

# Brexit Webinar - Indirect Taxes

*Drogheda & District Chamber*

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# Presenters

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# Economic Overview – where are we now?

# Brexit

## Three possible outcomes



### 'No Deal' Brexit

No free trade agreement is concluded between the EU and UK during the transition period and the UK leaves the transition period on WTO terms (Jan 2021)



### 'Deal' Brexit

The UK agrees a free trade agreement with the EU which will come into force at the end of transition period (Jan 2021)



### Fudge

The UK and the EU find a way to maintain the status quo. This could involve some form of an 'implementation' period whereby parts of the deal that are completed come into play while they finalise the rest

# Goods trade between NI and ROI

# Northern Ireland Protocol

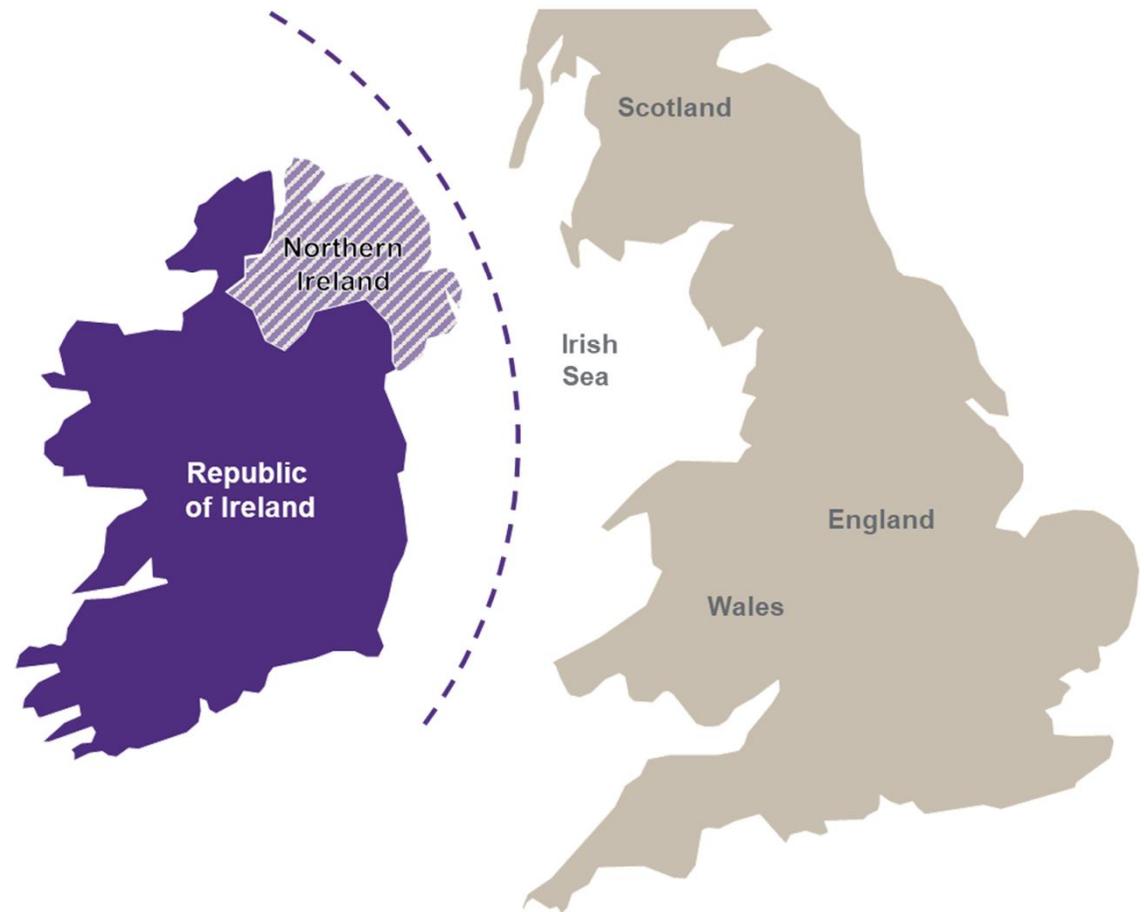
NI Protocol applies regardless of whether wider free trade agreement between EU and UK

NI remains in EU Single Market for goods, so harmonisation on goods standards with ROI and no regulatory checks

But some regulatory checks, including SPS controls, for goods moving from GB to NI

NI part of UK customs territory

NI follows EU VAT rules in relation to goods (but not services)



# Goods trade: Northern Ireland/ROI

## VAT

- Current VAT treatment should apply
  - B2B supplies treated as zero-rated intra-EU dispatches
  - B2C supplies will use distance selling rules
- NI businesses may continue to use EU VAT refund system for VAT incurred on goods
- There will be no requirement for a new VAT registration for sales of goods in NI. If a business is already VAT registered, its existing VAT registration will be unaffected and it will not need to get another VAT registration.
- NI businesses will need to apply new EU 2021 changes from July 2021 e.g. One Stop Shop

# Goods trade: Northern Ireland/ROI

## Customs

- EU customs rules apply in NI, so no tariffs, customs controls or declarations required
- Frictionless border with ROI should be maintained
- Transit declarations probably needed where goods from NI transit through GB and onto EU (or vice versa)

# Goods trade between ROI and GB

# Great Britain/ROI

## VAT – Imports

- Import VAT to move to “postponed accounting” in GB and ROI
- Reverse charge in the VAT return instead of VAT paid at border (available to all VAT registered businesses)
- UK/Irish VAT registration may be required for DDP terms / drop-shipping



# Great Britain/ROI VAT – Exports

- Intra-EU dispatches become exports
- EC Sales List/VIES to disappear in respect of GB
- Intrastat may remain for statistical reporting
- As far as statistical returns are concerned, HMRC has confirmed that Intrastat returns will, however, be required for certain movements of goods (goods imported into GB from ROI, goods imported into NI from ROI and goods exported from NI to ROI)
- Goods exported from GB to ROI will not require a supplementary declaration
- Intrastat returns will not be required for the movement of goods between GB and NI
- Loss of triangulation simplification with UK number in chain



# Great Britain/ROI trade Customs

- Requirement to make import and export declarations
  - Use customs agent
  - Do in-house (specialist software, authorisation and training)
  - Supplementary information needed
- Obtain an Economic Operator Registration and Identification number (EORI)
- In ROI, Trader Account Number 'TAN' is automatically assigned
- Apply for a deferred payment authorisation – allows your business to import product in one month and defer payment to the 15<sup>th</sup> day of the following month



# Great Britain/ROI trade Customs in GB

- Customs controls initially introduced on a phased basis by UK
- From 1 January to 30 June 2021:
  - Record “standard” goods in commercial records
  - Submit supplementary declaration and pay duties six months later
  - No entry summary declaration
  - Importer/agent must have authorisation and duty deferment account in place by 1 July
  - “Controlled” goods will require declarations
- From 1 July 2021, full import controls apply



# Great Britain/ROI trade Customs

- Duty mitigation strategies including relief schemes
  - inward processing
  - outward processing
  - customs warehousing
  - authorised use
  - temporary admissions



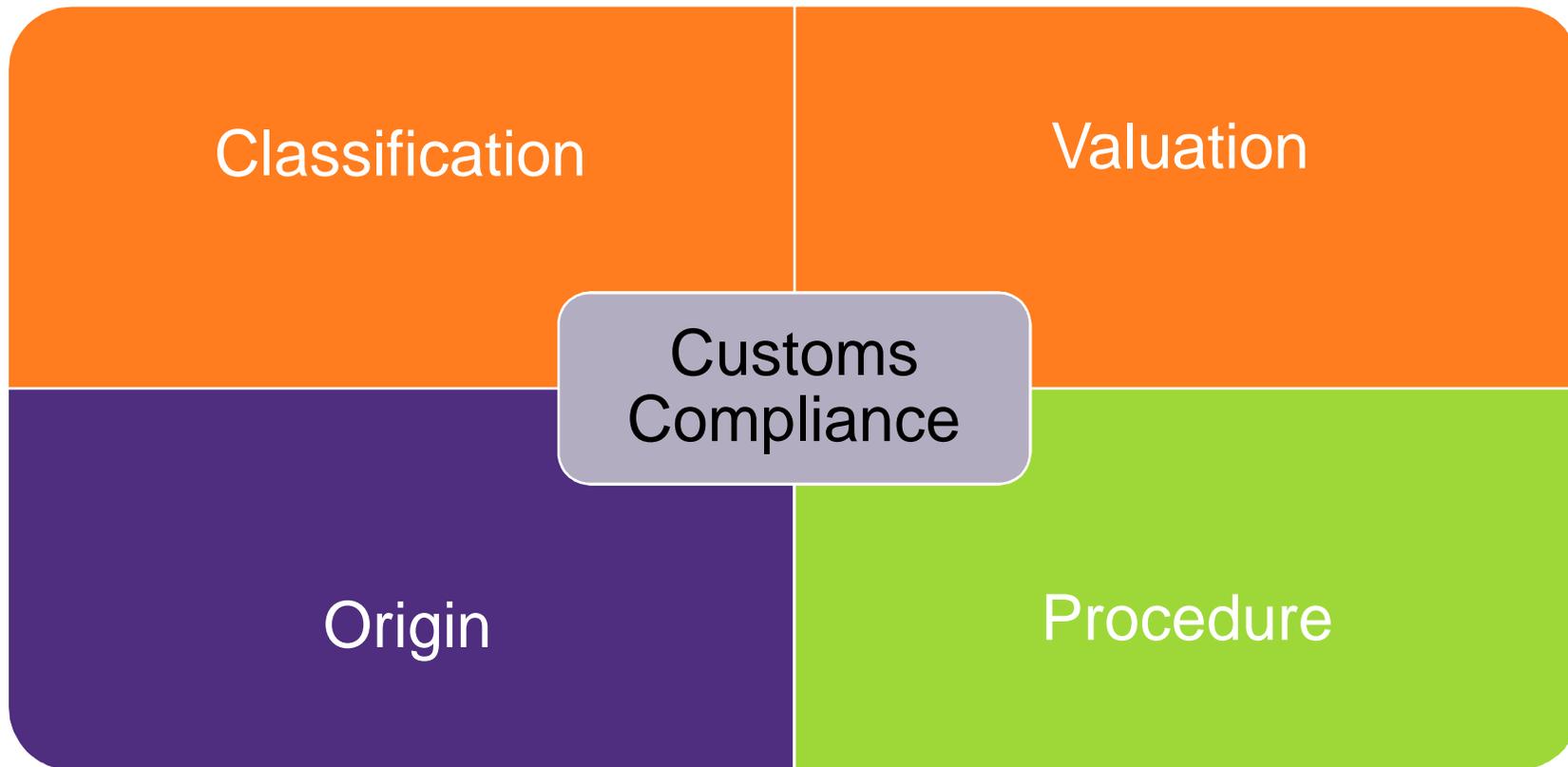
# Customs Essentials

# Customs online in ROI

- All interaction with the Irish Revenue for customs purposes is done electronically
- Automated Entry Processing (AEP) system handles the validation, processing, duty accounting and clearance of customs declarations
- Businesses need dedicated software to use Direct Trader Input (DTI) for making electronic declarations to the AEP system
- In the absence of this software, businesses must appoint a customs agent to make declarations on its behalf
- To apply for this facility, businesses should complete the [application for approval for direct trader input](#) and submit it through [MyEnquiries](#)
- DTI users communicate with the AEP system through ROS
- Cash and deferred payment balance amounts can be viewed on ROS

# Pillars of customs compliance

## Magnified importance post-Brexit



# Customs Declarations

Know the key data required for a customs declaration

- Classification - commodity codes determine duty payable
- Customs value - includes value of goods plus insurance/ transport costs
- Origin of the goods - country of origin may not be the same as country of import. It is where the goods were wholly obtained or produced. It can also include the country where goods have undergone either a substantial or sufficient transformation.

Customs compliance

- customs agent or in house? Is training required?
- Outsourcing the preparation and filing of customs declarations is not outsourcing of responsibility and liability! Adhere to a clear document retention policy.

# Customs – record keeping and supplementary information

- SAD form is harmonised internationally - used both for export and import declarations as well as in transit through other jurisdictions to a final point of exit or entry within the EU and third countries
- Record keeping will be crucial for establishing how the customs liability was established
- Supplementary information may also be required:
  - a) Commercial invoice
  - b) Bill of lading or airway bill
  - c) Packing list
  - d) Veterinary or plant health certificates
  - e) Licences

# Authorised economic operator (AEO) status

Benefits of AEO status include:

- Reduced frequency of physical customs checks and potential fast-tracking of consignments through customs controls
- Potential international recognition of AEO status in all countries where “Mutual Recognition Agreements” have been signed

Certification available where meet standards relating to:

- Safety and security
- Systems to manage commercial records
- Compliance with customs rules
- Financial solvency
- Practical standards of competence or professional qualifications

# Authorised economic operator (AEO) status

## How to apply for AEO status

### 1. Complete a self-assessment questionnaire

Before you apply for AEO status your business should complete this [self-assessment questionnaire](#). This will help you to evaluate procedures and ensure they meet the criteria for AEO.

### 2. Complete an application for AEO certificate

If you feel that your business will meet the criteria, you should complete the application for AEO certificate and submit your application electronically.

AEO page on the [Commission website](#). Go to the section on how to apply and click on the EU Trader Portal for eAEO.

# Customs Summary

# Summary of new customs arrangements

## Note:

Does not cover every combination of movements and some exceptions will apply

Only addresses simple movements of goods and not where manufacturing or processing occurs in intermediate territory

Does not take into account transit relief (or other customs special procedures), which could mitigate duties

Goods moving from	Going via	Ending up in	What duty is paid and where?	Can duties be reclaimed from UK?
Rest of UK	Northern Ireland	Northern Ireland	None, provided not "at risk" of moving into EU	Yes, if EU duty paid because "at risk" of moving into EU
Rest of UK	Northern Ireland	Ireland/EU	EU rate by importer into NI	Potentially although TBC
Rest of UK	Ireland/EU	Northern Ireland	EU rate by importer into Ireland	No
Northern Ireland	Rest of UK	Rest of UK	None	N/A
Northern Ireland	Ireland/EU	Ireland/EU	None	N/A
Northern Ireland	Rest of UK	Ireland/EU	EU rate by importer into EU	No
Ireland/EU	Northern Ireland	Northern Ireland	None	N/A
Ireland/EU	Northern Ireland	Rest of UK	UK rate under UKGT by importer into GB, if not NI "qualifying" status (subject to any UK/EU FTA)	No
Ireland/EU	Rest of UK	Northern Ireland	UK rate under UKGT by importer into GB (subject to any UK/EU FTA)	No
Rest of world	Rest of UK	Rest of UK	UK rate under UKGT by importer (subject to any FTA)	No
Rest of world	Northern Ireland	Rest of UK	UK rate under UKGT by importer (subject to any FTA), provided not "at risk" of moving into EU	Yes, if EU duty paid because "at risk" of moving into EU – likely difference could be claimed if UK rate lower
Rest of world	Northern Ireland	Ireland/EU	EU rate by importer into NI	Potentially although TBC

# Brexit and Services

# VAT on services

- B2C supply of certain services to EU no longer subject to VAT
- UK Mini One Stop Shop (MOSS) for digital services to close
  - Need to register in EU member state under “Non-Union Scheme” e.g. Ireland
  - Non-established digital service providers need to register for UK VAT (no longer reportable through a MOSS registration)
- Increased VAT recovery for entities supplying insurance and financial services to UK customers
- No requirement for EORI number if providing services only

# What should businesses do now to prepare for Brexit?

# What should businesses do now to prepare?

## Businesses should consider:

- How they will submit customs declarations
- Applying for an EORI number if they don't already have one
- Commodity codes/tariffs on products under EU Common External Tariff
- Which party is responsible for import formalities / duties in supply chains
- Whether any customs special procedures/reliefs could mitigate impacts
- VAT changes, and whether any new VAT registrations are required e.g. DDP terms

# What should businesses do now to prepare?

## In addition businesses trading in/with NI should consider:

- What procedures need to be followed when goods move through GB to EU countries (and vice versa), or when NI goods move through ROI to reach GB
- What the “origin” of goods will be for the purposes of UK and EU’s FTAs
- Whether goods imported from GB/RoW will be “at risk” of moving to EU
- How to obtain “qualifying status” to show goods are NI origin i.e. a product which is present in NI and is not subject to any customs supervision, restriction or control VAT changes for GB/NI trade or is an NI processed good
- Not possible to re-route goods in order to avoid otherwise applicable import formalities

# Q&A

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# Thank You

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