

Planning for Brexit



Indirect Tax - Leaving the VAT Union

In the event that the UK's negotiation with the EU sees the end of the UK's participation in the 'VAT Union', several simplifications currently enjoyed by UK VAT registered businesses will be lost. Those businesses would need to consider their future options.

Essentially, these simplifications are designed to facilitate intra-EU trade. The areas which are likely to be affected include:

- **Suppliers of services to EU consumers** - Many UK businesses providing 'electronically supplied' services via their websites etc to customers in the EU account for VAT using a 'Mini One Stop Shop' or 'MOSS' registration. If the UK leaves the VAT Union, these businesses will have to register for VAT in at least one and, in the worst-case scenarios, possibly all 26 (remaining) EU Member States.
- **Online retail operations** – Those businesses selling goods from the UK to EU consumers will no longer be able to rely on the VAT 'distance selling' rules. Instead, shipments must be cleared on entering the EU and, in some cases, it is likely that businesses will have to register for VAT in the relevant Member State. Alternatively, VAT and duty will be demanded from consumers as a condition of delivery. Commercially, this will have a detrimental effect on the 'customer experience'.

- **EU-based suppliers of services** – In future, UK businesses may be asked to pay (local) VAT on some services they receive from suppliers based in certain EU Member States. It is likely that such VAT will be recoverable via an expanded version of the non-EU VAT Refund Scheme but this will increase the administrative burden as well as having an adverse impact on cashflow.

- **Reclaiming EU VAT** – The process for reclaiming EU VAT incurred on costs is slower and more complicated than the electronic system currently available. Businesses would be well advised to consider how to respond to this by either reducing the value EU VAT incurred or plan for a change in the cash flow arising from these claims.

- **EU: "VAT quick fixes"** – In addition, it would seem likely that the new EU VAT measures to simplify international trade (which were only introduced from 1 January this year) will no longer be available to UK businesses. The measures related to the following:

- Simplified treatment for call-off stock
- Uniform rules to simplify chain transactions
- Mandatory VAT identification number to apply the zero VAT rate
- Simplified proof of intra-Community supplies

These changes, together with simplification measures for more complex trading arrangements such as 'triangulation', will almost certainly be no longer available to UK VAT registered businesses following Brexit, assuming that we do leave the VAT Union.

As a result, businesses will need to update their administrative processes, VAT compliance procedures, billing processes, and other matters such as contracts and order processes with customers and suppliers.

We are members of Allinial Global, an international network of independent firms which have lots of experience in this field and they can provide advice on all aspects of the above issues. Our specialists can guide you through the answers to all your Brexit, import and export related questions.

If you would like further details or would like us to put you in touch with any of our international colleagues, please do not hesitate to contact any of our VAT specialists.

Scott-Moncrieff joined Campbell Dallas in May 2019 to become part of the CogitalGroup.

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