

BREXIT: WHAT YOU NEED TO LOOK AT FOR VAT



I. LEGAL POSITION FROM THE 1. JANUARY 2021

The UK will have a third country status for VAT purposes from 1. January 2021. This means that the tax-free intra-Community supply of goods will no longer be possible, it will however be possible to make tax-exempt deliveries. Special rules apply to Northern Ireland.

II. WHAT YOU NEED TO DO TO PREPARE

To make sure that you put yourselves in the best position after Brexit we have prepared a checklist of measures and key points which you need to clarify or should have clarified:

- ▶ Check if you have completed or have to make a British VAT registration.
- ▶ In the event that you have used a simplification procedure to register for VAT in the UK (MOSS — Mini One Stop Shop) we recommend that you also register in another EU country as well.
- ▶ Could new customs and other import duties impact on cash flows? Check whether or not you need to set up a so-called tax deposit account for import VAT.
- ▶ The VAT-Rules relating to declaration and payments will change, given that a number of so-called shortcuts will no longer be available (EU-triangular trade). Are your accounting systems set up so that you can process these changes?
- ▶ Do you need to organise a training for your employees?
- ▶ Check your freight terms and conditions / Incoterms® (2020) for suppliers in the UK / in the EU.
- ▶ Have you considered in detail what might be the impact on your supply chains in particular on your existing export / import flows and any points of friction („Reibungspunkte“)?
- ▶ What can you do to reduce delays on exports and imports? Do you have any critical stock items? Do you need to increase your stocks?

III. WHAT ABOUT

... SHIPMENTS FROM GERMANY TO THE UK?

VAT and customs will probably have to be paid on goods which are moved out of the EU and imported into the UK after Brexit. What does this mean? German companies who are exporting will be required to declare their goods as tax exempt on their VAT returns accompanied by the relevant documentation (Ausfuhrnachweis). In addition, they will have to make an electronic declaration via ATLAS. It is not necessary to show VAT separately on the invoice because the export is tax exempt.

Likewise, it is not necessary to show the VAT ID No. of the British counterparty on the invoice nor will it be necessary to declare the revenue from the transaction on any summary declarations. An importer in the UK who is not registered in the UK for VAT purposes will be required to pay import sales tax in advance at the time of importation. This means it may be necessary to register in the UK for VAT purposes. If you want to benefit from a so-called tax deposit account (Aufschubkonto) you have to give an EORI-number each time goods are exported.

The system automatically creates a monthly import invoice showing the total deferred import sales tax. The import invoice must be kept as proof for the VAT refund after downloading.

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... POSTAL IMPORTS?

The LVCR-threshold (Low Value Consignment Relief) (currently £15/€22) will be abolished. UK registered importers of postal packages.

Please note: Failure to comply with the rules for postal imports can result in a £1000 fine.

... SHIPMENTS FROM THE UK TO GERMANY?

The movement of goods from the UK into the EU will be treated as an export from the UK with effect from 1. January 2021. This may result in EU-Import VAT and customs duties being payable the point in time when the goods are imported into the EU. An assessment for VAT purposes will depend on who is contractually liable for the import sales tax. In some circumstances the import VAT tax can be claimed as input tax in the advance German VAT return.

A so-called tax deposit account (Aufschubkonto) can be used for imports but it has to be applied for if you do not already have one. There may be registration requirements in EU countries that involve additional administrative work and may require the appointment of a fiscal representative.

... TRIANGULAR TRANSACTIONS?

The advantages and ameliorations for cross border triangular transactions will cease.

... USE OF THE MOSS-PROCESS (MINI ONE STOP SHOP)?

It will no longer be possible for providers of B2C telecommunication, broadcasting or digital services to use the **MOSS-Process** (Mini One Stop Shop). This means that users from the UK / non-EU have to re-register in another Member State under the Non-Union system.

... THE TOMS SYSTEM

The UK intends to implement its' own TOMS-System. Participation in the **TOMS system** grants UK-based companies a 20% reduction in VAT on the profit margin on sales of travel services in the UK. In addition, supplies of travel services outside the UK are subject to a zero rate of tax for TOMS purposes in the UK.

IV. CONSEQUENCES

RETHINK: going forward when trading with the UK you will need to think not only about the delivery of the goods as set out above but also about the provision of services since the rules which apply to EU Member States will no longer apply to the UK as a non-Member State/ third party country.