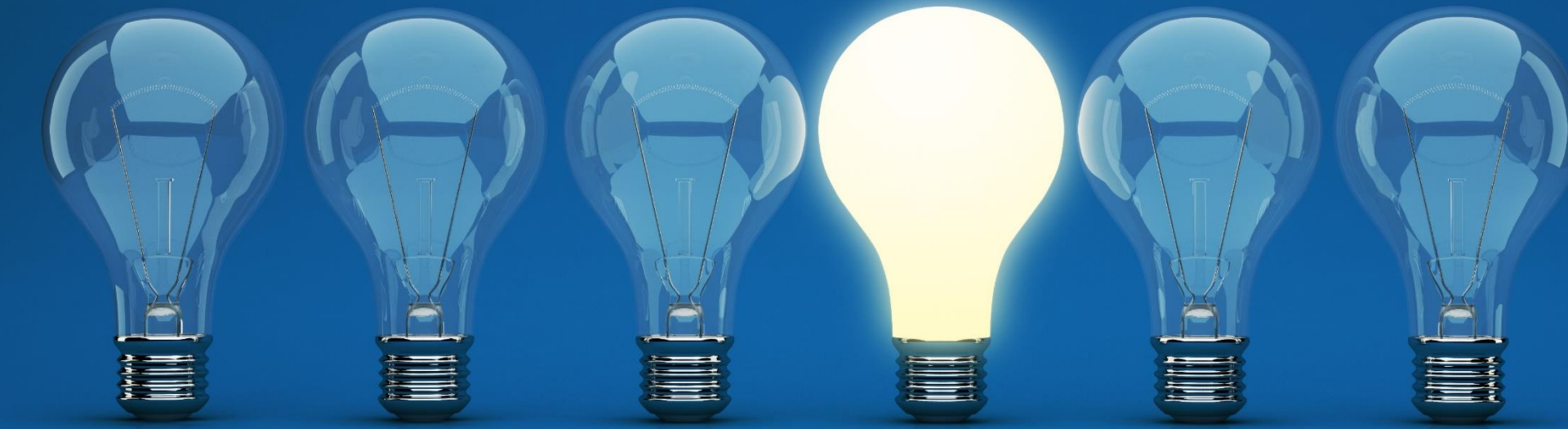
UHY Hacker Young
Chartered Accountants

NatWest

Brexit: What we now know

A joint webinar with UHY Hacker Young Manchester and NatWest



Helping you prosper

What information we have as of 3/1/21…

- Over 1000 pages of detail of the Trade and Cooperation Agreement (TCA)
- Very little commentary from HMRC
- Many key areas were not covered therefore further negotiations are required on topics such as:
    - Data adequacy
    - How the provision of the financial services will work
- A new partnership has been formed co-chaired by European Commission and UK Government. This partnership will oversee the implementation and management of the TCA.

What do we know....

- There will be no tariffs or quotas on certain transactions.
  - For this preferential treatment to apply, businesses will need to ensure that goods meet the rules of origin requirements, proving that the goods in question originated in the UK or EU.
  - There may be some relaxation of these rules initially whilst businesses establish where their goods originate from. (An example of this is for goods moved from EU to UK and vice versa will not require suppliers declarations at the time of export between 1.1.21 and 31.12.21).
- Although tariffs/quotas may not be applicable on the movement of all goods between the UK and any other country, they will be regarded as an import/export which requires customs declarations.

It is expected that these requirements will affect 240,000 UK businesses and 200,000 EU businesses with around 2 million declarations being submitted in 2021.

Rules of Origin

- Detailed in the TCA (37 pages)
- The UK- EU preferential rules of origin determine the origin of the goods based on where the products/materials used in their production come from.
- The purpose is to ensure that preferential tariffs are only given to goods that originate from the UK or EU.
- Standard tariffs will apply for goods that don’t meet the rules of origin.
    - Exports to the EU -> common external tariff.
    - Imports to the UK -> UK global tariff.

Rules of Origin continued…

Claiming preferential treatment under the TCA

- To benefit from this businesses will need proof of origin of the goods concerned by way of:
  - a) A statement of origin completed by the exporter on a commercial document; or
  - b) Knowledge obtained and held by the importer that the goods are originating.
- All proof must be retained for a minimum of 4 years.
- Penalties will apply where businesses deliberately apply the preferential treatment in error.

UHY Hacker Young
Chartered Accountants

The Rules of Origin continued…

- They are a specific set of detailed rules which I am familiar with but not an expert.
- When looking at complex scenarios in relation to customs issues such as Rules of Origin, UHY Manchester use Barbara Scott as an external customs consultant. Barbara has a wealth of knowledge about Customs and International Trade. She is the current chair of the Customs Practitioner Group and is the advisor to the UK Warehousing Association.

Barbara Scott

Email- Barbara@customs.co.uk

Telephone- 0208 866 0950

Exporting Goods to the EU

UK VAT implications

- No UK VAT is chargeable providing zero rating conditions are met:
  - Proof of export is retained
  - Goods are exported within certain time limits

Exporting goods to the EU continued…

Overseas VAT implications

- If origin rules are met, most efficient way to import is to make the buyer responsible for the import using the correct incoterms.
  - Buyer pays import VAT
  - Buyer claims it back (subject to normal rules)
  - Zero import duty to pay
- If the origin rules are not met, import duty is payable in the country of arrival along with import VAT by whoever is responsible for importing the goods.
  - DDP= the UK seller is responsible
  - DAP= the overseas buyer is responsible
- An EU EORI is required by the UK seller if they are the importer of record.

UHY Hacker Young
Chartered Accountants

Exporting to the EU continued…

- Particular attention needs to be made when UK sellers import goods into the EU.
- The importation may result in the requirement of a local VAT registration.
- Local rules differ from country to country. An example of this is in France, Spain (& Belgium?). If the UK seller imports goods, paying import VAT (and duty where applicable), the onward sale to the buyer is a domestic supply, however the VAT is accounted for using the reverse charge mechanism. Therefore no local VAT is chargeable and import VAT is only reclaimable via 13th Directive claim.

Selling goods B2C

- This is going to be challenging until 1/7/21
  - Customer must pay import VAT and duty (where applicable)
- From 1/7/21 the One Stop Shop (OSS) is being introduced whereby non EU Sellers will charge and collect VAT based on the customers location.
- UK sellers choose a country to register in and submit OSS returns, usually the country where the stock enters the EU.
- Nil registration threshold- UK businesses must register as soon as they commence trade with the EU (after joining scheme).

VAT treatment of services provided to EU customers

- Very little guidance as of yet
- Hopeful that the VAT treatment of most services will remain unchanged
  - B2B sales being taxed in the country of the customer using the reverse charge (with some exceptions such as land related services).
  - B2C sales will be taxed where the supplier belongs (again with some exceptions).

  Use and enjoyment provision will probably be extended to include the EU.

Other VAT changes as a result of leaving the EU

- 8th Directive claims can no longer be submitted using the portal. These claims must be done on a paper form and submitted to the TA in the native language.
- Where UK businesses use MOSS to account for VAT in other Member States, this is no longer possible. Businesses affected by this must:
  - Register for VAT in another EU Member State and apply to use the MOSS there; or
  - Register for VAT in each country and account for VAT in each MS.

- The €10,000 threshold no longer applies -> immediate registration requirement

Other VAT changed continued…

- The MOSS (mini-one-stop-shop) is specifically for B2C transactions involving the provision of digital services as:
- Radio and TV broadcasting services
- Telecommunication services
- Electronically supplied services-
  - Supplies of music, film, games
  - Website supply/web hosting services
  - Supplies of software/ software updates

most common

New VAT rules on importing goods worth £135 and under

UK introducing additional measures for overseas goods arriving into GB post 1/1/21.

- LVCR is being removed. This relief previously exempted imports worth <£15 from import VAT.
- OMP's are now involved in the sale of goods. OMP's will be responsible for collecting and paying VAT on Sales via their platform.
- Consignments valued <£135 will have VAT applied at the point of sale rather than import VAT charged on arrival.
    - B2C transactions- VAT will be charged and collected by the seller.
    - B2B transactions- VAT will be accounted for using the reverse charge. Transactions declared on VAT returns. As with all the reverse charge transactions, the seller must know and verify the buyers VAT number.
- The purpose of these rules is to ensure that all foreign sellers are VAT registered in the UK when selling goods worth <£135 to UK end customers.

What to do next?

- Wait and see what the HMRC guidance says
- Please let us know if you have any questions

Michelle Dale

Email: m.dale@uhy-uk.com

Telephone: 0161 236 6936

UHY Hacker Young
Chartered Accountants

The Movement of People

Helen Cowley

January 2021

Helping you prosper

Social security contributions

Prior to 1 January 2021, the UK followed EC social security regulations.

Under the TCA, a worker will continue to be subject to social security regulations in one country only.

This will normally be the place where the person works.

Detached worker rules apply to temporary workers if the home country has adopted those rules.

www.uhy-uk.com/manchester

Detached workers

- Applies when an employee is seconded to work in another country within the EEA or Switzerland.
- Social security coverage can remain in the home country if that country has adopted the detached worker rules.
- The UK has adopted the rules which means that UK workers sent to an EU country and Switzerland for up to 24 months can continue to pay UK NICs.
- The same applies to work of up to 12 months in Iceland and 36 months in Norway.
- The rules also apply to workers that come to the UK from the EEA or Switzerland if those countries have agreed the rules.
- The employer will need to obtain a certificate of coverage from the home country.
- For those who don't qualify, social security contributions will be due in the country where the person works.

What to do next?

- Please let me know if you have any questions

Helen Cowley

Email: h.cowley@uhy-uk.com

Telephone: 0161 236 6936

UHY Hacker Young
Chartered Accountants

Helping you prosper

UHY Hacker Young
Chartered Accountants

UHY

Helping you prosper

www.uhy-uk.com