

Global awareness.

International reach.

Local expertise.

A Guide for Businesses

PREPARING FOR BREXIT



PREPARE YOUR BUSINESS BY CHECKING THE NEW RULES THAT WILL APPLY FROM 01 JANUARY 2021 AND TAKE ACTION NOW

The UK left the EU at 23:00 GMT on Friday 31 January 2020. There is now a transition period until the end of 2020 while the UK and EU negotiate additional arrangements.

This guide will help you prepare for Brexit and it includes:

- Clear and simple sections explaining the key implications of Brexit;
- Links to resources, tools and further information; and
- Guidance on steps companies need to take to prepare for Brexit.

There is specific information and pointers about changes that will impact all businesses – from importing/exporting goods and direct taxation, through to the impact on your workforce.

Topics in this guide include:

- **PROTECT YOUR TRADING PRESENCE IN THE UK POST BREXIT**
- **BREXIT IMPACT ON:**
 - **CUSTOMS AND VAT**
 - **DIRECT TAXES**
 - **SOCIAL SECURITY**

There are also lots of helpful links to specific resources and tools to help you prepare for Brexit, as well as for trading in 2021 and beyond.

This is a must-read resource for all businesses



Protecting your trading presence in the UK post Brexit

Act now

THE OPPORTUNITY

The UK remains the 6th largest economy in the world (Investopedia 18/3/20). In addition, with a UK population of over 67m by mid-2020 the UK remains a very significant trading destination for all overseas owned businesses.

EASE OF DOING BUSINESS

Despite the prospect of Brexit the UK remains a major destination for Foreign Direct Investment (FDI) and a major hub for international expansion. Successive governments have seen the value of FDI to the economy and have ensured the UK has a very competitive tax regime to attract overseas businesses, excellent communication links, ease of doing business, access to talent and an employment law environment that is less onerous on employers than in many other countries. **Consequently, the UK is still very much an open and attractive option for overseas businesses looking to protect their trading relationship with customers located in the UK.**

FAVOURABLE TAX ENVIRONMENT

Successive governments have seen the benefit of continuing to reform

the UK corporate tax regime to ensure it remains attractive to international investors. The rate is corporation tax is very competitive whilst incentives like Research & Development, Patent Box and Holding Company reliefs make the UK a very attractive jurisdiction in which to do business.

EASE OF SET UP

Once a decision is made to set up a legal presence in the UK a Limited Company (LTD) can be set up in 2 to 3 working days and is not a costly exercise. The various tax registrations take a few weeks to arrange and a bank account should be opened at an early stage.

SET UP TO EXPAND YOUR UK TRADING PRESENCE

Setting up a legal entity whilst helping to protect your existing customer relationships allows you to make a statement of commercial commitment to the UK market. **This commitment will allow you to seek out new UK customers and grow your UK trading presence.**



HOW ECOVIS CAN HELP: OUR ROLE TAKES AWAY THE BURDEN OF SET UP TO ALLOW YOU TO FOCUS ON GROWTH

- Provide tax advice on Transfer Pricing and other corporate tax regulations **working with your home country Ecovis office.**
- Advise on and set up the appropriate form of legal entity.
- Give advice on VAT and customs requirements post Brexit.
- Give tax advice on the transfer of employees to the UK post Brexit.
- Can provide a fully outsourced finance and tax compliance solution to allow you to concentrate on business growth.
- Provide ongoing advice and support during the early months after setting up the legal entity.

We are here to help you turn Brexit into an opportunity for growth of your business in the UK.



Brexit Impact on Customs and VAT



FROM 01 JANUARY 2021

the EU Customs Union and VAT regime will no longer apply to the UK. As a result, importers of goods from the EU into the UK (excluding Northern Ireland) will need to deal with new customs tariffs, declarations and import VAT rules. A different VAT and customs regime will apply to Northern Ireland.

Custom duties in the UK are a tax levied on imports. Currently there are no tariffs on trade within the EU customs union, but unless the UK reaches a free trade deal with the EU, they will apply to UK-EU trade.



KEY STEPS ALL IMPORTERS AND EXPORTERS SHOULD TAKE NOW

- Make sure the classification of your goods (tariff/commodity code) are correct
- Use the government trade tariff tool to look up commodity codes, duty & VAT rates (www.gov.uk/trade-tariff)
- Ask HMRC for help to classify your goods. Apply for a legally binding tariff information decision
- Ensure your company is registered for both imports and exports. Apply for your EORI
 - From 01 January 2021 you will need an EORI number to move goods between the UK and the EU.
- If you already have an EORI: Check your EORI, does it start with 'GB'? If not apply for a new one
- Be ready for the new customs paperwork. Speak with your customs broker or import-export agent or look at setting up your business to make declarations internally
 - Regardless of whether a deal is reached between the UK & EU, import and export customs declarations will be required for the movement of goods as of 01 January 2021.
 - Exporters are urged to speak with their customs broker or import-export agent who acts on their behalf to secure the service they need beyond the 31 December 2020 or look at setting up your business to make declarations internally.
- Check the new UK tariff for imported goods, as the UK will apply a UK-specific tariff to these
 - From 01 January 2021, the UK will apply a UK-specific tariff to imported goods. This UK Global Tariff (UKGT) will replace the EU's Common External Tariff, which applies until 31 December 2020.



IMPORT VAT

Businesses will need to plan how they wish to pay UK import VAT when new customs and VAT regime takes effect. There are a number of options to consider:

- Defer the import VAT payment through Brexit Postponed Accounting in your VAT return
- Pay at Customs when goods arrive in the UK

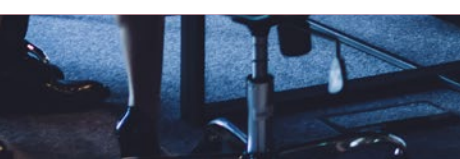
- Ask your customer to pay under Delivered At Place Incoterms. This is the least likely alternative as your customers may be unwilling to pay it

UK INTRASTAT DECLARATIONS

Currently VAT registered businesses in the UK are asked to complete Intrastat declarations in which they report movement of goods from the EU and into the UK. HMRC has indicated that despite Brexit, Intrastat declarations will still be required for imports from the EU.

USEFUL RESOURCES

- Customs declarations for goods you bring or receive into the UK or EU: www.gov.uk/guidance/customs-declarations-for-goods-brought-into-the-eu
- Visit the HMRC website and learn how to classify your goods or find out how to get a legally binding decision on the commodity code you should use: www.gov.uk/guidance/ask-hmrc-for-advice-on-classifying-your-goods
- Apply for a Binding Tariff Information: www.gov.uk/guidance/apply-for-a-binding-tariff-information-decision-notice-600
- From 01 January 2021 you will need an EORI number that starts with GB to move goods to or from the UK. Check your EORI number and apply for a new one if yours does not start with GB: www.gov.uk/eori



Brexit Impact on Direct Tax

CURRENT SITUATION

Although UK direct tax is a matter for the UK, it has been shaped over the years by the four fundamental freedoms enshrined in the EU Treaty – freedom of establishment, free movement of capital, free movement of workers and free movement of goods.

As a member of the European Union (EU) the UK's direct tax was covered by several EU directives. In the event of a no-deal Brexit, EU directives would cease to apply at the end of the implementation period on 31 December 2020.



WITHHOLDING TAXES

Currently WHT is typically eliminated on payments between two EU member states as result of the following EU directives:

- **Parent / Subsidiary Directive:** eliminates WHT on dividend payments between associated EU companies.
- **Interest and Royalties Directive:** which exempts from WHT most payments of interest and royalties between associated EU companies where the recipient is the beneficial owner of the income.

These directives have been incorporated into the UK tax legislation. Therefore, in the event of a no-deal Brexit, these rules should continue to apply on payments to associate companies in other EU Member States.

However, this may not be reciprocated by other Member States. Although UK businesses could rely on the particular Member State's domestic tax rules and tax treaties between UK and individual Member States, they may not offer the

same level of relief as under the directives.

Brexit could result in an increased tax burden for UK businesses with investment in and transaction with these treaty jurisdictions as some EU Member States may start to withhold tax from payments made for example by EU subsidiaries to its UK parent companies which exempt under the Parent / Subsidiary Directive.

Further, when UK leaves the EU, State Aid rules and Code of Conduct rules on business tax relating to harmful tax practices will cease to apply. As a Member State, UK was required to obtain EU State Aid approval for various reliefs like EIS, EMI and R&D reliefs. This may continue to be the case if an agreement between the UK and the EU is to be reached to maintain a "level playing field".

Even though the shape and structure of the UK's exit from the EU remains unclear, UK businesses should start to consider the direct tax consequences of Brexit now, so they have time to put in place any necessary changes.

ACTION POINTS TO CONSIDER

- Review any arrangements that currently place reliance on EU directives rather than the terms of a double tax treaty ("DTT")
- Review the terms of the DTT and ensure relevant documentation is prepared where a formal claim is required in the EU jurisdiction
- Speak to your Ecovis tax adviser to review all cross border transactions



Brexit Impact on Social Security

CURRENT POSITION

If your UK employer sends you to work in an EEA country you may be able to continue paying UK National Insurance contributions if you are abroad for up to 2 years. You would not then need to pay social security contribution in the country where you are working. You may need a Portable Document A1 as proof.

If you work for an employer in the EEA, you will normally pay social security contributions in the country where you work. You may then be entitled to State benefits in that country but your entitlement to UK benefits, including the State Pension, may be affected.

There are corresponding arrangements for EU / EEA citizens working in the UK. The A1 programme prevents a double liability for contributions

NO-DEAL BREXIT

There may be no reciprocal agreement

on social security contributions and a potential liability to pay contributions in both your home country and the country in which you are working.

We understand that A1 programme arrangements entered into before the end of the Transition period will continue to be valid albeit that they may extend beyond 31 December 2020.

The UK has drafted legislation to continue to apply the existing rules unilaterally in the event of a no-deal Brexit but this will be subject to any bi-lateral agreements made with individual EU countries.

UK employers with employees working in the EU or EEA should contact the relevant EU social security institution(s) to ascertain if those employees are required to pay social security contributions in that country.

UK nationals may need a visa or work permit and meet relevant professional



requirements to travel to the EU for work. Updated guidance is published on the GOV.UK website.

RESIDENCE

EU nationals currently living in the UK may need to apply to the EU Settlement Scheme by 30 June 2021 in order to continue living here.

STATE HEALTHCARE

Reciprocal Healthcare Agreements (European Health Insurance Card, S1 certificate) will no longer be in effect. The UK Government recommends that UK citizens travelling to the European Union ensure that they take out travel insurance with health care cover. Similarly, EU citizens travelling to the UK should have equivalent insurance cover.

USEFUL RESOURCES

- Do you employ UK nationals living in the EU/EEA/Switzerland? If so, check this government guidance: www.gov.uk/guidance/living-in-europe
- Do you have UK staff that travel to the EU for work? If so, check the government guidance: www.gov.uk/visit-europe-1-january-2021
- This online government tool will guide you through a series of questions and provide you with a tailored action plan to support you getting ready for the new rules: www.gov.uk/transition-check
- The guide and checklist produced by the Chamber of Commerce is also highly recommended as it provides a number of additional links plus explanations that you will find useful: www.britishchambers.org.uk/page/post-transition-brexit-checklist

For more information, please

GET IN TOUCH

Gerry Collins, Managing Partner

T: +44 (0) 207 317 6675

E: gerry.collins@ecovis.co.uk

W: www.ecovis.co.uk

ECOVIS Wingrave Yeats UK Limited
Waverley House, 7-12 Noel St
London W1F 8GQ

The information contained within this booklet is for guidance only and does not replace the advice of an industry professional, which should be sought when undertaking a project of this nature.

All information correct at the date of publication: November 2020.