement the right solution with an adviser that understands the business to ensure short, medium and long term success.



The key to surviving and thriving through challenges such as Brexit is thinking about:

- Talent management
- The appropriate Structure for your business
- Transfer Pricing
- The Withholding taxes that could apply post Brexit
- The impact on your supply chain

# Key Brexit people challenges



1

## Understand the reach of your UK-EU workforce

- How will your 'as is' position be impacted?
- What are your future workforce requirements likely to be?

2

## Hiring in the EU

- Could depend on the structure – branch, office, subsidiary
- Consider local rules and regulations
- Workforce mix - employees and contractors?

3

## Travel between UK and EU

- Which employees already travel cross border?
- What will change for them?
- New hires

4

## Talent management

- How do you get the best out of a cross-border workforce?
- Reporting structure and performance
- Incentivisation

5

## Remote working

- Not just a Brexit challenge
- Where do you need physical locations?



**Any  
questions?**





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