

Tax webinar: What happens on 1 January 2021?

Grant Thornton

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Introduction

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Panellists



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Economic overview

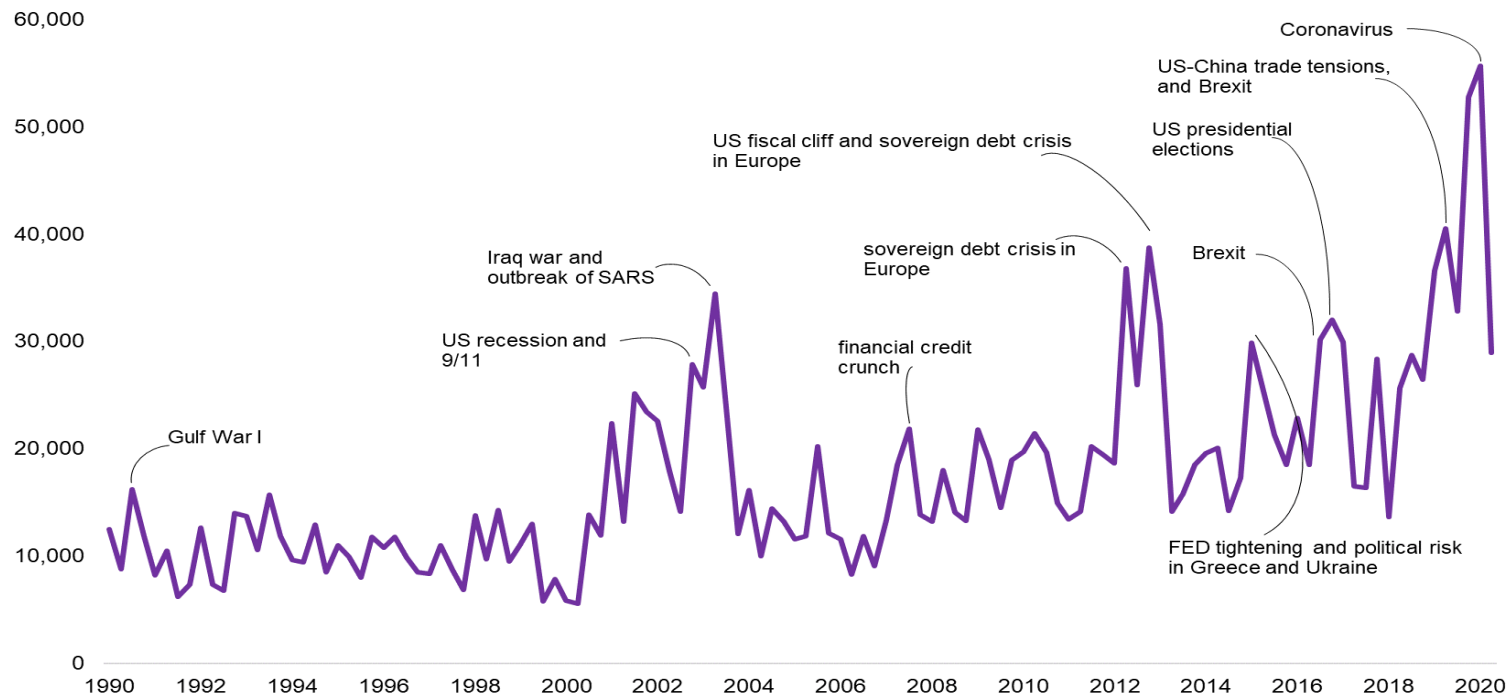
Lindsay Bell

Discussion

- Global context and the impact of Covid-19
- Key issues for our future prospects
- Where next?

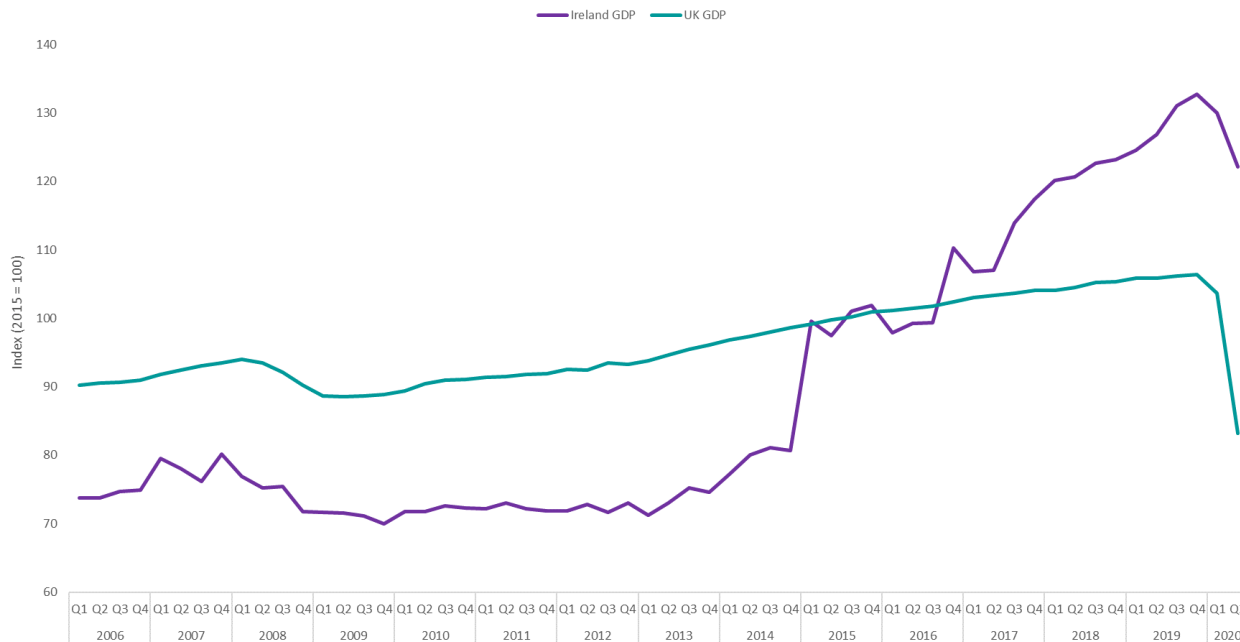
Global context

Relative calm turns to chaos – the world uncertainty index



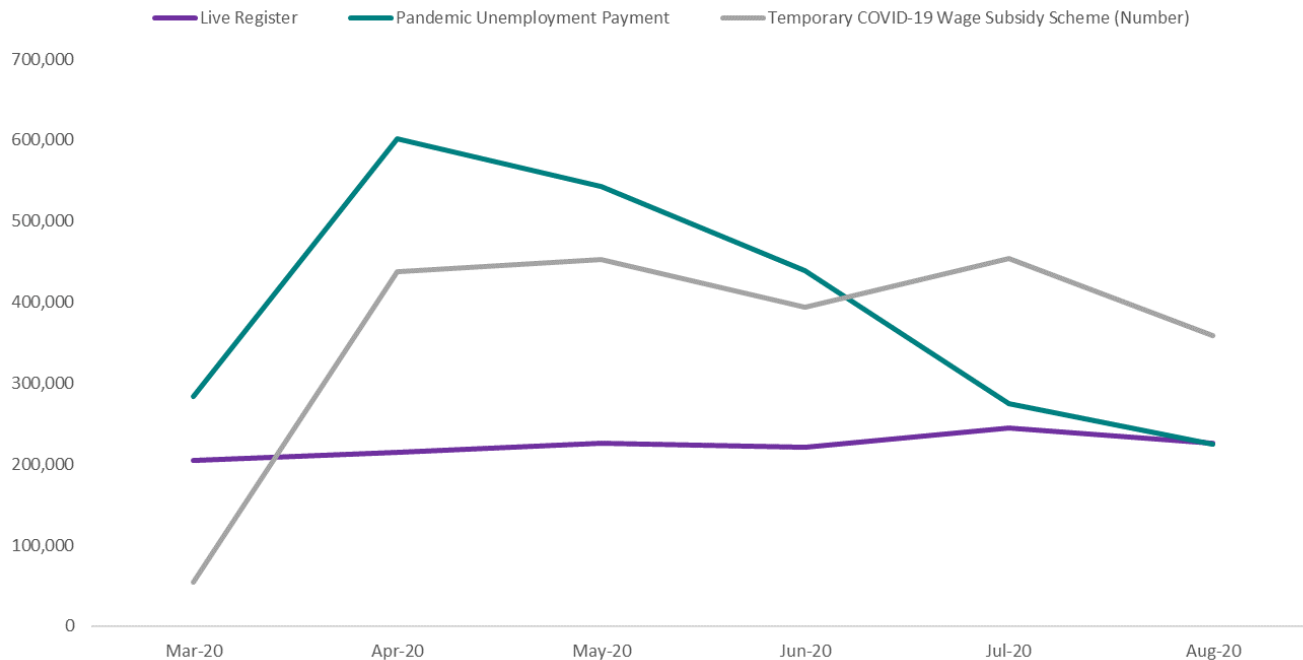
Unprecedented declines

Economic Performance Ireland and UK GDP, Q1 2006 – Q2 2020



Unprecedented declines

Labour market supports crucial



Impacts vary across sectors

COVID-19

Social Distancing Risks for European Workers

LOW

Sector;

- Financial, insurance or real estate services
- Supply, management or treatment of water
- Public administration & support services
- Construction
- Manufacturing

Occupation;

- Other elementary workers
- Legal & social professionals
- Technical labourers
- Assemblers
- Office associate professionals
- Technical managers
- Handcraft & paint operators
- Metal & machinery workers
- Legal & social associate
- Electro engineering workers

VERY HIGH

Sector;

- Education or health services
- Agriculture, horticulture, forestry or fishing
- Cultural industries (arts, entertainment)
- Transportation or storage

Occupation;

- Driver & vehicle operators
- Cleaners & helpers
- Customer clerks
- Protection workers
- Street services workers
- Agricultural labourers
- Farmworkers and gardeners
- Construction workers
- Business managers
- Teaching professionals
- Forestry & fishery work
- CEOs, officials & legislators

VERY LOW

Sector;

- Supply of gas or electricity, mining professional & scientific services
- Information & communication technology.

Occupation;

- Office professionals
- Office support clerks
- Office clerks
- Accounting clerks
- Science & engineering technicians
- Research & engineers
- ICT technicians
- ICT professionals

HIGH

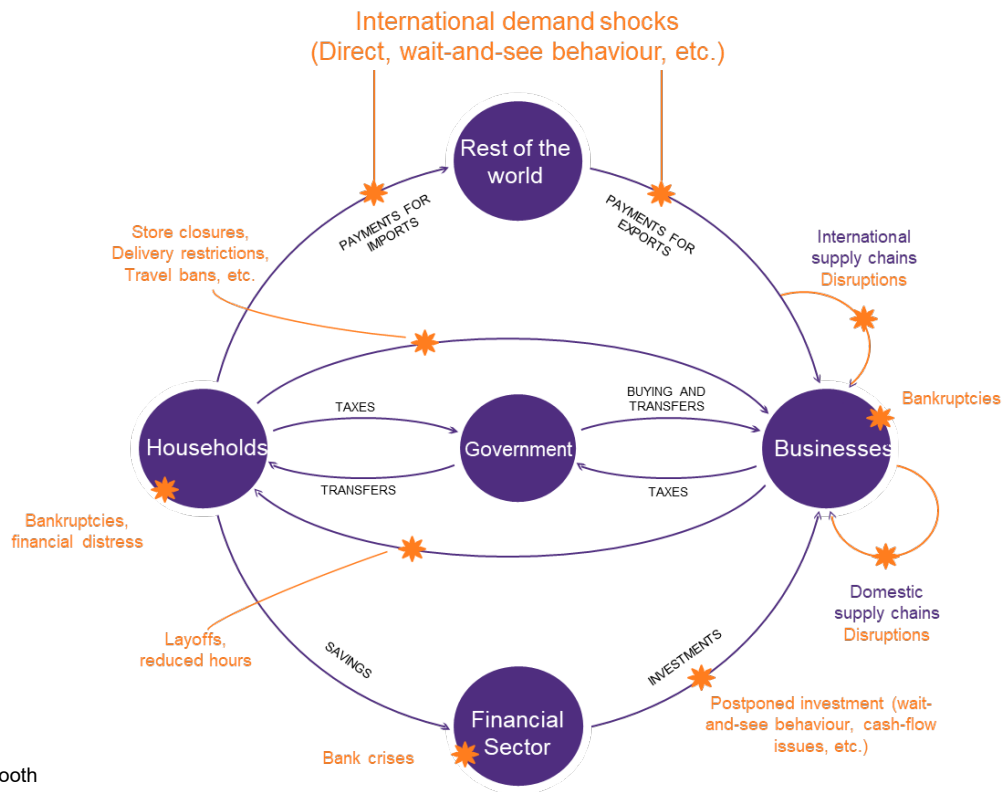
Sector;

- Accommodation & food services
- Wholesale & retail trade, sales, shop work
- Social & personal services

Occupation;

- Care workers
- Sales workers
- Personal service workers
- Hospitality & retail managers
- Health professionals
- Food preparation helpers
- Health associate professionals.

Consequences and links across the whole economy



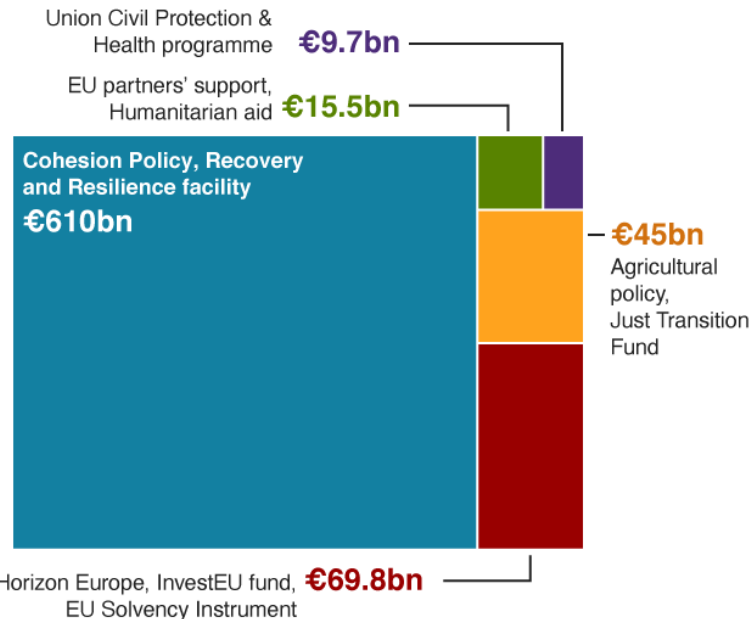
Source: Adapted from Chicago Booth

Uncertainty prompts large stimulus packages

- €750 billion in grants and loans
- Money raised will be paid back over 30 years between 2028 and 2058.
How?
 - Carbon taxes?
 - Digital taxes?
 - A tax on non-recycled plastics?

EU stimulus composition

Where the €750bn will be invested



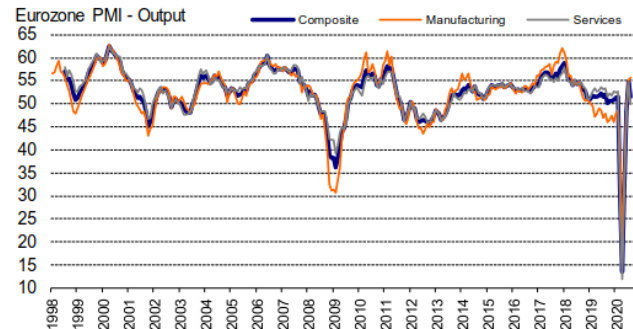
Source: European Commission

BBC

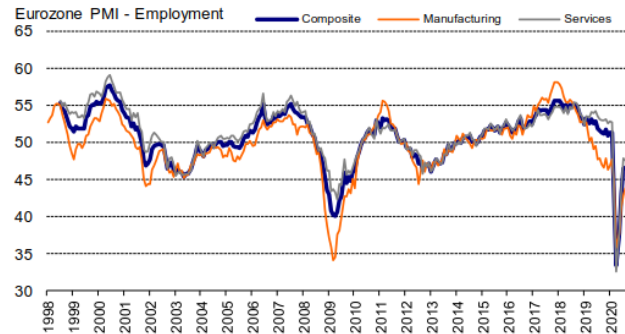
Sustained bounce back?

- The eurozone's rebound lost momentum in August, highlighting the inherent demand weakness caused by the pandemic.
- Recovery was undermined by signs of rising virus cases in various parts of the euro area
- Manufacturers continued to post marked increases in output and new orders.
- Companies remain cautious when making decisions on employment, again opting to lower staffing levels in August amid a lack of confidence in the recovery.

Output

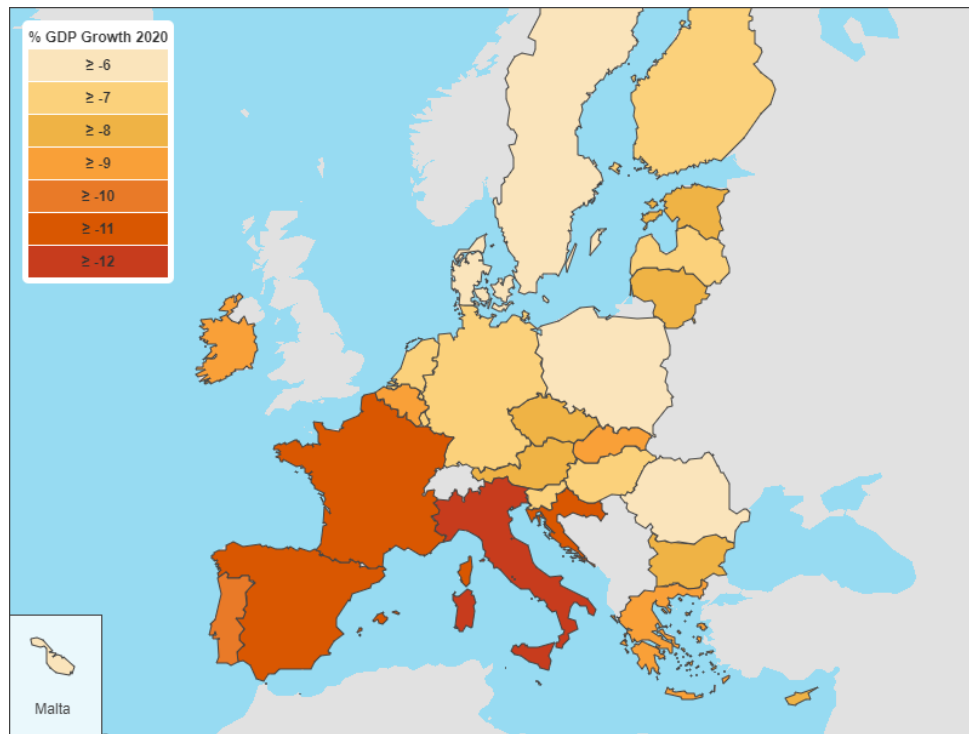


Employment

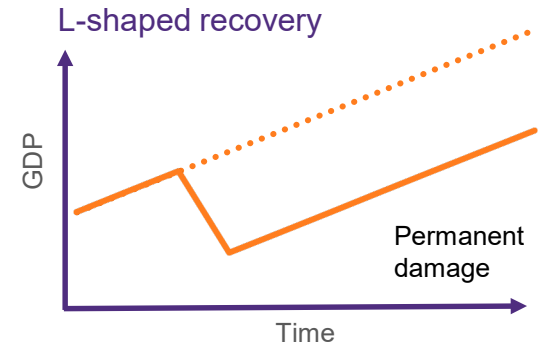
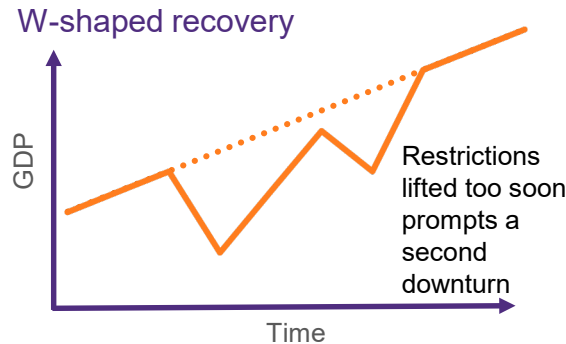
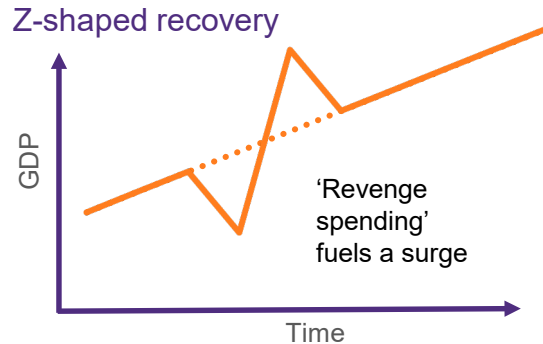
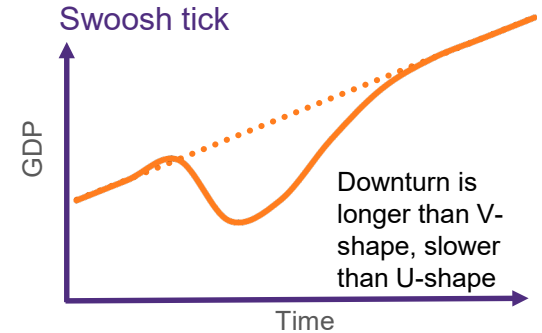
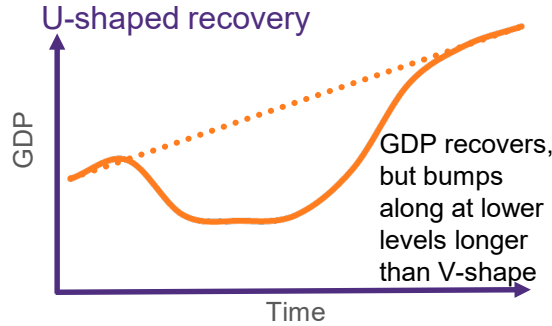
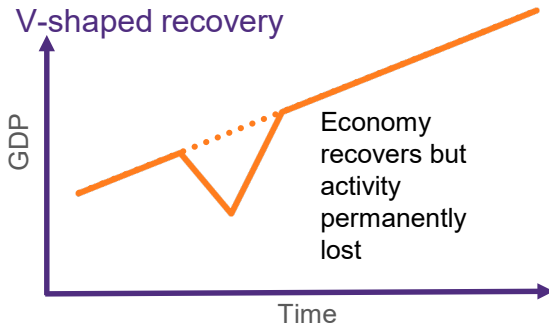


Deep declines now but a 2021 recovery?

- The EU's Summer 2020 Economic Forecast projects that the euro area economy will contract by 8.7% in 2020 and grow by 6.1% in 2021.
- The EU economy is forecast to contract by 8.3% in 2020 and grow by 5.8% in 2021.



Recovery alphabet: The recovery path is still unknown



Corporate and International Tax

Lorraine Nelson

Corporate & International Tax

EU27 direct tax position

January 31, 2020

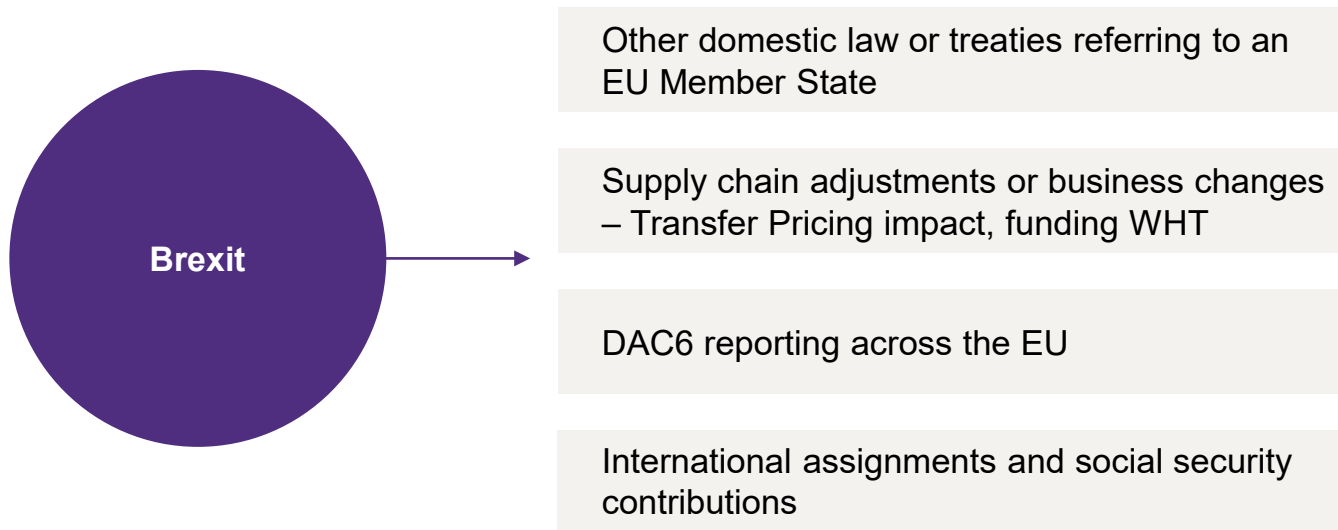
- UK no longer an EU member state in legal terms
- EU27 domestic provisions **not** part of a Directive could now exclude UK (tax consolidations, CFC white lists, claw back?)
- Directives should still apply to the UK so EU27 treat UK as a member state for WHT, Mergers etc.

End of transition

- Unless agreed, EU27 no longer obliged to treat UK as an EU Member State for Directives. Some concessions (e.g. Italy)
- Cross border payments of interest, royalties or dividends could attract WHT – consult treaty network
- Clearance / admin requirement even if treaty still at 0%

Corporate & International Tax

What else should I be thinking about?



Irish Indirect Tax

Janette Maxwell

Irish Indirect Tax

- From 1 January 2021 – trading with the UK are regarded as imports and exports and are no longer intra-community supplies
- Obtain an Economic Operator Registration and Identification number (EORI)
- Once EORI number is obtained a Trader Account Number 'TAN' is automatically assigned
- Apply for a deferred payment authorisation – review cost
- Above allows your business to import product in one month and defer payment to the 15th day of the following month

Authorised economic operator (AEO) status

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
- Benefits of AEOC status are:
 - Guarantee waivers or reductions
 - Quicker access to some customs simplified procedures

Authorised economic operator (AEO) status

- 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
- A business may apply for:
 - AEO status customs simplification (AEOC)
 - AEO status security and safety (AEOS)
 - Both of the above

Customs – Brexit Essentials

- Customs formalities will apply post Brexit i.e. requirement to submit customs declarations
- You or an agent on your behalf must have the facility to file electronic customs declarations to Revenue
- 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

Customs – Brexit Essentials

- Know the key data required for a customs declaration
 - Commodity codes determine duty payable
- Customs value of goods
 - 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.

VAT & Customs – Brexit Essentials

- VAT postponed accounting for imports will provide a solution to a potential negative cash flow impact on traders following Brexit
- B2C supply of certain services to UK customers no longer subject to VAT
- Increased VAT recovery for Irish entities supplying insurance and financial services to UK customers



Practical Irish indirect tax advice

1. Obtain an EORI number if intending to trade with the UK post Brexit
2. Understand the movement of goods in your supply chain and review to see if changes are required to mitigate costs
3. Be familiar with commodity codes applying to your products and the tariff rate
4. Consider who will file the customs declarations - if outsourcing or training staff
5. Review supplier and customer agreements and consider implications of incoterms post Brexit e.g. DDP, and who is the importer of record
6. Obtain an Irish VAT registration if required – don't delay as Irish VAT registration applications will significantly increase in Q4 2020

UK VAT and Customs

Lee Squires

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

Northern Ireland Protocol

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

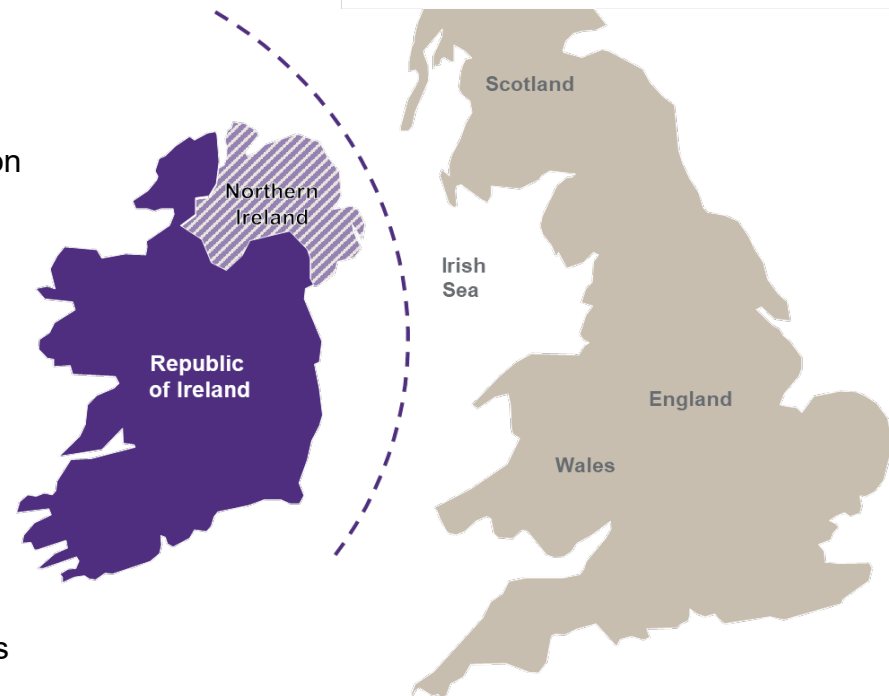
NI remains in EU Single Market for goods, so harmonisation on goods standards with ROI and no regulatory checks

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

NI part of UK customs territory, but imposes EU customs duties in some cases and follows EU customs rules

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

Subject to democratic consent of NI Assembly after 4 years from end of transition period; if not, ends 2 years later



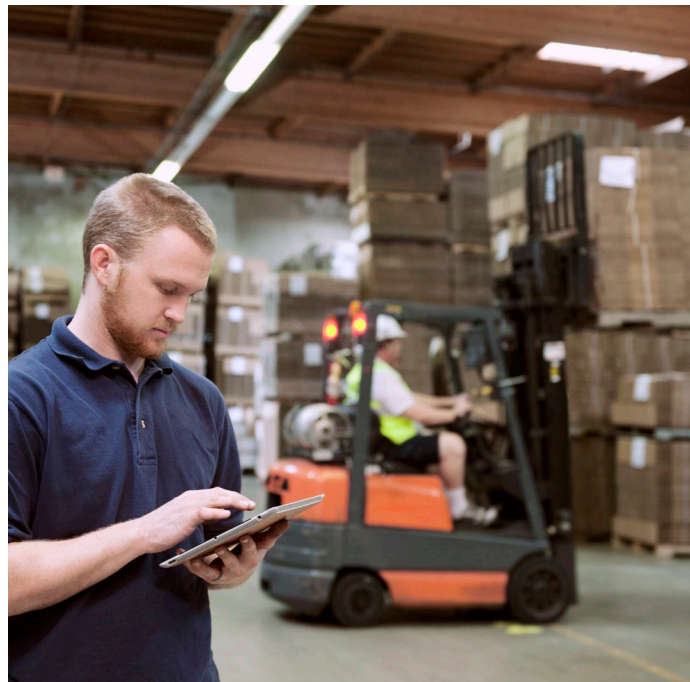
VAT and customs issues

- Consider 4 scenarios for goods trade:
 - Great Britain/EU (inc ROI)
 - Northern Ireland/EU (inc ROI)
 - Northern Ireland/Great Britain
 - Northern Ireland/RoW

Great Britain/EU trade

VAT - Imports

- Import VAT to move to “postponed accounting” – reverse charge in the VAT return instead of VAT paid at border (available to all UK VAT registered businesses)
- UK VAT registration may be required for DDP terms / drop-shipping
- B2C e-commerce sales



Great Britain/EU trade

VAT - Exports

- Intra-EU dispatches become exports
- EC Sales List to disappear but Intrastat may remain for statistical reporting
- Loss of triangulation simplification with UK number in chain
- Local VAT registrations may be required for DDP terms / drop-shipping and chain transactions



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 UK entities supplying insurance and financial services to EU customers

Great Britain/EU trade

Customs

- Requirement to make import and export declarations
 - Use customs agent/freight forwarder
 - Do in-house (specialist software, authorisation and training)
 - Supplementary information needed
- Obtain an Economic Operator Registration and Identification number (EORI)
- New UK Global Tariff schedule
 - Eliminations and simplifications
 - Subject to UK-EU free trade agreement



Great Britain/EU trade

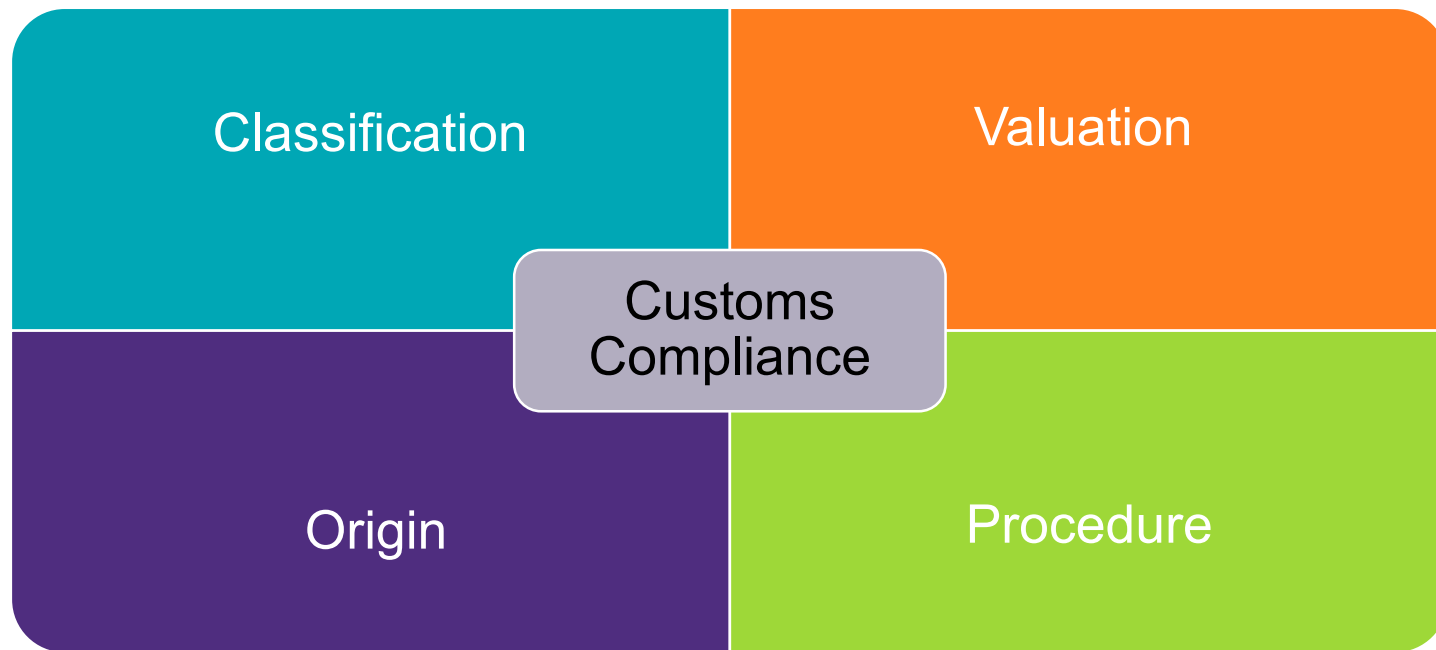
Customs

- 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



Pillars of customs compliance

Magnified importance post-Brexit



Great Britain/EU trade

Customs

- Duty mitigation strategies including relief schemes
 - inward processing
 - outward processing
 - customs warehousing
 - authorised use
 - temporary admissions
- Roll-over of existing EU FTAs to the UK



NI Protocol

- Most EU VAT rules (inc future amendments) on goods and excise duty rules continue to apply in NI
- Potentially 3 UK VAT regimes:
 - GB rules for goods
 - NI rules for goods (reflecting EU law)
 - UK-wide rules for services
- Some operational aspects still to be agreed
- Difference of opinion between EU and UK – uncertainty

Goods trade: Northern Ireland/EU (inc ROI)

VAT

- Current VAT treatment should apply
 - B2B supplies treated as zero-rated intra-EU dispatches
 - B2C supplies will use distance selling rules
- European Commission proposal to introduce special VAT ID number for NI businesses
- NI businesses may continue to use EU VAT refund system for VAT incurred on goods
- NI will need to apply new EU 2021 changes from July 2021

Goods trade: Northern Ireland/EU (inc 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: Northern Ireland/Great Britain

VAT

- TBC – Supplies of goods probably treated as imports/exports, but postponed import VAT accounting should be available

Customs

NI to GB

- Unfettered access for NI goods with no import declarations, tariffs or customs checks
- But may need special rules for goods without NI “qualifying status”
- Export declarations not normally required
- UK Government – exit summary declarations not required
- Issues for goods moving to GB via ROI

Goods trade: Northern Ireland/Great Britain

Customs

GB to NI

- Import declarations and entry summary declarations required
- No new physical customs infrastructure – light touch approach
- New “Trader Support Service”
 - Online training/guidance on customs processes
 - Support GB-NI customs declarations for traders



Goods trade: Northern Ireland/Great Britain

Customs

- *GB to NI (continued)*
- Goods subject to EU external tariff if “at risk” of moving into EU (whether by themselves or forming part of other goods following processing)
- Goods considered “at risk” of subsequent movement into EU unless:
 - Will not be subject to commercial processing in NI, and
 - Fulfil criteria established by UK-EU Joint Committee
- Subject to state aid, UK may reimburse/waive duties or compensate businesses
- Position depends on whether UK and EU agree a zero-tariff FTA

Goods trade: Northern Ireland/RoW

VAT

- Supplies of goods treated as imports/exports, but postponed import VAT accounting should be available

Customs

- UK tariffs under UK's Global Tariff will apply to imports unless goods “at risk” of moving into EU, when EU tariffs will apply
- NI goods may benefit from UK FTAs with third countries

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

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 and UK Global 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

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, and potential for reimbursement/waiver/compensation
- How to obtain “qualifying status” to show goods are NI origin
- VAT changes for GB/NI trade

Q&A