BREXIT UPDATE:
OVERVIEW OF THE UK POSITION POST BREXIT

BUSINESS TAX ALERT

February 2020

It has been a few days since the UK formally left the EU, on 31 January 2020. There has been no seismic event resulting from the UK's exit from the EU and no significant change in how UK businesses account for VAT on trading with the EU. The reason for this is that the UK has now entered in to an agreed transition period where, for trade purposes, the UK will remain part of the EU until 31 December 2020.

How far the UK deviates from the existing EU VAT regime will be dependent on the UK's negotiations with the EU throughout the transition period. Thereafter, any changes to the existing VAT regime will be implemented.

Although there is no immediate requirement for UK businesses to change the existing VAT procedures applying to trade with the EU, there are steps UK businesses can take over the next few months to prepare themselves for the eventual exit from the EU trading structures on 31 December 2020. If you are a UK business currently trading with the EU you should give thought to the following:

1. Consider your existing supply chain with EU suppliers/customers and identify. In the event of a no deal with the EU, who will be responsible for the import of goods into the EU or UK?
2. Contracts with current EU customers. What are the delivery terms in the event of a no deal? Existing contracts that stretch beyond 31 December 2020 should be appraised to consider the implications.
3. Will there be a requirement to register for VAT in an EU state?
4. Without a customs deal between the UK and the EU, businesses will have to develop customs expertise either by hiring specialist staff or using a customs agent.
5. Ensure your business has applied for a EORI (Economic Operators Registration and Identification) number. This will be the business's unique number to be quoted on import and export documentation.
6. Consider whether obtaining AEO (Authorised Economic Operator) status would be beneficial to the business.
7. Examine your accounting systems to establish if the current systems are tailored to cope with a change in procedures such as changing from intra-community transactions to imports/exports between the UK and third countries.
8. Consider potential import duty/VAT cash flow issues by use of a "duty deferment account" with HMRC or postponed accounting (import VAT accounting via VAT return).

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There will be intense negotiations between the UK and the EU throughout the transition period. Although, within the Withdrawal Agreement, Number 10 agreed with the EU that the transition period can be extended to 2022, a request for an extension must be made by July 2020. Whether such an extension will be requested is dependent on Number 10’s appetite to conclude all negotiations, with or without a deal, by December 2020.

The Rawlinson & Hunter VAT consultancy team advises on domestic and international transactions. We regard VAT as a key tax for many of our clients, which is why our service in this area is led by highly experienced and senior members of the tax team with a proven track record of negotiation success on a range of VAT matters. Our aim is to provide commercially realistic advice and practical solutions to your VAT problems. We believe that VAT should be an important part of the wider tax planning for most businesses.

Our VAT team would be pleased to discuss your business and provide a view on your VAT efficiency. For an initial consultation to see whether there is a need to consider your VAT affairs in more detail, please contact your usual Rawlinson & Hunter Partner or one of the following:

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