

Trading and doing business with the EU member states post

BREXIT

Jane Deeks, VAT Specialist
Thursday 25th February 2021

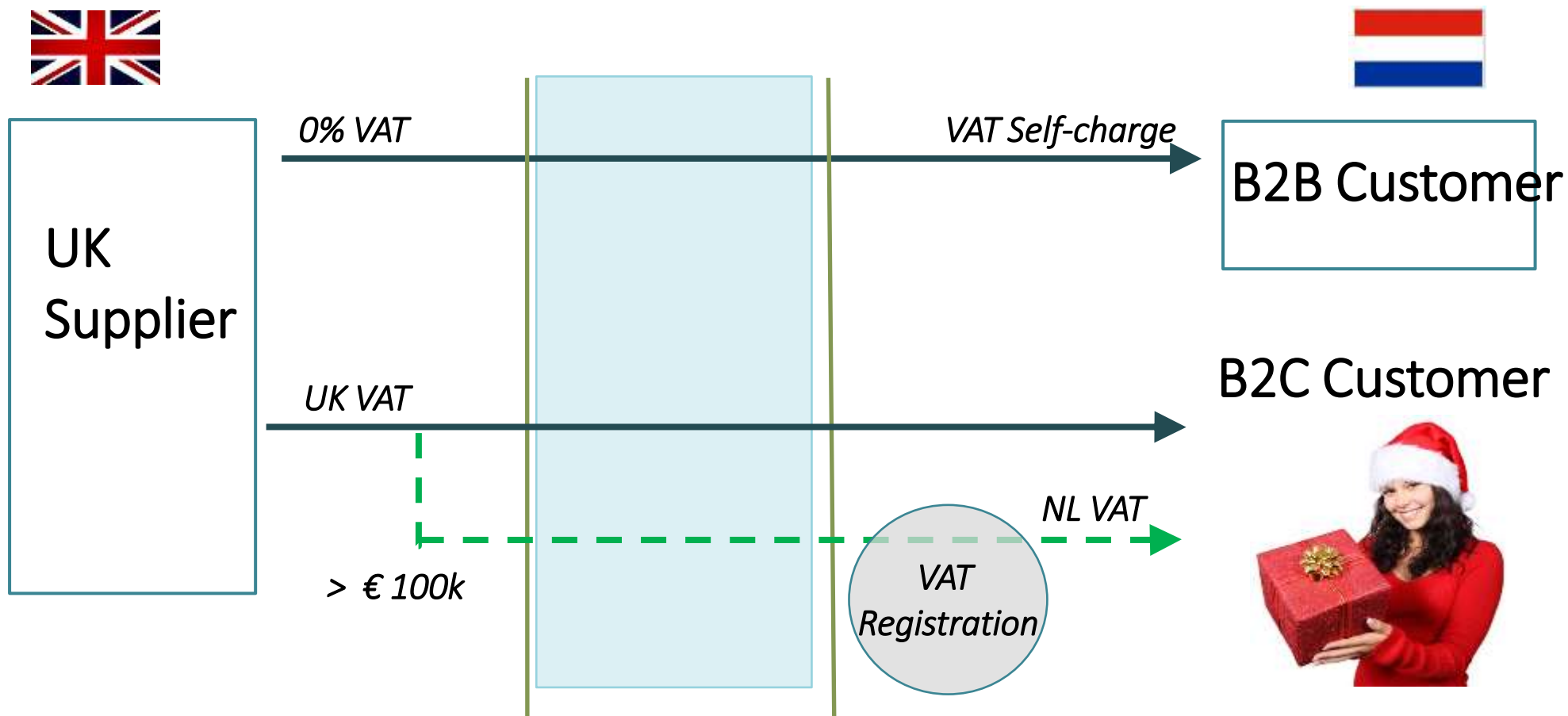


Agenda

- B2C sales in the pre-Import One Stop Shop, (IOSS) era
- EU/UK Free Trade Agreement
- Where to set up in Europe?
- Customs Authorisations
- The Northern Ireland Protocol
- Postponed VAT Accounting



Pre-BREXIT Goods



B2C to 30th June 2021

The end of Distance Selling

From 1 January 2021 to 30 June 2021

Customer will be required to pay the import VAT before they can take delivery of the goods!

Not user friendly!!



BREXIT Goods: B2C (most Incoterms)



UK Supplier

0% VAT



B2C Customer

Dutch VAT

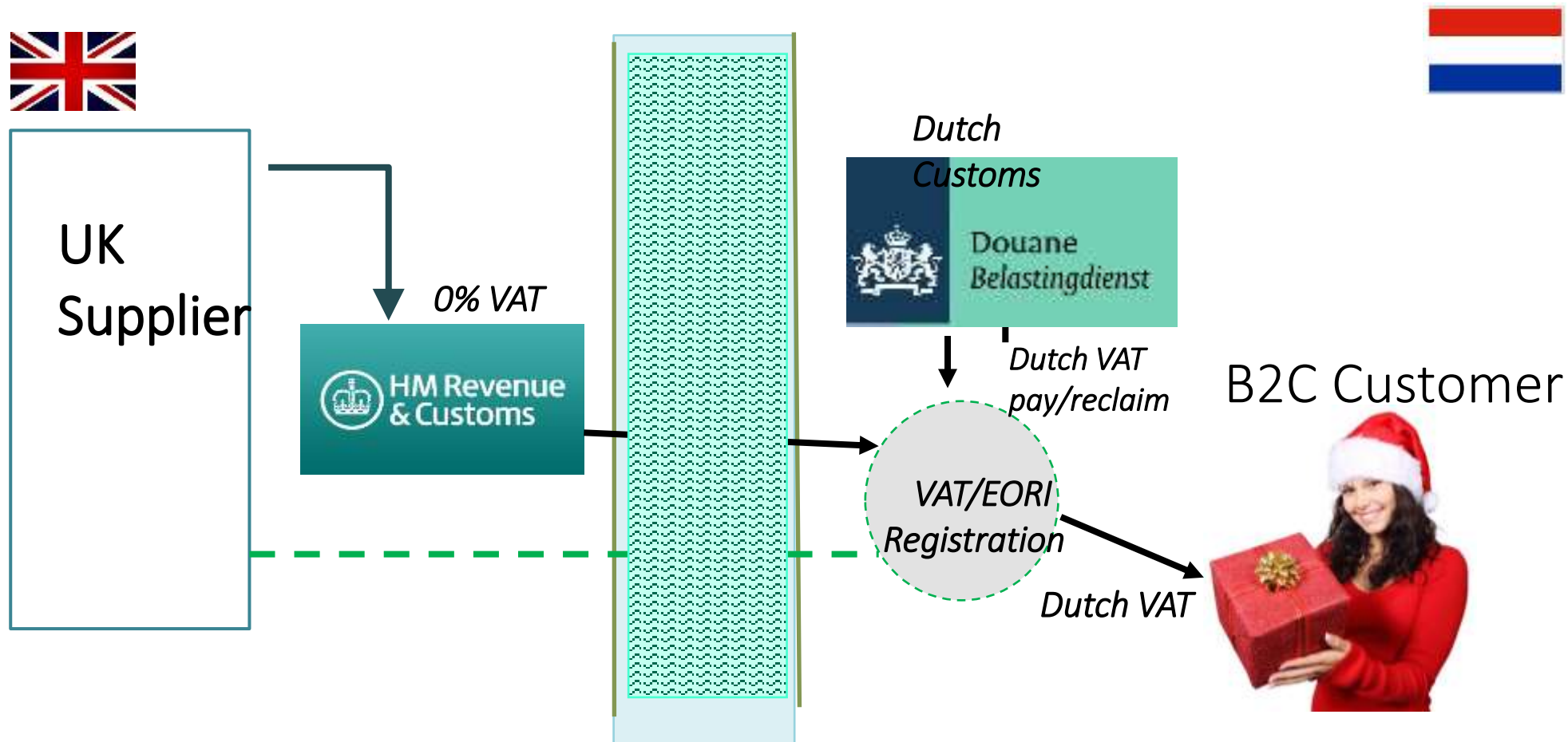


Post-**BREXIT** Goods: Options

- Goods less than £135
- DPD enhanced DAP
- VAT register in the EU country and send the Goods
- Hold stock within the EU for the fulfilment of orders from EU consumer customers.



BREXIT Goods: B2C



B2C from 1 July 2021

- **Simplification established by EU – delayed by Covid-19**

One stop shop (OSS)

- Stock held in the EU
- VAT registration in a single member state
- File a VAT return declaring and paying output VAT at the appropriate rates on sales to consumers in all 27 member states

Import one stop shop (IOSS)

- Stock outside the EU
- VAT register in one member state
- Declare and pay output VAT on sales to consumers in all 27 member states



EU/UK Free Trade Agreement

FTA reduce admin and cost!

- Goods removed from UK = exports
- Goods into UK = imports
- GB goods not in free circulation until cleared at EU border
- VAT and Duties payable at EU border – pick your country of arrival carefully
- Loads of paperwork
- Inspections
- Rules of Origin
- Self-certification



Where to Set up in EU?

- Very business specific but in no particular order:

Ireland

The Netherlands

France

Czech Republic



Where to set up in EU (Ireland)



Using Ireland for:

- Alcohol traders
- Moss traders (digital services)



Where to set up in EU (Netherlands)

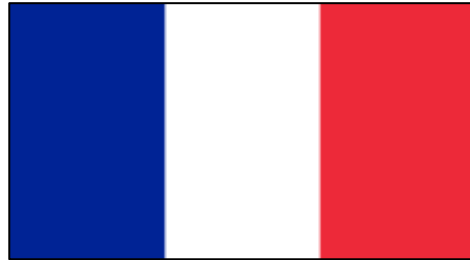


Using The Netherlands for:

- Supply of goods into Northern Europe
- Excellent at logistics but longer ferry crossing/extra cost
- 2-4 weeks for a VAT number
- Article 23 license – Similar to PVA. Must have legal entity or fiscal representative
- Fiscal Rep
- Compliance cost reasonable



Where to set up in EU (France)



Using France for:

- Supply of goods into Northern Europe/Southern Europe
- 2-4 months for a VAT number
- Compliance cost reasonable
- Tax representation available



Where to set up in EU (Czech Republic)



Using Czech Republic for:

- East to West movements of goods
- 2 months max for a VAT number
- Easy to set up a subsidiary or branch
- Compliance costs very reasonable
- Tax representation available



Customs Authorisations

- Authorised Economic Operator (“AEO”)?
- Inward Processing Relief/Outward Processing Relief
- Customs Warehouse
- CFSP



The Northern Ireland Protocol

- Moving goods from Northern Ireland to Great Britain should take place as it does now.
- Northern Ireland remain within the EU VAT rules for goods. However, Northern Ireland is, and will remain, part of the UK's VAT system.
- Trader Support Service
- Article 16 fiasco
- UK trader scheme
- EORI: XI Prefix



Post-Postponed VAT Accounting (PVA)

- Cash flow saving
- Account for import VAT on the VAT return
- No application required, inform HMRC via the customs declaration
- Online monthly statements





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Business Tax Matters

Luke Prout CTA, Tax Partner

Thursday 25th February 2021



Agenda

- Business Corporate Tax changes
- Corporate residence
- Double Taxation Treaties



What has changed?

- Can no longer rely on EU Directives
 - Interest and Royalties (Paid and received could be subject to withholding tax (WHT) – UK 20%)
 - Dividends subject to WHT (Parent/Subsidiary directive)
 - Cross border transfers and mergers
- Double Tax Agreements may provide reduced rates
- E.g. Ireland 0% on dividends if a V2B Form is used and ownership conditions are met



Corporate residence

- Check the rules for each country
- Requirement to pay local business/corporate taxes on profits generated
- Do I have a Permanent Establishment (PE)?
- The term “permanent establishment” means a fixed place of business through which the business of an enterprise is wholly or partly carried on
- The place of business must be “fixed” meaning it must be established at a distinct place with a certain degree of permanence;



What is typically included

- a) a place of management
- b) a branch
- c) an office
- d) a factory
- e) a workshop
- f) a mine, an oil or gas well, a quarry or any other place of extraction of natural resources
- g) a building site or construction or installation project constitutes a permanent establishment only if it lasts more than twelve months



What is typically excluded

a) the use of facilities solely for the purpose of storage, display or delivery of goods or merchandise belonging to the enterprise;

b) the maintenance of a stock of goods or merchandise belonging to the enterprise solely for the purpose of storage, display or delivery;

c) the maintenance of a stock of goods or merchandise belonging to the enterprise solely for the purpose of processing by another enterprise;

d) the maintenance of a fixed place of business solely for the purpose of purchasing goods or merchandise or of collecting information, for the enterprise;

e) the maintenance of a fixed place of business solely for the purpose of carrying on, for the enterprise, any other activity of a preparatory or auxiliary character;

f) the maintenance of a fixed place of business solely for any combination of activities mentioned in subparagraphs a) to e), provided that the overall activity of the fixed place of business resulting from this combination is of a preparatory or auxiliary character.



Local Agents

- The authority to conclude contracts in the country?
- Could create a PE (and also VAT issues)
- Check agreements with agents distributors



Double taxation treaties

- Protect against the risk of double taxation where the same income is taxable in 2 states
- Provide certainty of treatment for cross-border trade and investment
- Prevent excessive foreign taxation and other forms of discrimination against UK business interests abroad
- Income, Capital Gains, Corporate Tax amongst others
- The UK have over 130 agreements and all will be different



Action points

- Each country has different rules, so check exposure
- Where there is tax withheld and irrecoverable, decide on alternate structures
- Know where your customers are and forward plan (new contracts)
- Review agent and distributor contracts
- We can assist, so please drop us a line!



Business Tax Matters

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