



Brexit - important changes in VAT from 1 January 2021

The United Kingdom of Great Britain and Northern Ireland (hereinafter as ‘the United Kingdom’) stopped being a member of the EU on 31 January 2020. A ‘transition period’ has been underway from 1 February 2020 to 31 December 2020, where the procedures in the area of taxation and customs remained the same as if the United Kingdom had remained a member of the EU.

Thanks to the transition period, the subjects doing business with the United Kingdom did not have to change their procedures with regard to the tax and customs regulations.

After the end of the transition period, i.e., from 1 January 2021, it is necessary to prepare for significant changes. If an agreement is concluded between the United Kingdom and the EU with regard to the settlement of future relations (hereinafter as ‘the Agreement’), some impacts can be adjusted as indicated below. With regard to the current developments in the negotiations, it can be assumed that the Agreement will not be concluded in time. Regardless of the Agreement, we can count on the fact that the movement of goods between Great Britain and the EU will now be considered to be the import and export of goods and will be subject to customs supervision. There will also be changes in the administration of VAT and excise duties.

According to the protocol, in the case of Northern Ireland, the same conditions will apply as until now, since it will be a territory that will be part of the internal EU market from the perspective of customs and VAT. Thus, the information given below relates exclusively to transactions with Great Britain and, on the contrary, does not relate to transactions with Northern Ireland.

WHAT IS IMPORTANT TO FOCUS ON

1. EORI registration

The EORI number is the identification number that the subject uses to identify itself when importing goods to the EU and exporting goods from the EU. If your company will export or import goods to/from Great Britain after the end of the transition period, you will need a European EORI number (i.e., an EORI number issued by the United Kingdom will no longer be sufficient). If you do not yet have a European EORI number and you do business with Great Britain, we recommend registering for an EORI number as soon as possible.

2. Change in VAT and Intrastat reporting

The end of the transition period will not only affect the reporting of transactions in the VAT return, EC Sales List and Control Statement, but also in the Intrastat reports. We also cannot forget about the new/different requirements in the matter of VAT invoices issued for customers from Great Britain.

3. Evidence proving imports and exports

In connection with the change, where the movement of goods between Great Britain and the EU will now be considered to be the import/export of goods, it will also be necessary to focus on ensuring sufficient evidence proving the import/export.

4. Simplified approach for triangular trade, call-off stock

The simplified approach of triangular trade represents the often-used simplification when realising two consecutive deliveries, which under certain conditions enable a middle-man (distributor) to avoid VAT registration and the reporting obligation in the country of the end customer. The simplified approach of triangular trade will no longer be possible to use for deliveries to/from Great Britain realised after the end of the transition period.

With the end of the transition period, the possibility to use the call-off stock simplification, which is used if the company has warehouse capacities in Great Britain, will also be ending.

5. Change in setting of INCOTERMS conditions

After the end of the transition period, the delivery of goods from/to Great Britain will be subject to customs clearance (and possibly also customs duties). Thus, your currently negotiated INCOTERMS conditions can also have absolutely essential customs and VAT impacts.

6. Providing services and determining the place of supply

After the end of the transition period, it will be very important to verify whether the existing rules for stipulating the place of the supply of services will continue to be applied for the specific customer or the 'use and enjoyment rule' may take precedence for customers from Great Britain. The change of the place of supply will also occur for selected services provided to non-taxable persons (i.e., non-entrepreneurs). Thus, we recommend that you verify whether there is a change in the services you provide in order to avoid any additionally assessed VAT and related fines.

7. E-commerce

The e-commerce delivery of goods to customers in Great Britain will have a different VAT impacts after the end of the transition period, since the rules for EU distance sellers will cease to apply for the affected subjects.

Most of the companies sending goods to Great Britain (without the use of 'online marketplaces') will be obliged to register for British VAT and will also be obliged to pay British VAT on the date of sale.

We also recommend verifying the proper application of VAT if your goods will be sent from Great Britain to the Czech Republic (e.g., you operate an e-shop).

8. Refund of VAT paid in the United Kingdom (VAT refund)

Any British VAT that you pay in the price of goods/services purchased in Great Britain until the end of the transition period should be claimed through the institute of VAT refunds. It was expected that the methodology for the refund of British VAT would be part of the Agreement,

which does not appear to be too close to fruition. With regard to the uncertain future conditions, we recommend asking for the refund of British VAT during the transition period.

9. Mini One Stop Shop (MOSS)

The Mini One Stop Shop (MOSS) represents a specific system of reporting and collecting tax for legally-defined electronic services, telecommunication services and radio and television broadcasting services provided to non-taxable persons. MOSS makes it possible for the providers of the aforementioned services to fulfil their obligations with relation to VAT in only one member state of the EU, i.e. the provisioning of this fulfilment does not require a VAT registration in all the member states of the EU in which there is a place of supply of the provided services.

There are currently two MOSS regimes recognised, specifically for subjects established in the EU and subjects not established in the EU. Great Britain's exit from the EU will therefore have an impact on all subjects doing business with Great Britain that use MOSS.

With regard to the extensive effects of Brexit, we recommend assessing the practical impacts on your business transactions and to look for alternate solutions for the distribution of goods/provisioning of services.

In specific cases, it could be better, or even necessary, for subjects from the United Kingdom to register for Czech VAT if these subjects decide to use the Czech Republic as one of their distribution centres in the EU.

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