Brexit: Preparing for VAT and Customs Changes

Webinar

30 September 2020

Speakers

Glenn Reynolds
Partner - Dublin

t: +353 1 410 1371
e: glenn.reynolds@kpmg.ie

Richard Cowley
Director - Dublin

t: +353 1 410 2427
e: richard.cowley@kpmg.ie

Ian Cusack
Director - London

T +44 207 311 4801
e: ian.cusack@kpmg.co.uk

Speakers

Steve Breen
Thyme-IT

t: +353 1 2060010
e: steveb@thyme-it.ie

Ruth Guerra
Partner - Paris

t: +33 1 55684934
e: ruthguerra@kpmgavocats.fr

Olivier Sorgniard
Director - Paris

t: +33 6 22426566
e: roliversorgniard@kpmgavocats.fr

Brexit Timeline

The transition period ends and the UK officially leaves the EU.

31 December 2020

Q1 2020			Q2 2020			Q3 2020			Q4 2020		
Jan	Feb	Mar	April	May	June	July	Aug	Sep	Oct	Nov	Dec

‘Political’ Brexit

UK and EU mandates published

2-5 March
First Round Negotiations

EU Council Joint Committee Meeting

20-24 April
Second Round Negotiations

11 May
Third Round Negotiations

1 June
Fourth Round Negotiations

18-19 June
EU Council Joint Committee Meeting

30 June
Transition extension deadline

Aug-Nov
Negotiation of future deal or no deal Brexit preparation period

26th November
Last possible date for EU Parliament to approve a final negotiated agreement

31st December
‘Economic’ Brexit

1 January 2021
UK leaves the EU if the transition period is not extended

The knowns and the known unknowns

VAT

WHAT WE KNOW

- VAT rules that will apply on exports and imports into Ireland and UK
- VAT treatment of most supplies of services between Ireland and UK
- Normal VAT rules apply on trade between NI and ROI

WHAT WE DON'T KNOW

- How exactly the dual VAT system in NI will work
- How some UK VAT rules will apply

Customs

WHAT WE KNOW

- Most customs rules that will apply on trade between UK and Ireland and the UK and the EU
- The duty rates applying on imports into Ireland and the UK (absent a free trade agreement)
- Declarations will be required. These cannot be avoided

WHAT WE DON'T KNOW

- Will there be a free trade agreement and what will it cover
- How will certain aspects of the NI protocol be implemented and applied

What we will cover today

- An overview of Irish VAT and customs developments and key actions for Irish businesses.
- Outsourcing or insourcing customs declarations – what is the right fit for your business?
- Latest developments in the UK, Brexit simplifications and how they may benefit Irish companies trading with UK including using the landbridge.
- How France is preparing for Brexit and how this may impact Irish businesses trading via and from the UK.

Ireland

Customs Brexit planning

What is happening in Ireland?

- Ireland bound by EU customs and VAT rules so little room for manoeuvre.
- It has been flagged that Ireland will introduce **postponed import VAT accounting** for all imports from outside the EU (not just from the UK), subject to certain conditions.
- To deal with post-Brexit trade challenges Revenue are **increasing staff numbers** (more than 1,000 staff will be recruited) and are **improving infrastructure and capacity** at key ports (Dublin, Rosslare, Dublin Airport)
- Revenue are hosting free **Brexit seminars** on 5 and 6 October (different topics covered each day)
- Keep in mind government supports, including grants, that can be accessed by Irish businesses to become Brexit ready.
- Regardless of FTA or not changes are coming!

Required actions for ROI businesses to take

For ROI based businesses trading with GB, you will need to have processes in place to deal with Customs procedures and formalities. This is the case irrespective ofwhether a tariff free FTA is reached or not. We have set out below key actions relating to Customs & VAT required by businesses before the end of 2020. https://assets.kpmg/content/dam/kpmg/ie/pdf/2020/06/ie-brexit-update-june-2020.pdf

1

Understand the potential impact on your supply chain

Ensure you have reviewed your supply chain to understand the potential impact of a customs and VAT frontier on the movement of your goods including the impact of trading under an FTA.

2

Contracts

Assess whether the terms of your contracts (especially incoterms) with your suppliers and customers meet your needs post Brexit, in particular who is responsible for import clearance and any duties arising.

3

Obtain an EORI number

To operate within a customs regime, importers and exporters of goods need to be customs registered. If not already registered, an application should be filed with Revenue via Revenue's Online Service (ROS) for an EORI (Customs) number if you are trading goods between ROI and GB.

4

Customs Classification and Origin

The rate of Duty arising on goods depends on their Customs classification and origin. Ensure you have confirmed the commodity codes and origin for all goods moving into and out of GB and vice versa.

5

Filing Customs declarations

Irrespective of the outcome of FTA negotiations, reporting for customs will now be required when trading between ROI and GB. Consider how you will file Customs declarations for your export or import of goods.

6

Importing into the UK

Ensure you are familiar with the phased plan the UK Government has announced for the introduction of border controls on imports of goods into GB from 1 January 2021 up to July 2021.

7

Export/Import Controls

Understand whether any additional controls will apply to your goods such as licensing requirements, Sanitary and Phytosanitary (SPS) controls or advance notification requirement (e.g. for agri products).

8

Use of Customs relief/simplifications

Make sure you are aware of the reliefs and simplifications available such as customs warehousing, inward processing relief, transit which could mitigate the impact of Brexit on your business in ROI or GB.

9

Impact on ERP/finance system

As customs declarations will now be required when trading between ROI and GB, this will have consequences for ERP / finance systems. Assess what changes may be required to your ERP (Enterprise Resource Planning) or finance systems

10

GB will become a third country for VAT purposes

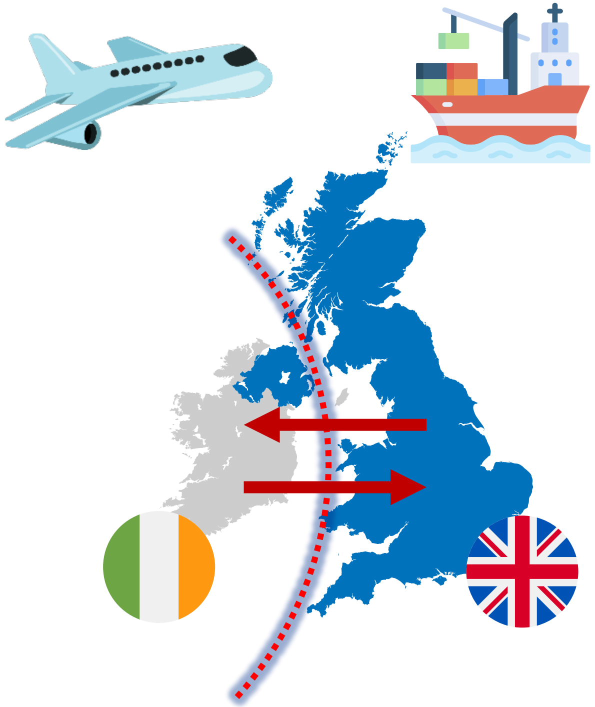
The VAT rules for trading goods and services on the Island of Ireland will remain the same but the rules for trade in goods between ROI and Great Britain will change and the rules for the supply of certain services cross border to and from GB will change also. Familiarise yourself with how these new rules will operate and apply to your business.

Ireland

VAT Brexit planning

VAT issues faced by Irish businesses - Non-FS sectors

Import VAT recording – postponed accounting



System changes

Online sales

B2C sales and Market Place Vendors

VAT Registrations

VAT statistical recording changes

Second Hand Margin scheme

Motor dealers and Asset Finance

VAT recovery

Electronic services

MOSS

VAT issues faced by Irish businesses - Financial Services Sector

VAT Recovery Post-Brexit	Irish businesses supplying VAT exempt financial services to UK customers should become entitled to VAT recovery on associated costs. This is because the supply of most VAT exempt financial services to customers outside the EU is a "qualifying activity" giving rise to VAT recovery on associated costs. Relevant for all FS sectors including funds, insurance, banking.
Movement of Regulated/ Non-regulated Businesses to Ireland	VAT transfer of business relief may be available on the transfer of intangible assets from a UK entity to an Irish entity.
Asset Finance Sector	The VAT margin scheme will no longer apply to assets sourced from the UK. An Irish dealer would have to apply Irish VAT on the full sales price of the assets. Asset finance companies bringing equipment/other goods into Ireland for subsequent HP/leasing will need to factor in handling customs clearance/customs administration and potential duty costs into the cost of finance as well as other considerations associated with import of goods into Ireland from the UK.
Cross-border Supplies of Services Between Ireland and the UK	Post-Brexit, the supply of most B2B VATable services (e.g. consultancy services) between Ireland and the UK will continue to be subject to reverse charge VAT in the recipient country. Passive investment or pure holding companies may no longer incur VAT on cross-border charges between the UK and Ireland.
Use and Enjoyment Rules	The supply of certain services provided outside the EU but used and enjoyed in Ireland/EU can give rise to Irish VAT implications. For example, leasing an asset to a UK entity which is used in Ireland will mean the lease rentals become subject to Irish VAT. These rules can also impact on VAT recovery as some supplies will not be treated as a "qualifying activity" and therefore would not provide a VAT recovery entitlement where the underlying supply is VAT exempt.

Customs compliance

Insourcing v Outsourcing

Customs Declarations

Declarations will be needed for the trade in goods between ROI and GB – irrespective of whether an FTA is agreed

Businesses now need to consider whether they have the capability to file declarations, either inhouse or on an outsourced basis such as through a customs agent. Moderate estimates of increase from 1.6 million to 20 plus million.

Whether you insource or outsource, you will need to identify the information required to file declarations and where you will find this information

What should I consider?

- If I insource:
    - where will responsibility lie for customs compliance e.g., tax, logistics, finance?
    - What level of resource will be needed, in terms of both FTE and ERP/finance systems?
    - What level of training is required?
    - What are infrastructure costs? Upfront and ongoing?
- If I outsource:
    - What are the processing costs?
    - Have I agreed KPI's with my agents/brokers?
    - Who in the business is responsible for monitoring compliance?
- Do you expect high or low volumes of transactions requiring declarations? Lower volume may point towards outsourcing your requirements. Is there repetition? Repetition may make insourcing more efficient.
- Importantly how much will this cost in monetary terms and use of resources.

What information will I need and where will I get it?

- How do I build a customs management framework
- Significant increase information required – classification code, price/valuation, gross and net weight, incoterms, freight and insurance costs, special procedure codes, document list etc.
- Sources of information include invoice, commercial invoice, packing list, transport documents, bill of lading, contract Purchased customs declaration technology and/or DMS. Manual process operated by in house customs team
- To what degree can existing finance systems be used to automate this information?
- Who will manage this in the business?

Customs Declarations - Technology vs Customs Agents

Outsourcing and Insourcing

There are a range of options when selecting and contracting with customs agents or outsourced managed service providers or insourcing and implementing customs declaration technology.

These not only support the business and operational needs at the start but can flex over time to move from outsourced to insourced or vice versa, to accommodate knowledge transfer or availability of personnel.

OUTSOURCING

- Partnership with a customs agent, outsourced software and personnel (managed service) e.g. using agent's CFSP authorisation
- Partnership with a customs agent, outsourced software and personnel (managed service)– e.g. with own CFSP authorisation
- Partnership with customs agent with own customs declaration technology and/or duty management system/software (DMS).
- Partnership with customs agent with onsite software operated by "implant" staff. Can also be linked to ERP system and automation introduced
- Purchased customs declaration technology and/or DMS. Manual process operated by in house customs team
- Purchased customs declaration technology and/or DMS integrated with ERP system/automated. Operated by in house customs team

INSOURCING

Light-touch customs compliance approach. Generally a more expensive option with reduced control and less risk exposure

Requires greater fixed costs to set up supported by the right specialists. Increased self-sufficiency and control.

Declaration technology - insourcing/outsourcing pros and cons

Option	DMS/tech System	Simplified Authorisations e.g. SDP/EORI, or CFSP (UK)	Pros and Cons
Option 1 **In-House**	Importer/Exporter	Importer/Exporter	✓ Full control of the declaration process by own staff with deep understanding of the business' products. ✕ Outlay cost of DMS system and provision of on-going support
Option 2a **Partly Outsourced** ***(Managed Service)***	Importer/Exporter	Importer/Exporter	✓ Authorisation is in the business's name, and suitable DMS is purchased by the business. ✓ Third party acts as a managed service provider, thereby negating the admin element of declarations. ✕ Involvement of a third party (albeit at the end of the chain) takes away full control of the declaration process
Option 2b **Partly Outsourced** ***(Blended option)***	Third Party	Importer/Exporter	✓ Authorisations in the business' name ✓ Duty management system is owned and operated by a third party on the applicant's behalf, thereby leveraging third party's knowledge ✕ Element of full control over the process is negated as third party operates DMS, therefore management controls must be significantly robust
Option 3 **Fully Outsourced**	Third Party	Third Party	✓ Importer/Exporter is able to leverage existing systems in place as well as third party's Authorisations and expertise ✕ Business relinquishes control over the declaration process and could have limited visibility of agents' activities. ✕ Authorisation is in agent's name and not in that of Importer/Exporter

Software Licensing/Subscription Fees

The various customs declaration technology/DMS providers operate on a case by case basis and depending on the system provider selected, fee requirements would differ for the business. At a high level, you should expect the following variations :

- ❑ Fee based on a license model i.e. initial set up and software license cost, plus fees for on-going support
- ❑ Fees based on a subscription model as follows:
    - A specified fee based on transactions (per import or export declaration)
    - A specified amount based on product volume

Customs Declarations - selecting / managing customs agents

Why is this important:

Agents submit declarations on an importer/export’s behalf however importer/exporter is legally responsible for the customs debt and data supplied. Therefore, the importer/exporter should ensure it has a sufficient control framework when selecting and managing its agent’s actions.

Consider implementing monthly management checks to review a sample of entries each month

- Subscribe to the MSS data or ROS data
- Use the data to identify entries of interest
- Review key fields including classification, origin, value
- Amend errors where needed
- Define and follow a process for escalating issues.

Best practice for working with an agent:

Have a contract or Service Level Agreement in place to define responsibilities and KPIs, for example:

- The process for instructing the agent.
- Authorising the agent to act on your behalf (direct or indirect representative).
- Managing access to deferment account.
- Document retention/accessibility.
- Post-entry review and amendment process.
- Service levels e.g. timeliness and accuracy of entries.

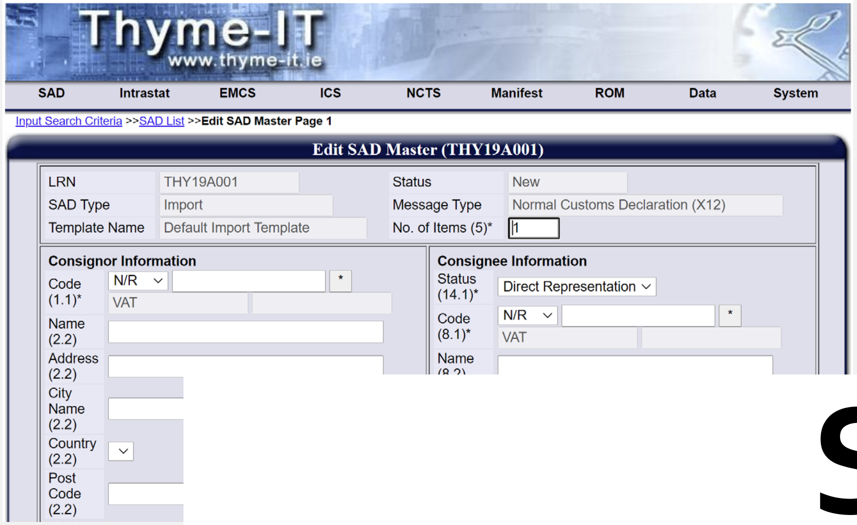
Topics

- Software Requirements
- Customs Authority Requirements
- Transport Partner Communication
- Trading Partner Communication

Insourcing

Topics for Review

Thyme-IT



Irish Revenue Requirements

- AEP – Export Declarations
- AIS – Import Declarations
- NCTS – Transit Declarations

HMRC Requirements

- CHIEF
- CDS (required for NI 01/01/21)

ERP Integration & Data Sharing

- Integration with ERP system to create and submit customs declarations automatically
- Export declaration data re-used to create Import declaration
- Automatic data sharing with customers

Software Requirements

Selection of a Software Solution that addresses your company requirements

Irish Revenue / HMRC

Requirements

Irish Revenue
- DTI Approval
- ROS Certificate
- TAN / Deferment Account

HMRC
- GB EORI
- Community Service Providers & Badge
- Deferment Account

Key pieces of data to be shared:

- Truck Registration / Trailer Reference
- IMO Number of the vessel
- Flight Number
- MRN of the customs declaration

Goods moving between Ireland and GB

- Transport partner provides truck registration and IMO number
- These are entered on the customs declaration
- Customs declaration receives MRN from customs
- MRN is shared with transport partner
- When the truck arrives the customs declaration receives a routing from customs (Green, Orange or Red)

Thyme-IT

Trading Partners

Customers and Suppliers

- Agree responsibilities for customs declarations with customers and suppliers
- Agree trading terms

Thyme-IT

Thank You

Steve Breen
+353 1 2060010
steveb@thyme-it.ie
Thyme-IT

Document Classification: KPMG Confidential

Great Britain - Brexit Update

Key Brexit issues: update and what we know now

Post-transition	Implications
Transitional Simplified Procedures (TSP) withdrawn and replaced	TSP in all but name. Links to **Customs Freight Simplified Procedures**. Direct rather than Indirect Representation. **Intrastat Arrivals still required for 2021.**
Import/export/transit declarations for UK-EU movements	Requirement to submit additional legal documents. Consider utilizing automation, AEO, CFSP, CW, IP, Authorised Consignee etc. Additionally, customer broker admin costs may apply (est. £50 per declaration - £100 for an export and import)
UKGT published	Positive duty rates may still apply (subject to any UK-EU FTA agreed). Review master data to ensure correct classifications and consider mitigation planning (CW, IP etc) to reduce any “double” duty payments and duty deferment to ease cash flow.
Increased admin cost to business	Current supply chains may prove more costly due to contractual obligations with customers and brokers i.e. representation, Incoterms, certifications (CVED etc.)
Northern Ireland Protocol	Implications still not clear, delays and potential cost of complying with both regimes could apply. Our current understanding is that declaration will apply for goods from GB to NI and duty payable for goods that are deemed at risk of entry to ROI. HMRC announced TSS (Trader Support Service) for NI businesses to seek guidance and support with declarations.
Financial guarantees	In principle, financial guarantees may no longer be required for deferment accounts or the operation of customs special procedures (subject to various conditions, and potentially a duty threshold)
New systems to become familiar with	New HMRC IT systems will be introduced to allow for vehicle tracking and the association of declaration references to vehicle or trailer registrations – aimed at hauliers and shipping lines, but worth being aware that they will come into play – the Goods Vehicle Movement Service (GVMS) and the Smart Freight Service (SFS).
HMRC Grant funding available	HMRC grants are available to UK importers, exporters (including UK branches of overseas entities) and intermediaries for staff customs training, purchase and implementation of IT software for customs declarations and recruitment.

The UK Border Operating Model

The three stages (applicable to imports into the UK from the EU)

Declarations can be deferred for up to six months from the date of importation for all imports of standard goods from the EU until July (optional). Full declarations required from 1 January for controlled goods such as excisable goods.

Stage 01
From Jan 2021

- **Option to import EU goods using deferred declarations -** keep records, will need CFSP (or access to) by the time the declaration is filed
- **Defer payment of customs duties** for up to six months after import (need access to a duty deferment account)
- **Required to use PIVA** if UK VAT registered – account for import VAT on the relevant VAT return (not deferred, will need to be estimated). If not VAT registered, pay import VAT with the customs duties.
- Safety and Security declarations will **not be required** on imports for six months.
- There will be physical checks at the point of destination or other approved premises on all **high risk live animals and plants.**

Stage 02
From April 2021

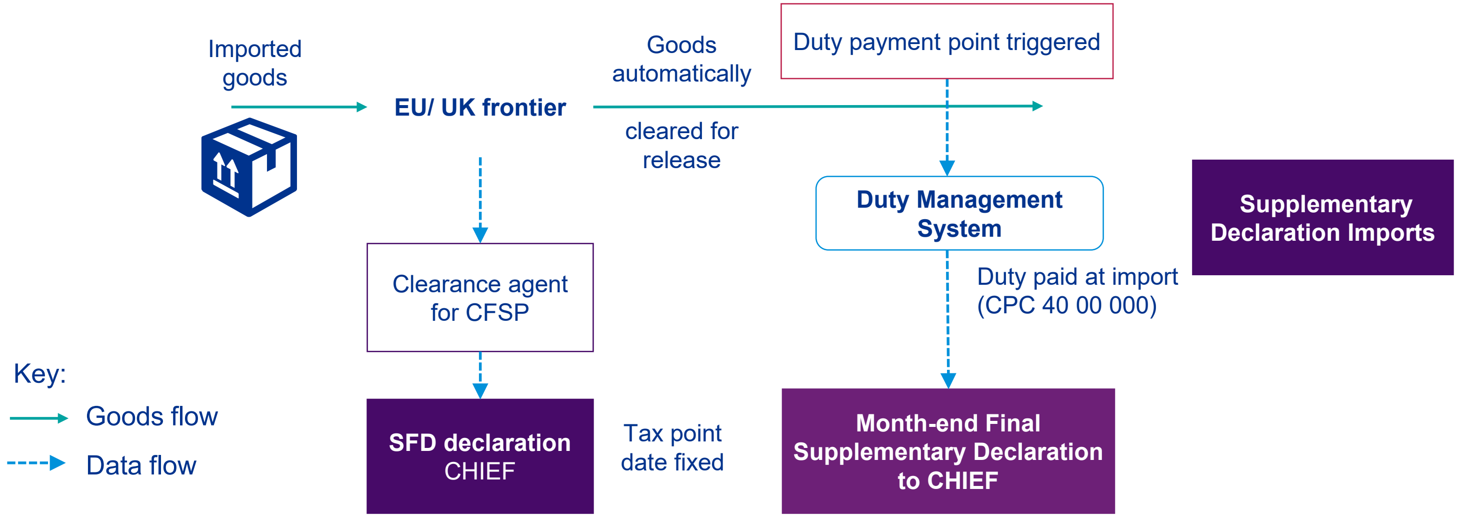
- All products of animal origin (POAO), for example meat, honey, milk or egg products, and all regulated plants and plant products will also require **pre-notification and the relevant health documentation**.
- Any physical checks will continue to be conducted **at the point of destination.**

Stage 03
From July 2021

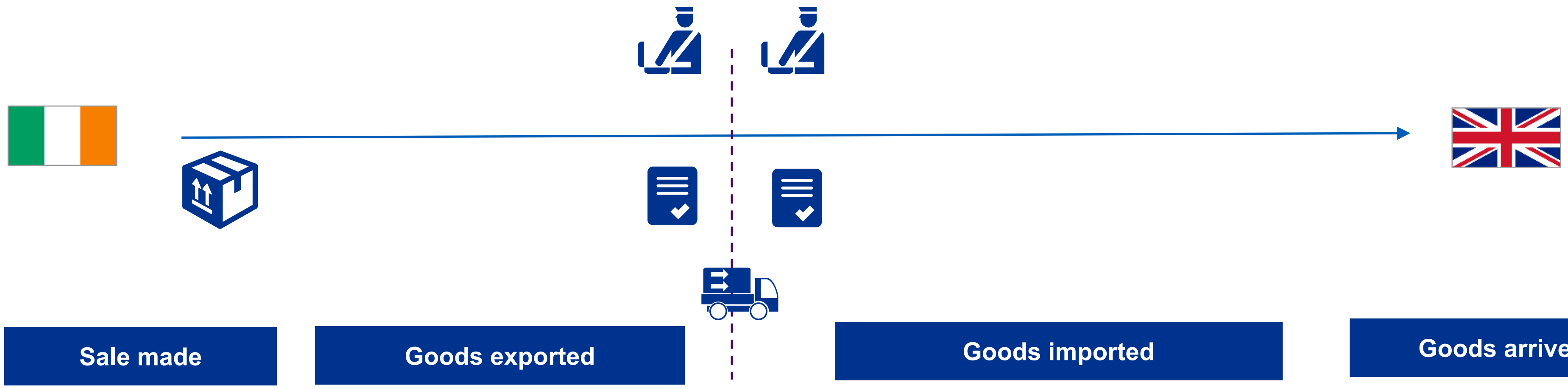
- **Customs declarations required at the point of import**, with payment of relevant tariffs.
- **Full Safety and Security declarations required**.
- Checks for animals, plants and their products take place **at GB Border Control Posts.**

Customs Freight Simplified Procedures ('CFSP')

- Customs Freight Simplified Procedures ("CFSP") is a UK customs import simplification which is in effect a two part customs declaration.
- **c.80% of import declarations processed by CHIEF are supplementary declarations**
- CFSP will become more important with a 5-fold increase in declarations to manage the border
- **Grant funding is available** (for IT and training) for businesses (which are based in or have a branch in the UK) for implementing / intending to implement CFSP (and NES)



Overview of the supply chain steps (post-Brexit) - standard goods



Sale made

- Receive purchase order
- Create sales order
- Pick & pack goods
- Create delivery note
- Goods shipped
- Exporter instructs a customs agent (EORI, DAN, commodity code, value, origin etc.)
- Transport (freight & insurance arranged)

Goods exported

- Haulier takes goods to the port
- Customs agent / Freight forwarder submits export declaration on exporters behalf
- Haulier/carrier submits Exit Summary declaration (if needed)
- Export given “permission to progress”

Goods imported

- Haulier/carrier submits Entry Summary declaration
- Importer instructs agent
- Import declaration filed by agent on behalf of the importer (TBC UK BOM, or pre-lodgement under GVMS)
- Option for importer self-filing e.g. CFSP (may need CSP non-inventory linked badge)
- Potential inspection by HMRC / other Agencies
- Duty paid (TBC UK BOM)
- PIVA for VAT

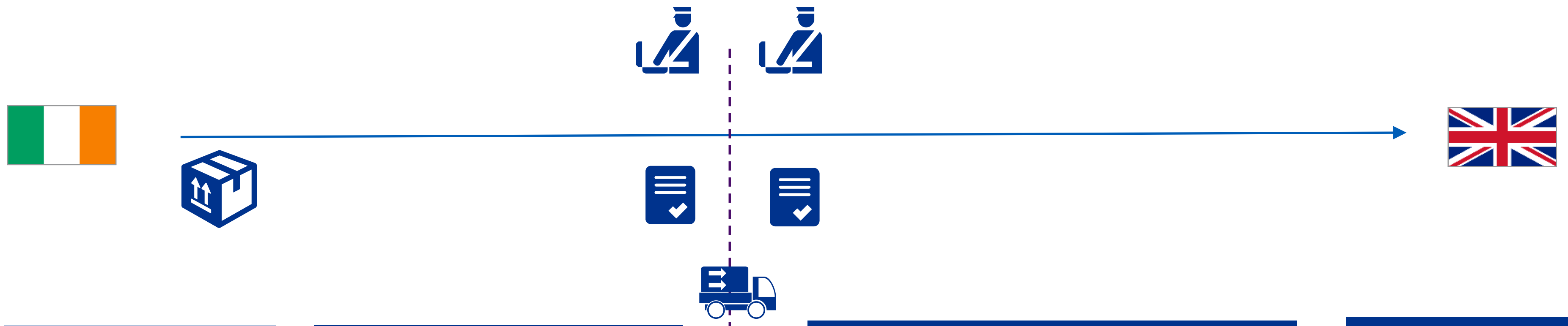
Goods arrive

- Haulier takes goods to customers premises
- Importer / exporter receive a copy of the entry paperwork
- Post-declaration reviews by the importer / exporter

Supporting documents: invoice, transport document (AWB, BoL, CMR, T1), Packing list
Product specific: licence, regulatory documents, proof of origin

Key:
- Current process
- Additional steps post-Transition

Overview of the supply chain steps (post-Brexit) - controlled goods



Sale made

- Receive purchase order
- Create sales order
- Pick & pack goods
- Create delivery note
- **Apply for Export Health Certificate**
- Goods shipped **with EHC**
- Exporter instructs a customs agent
- Transport arranged

Goods exported

- Haulier takes goods to the port
- Customs agent / Freight forwarder submits export declaration on exporters behalf
- Haulier/carrier submits Exit Summary declaration (if needed)
- Export given "permission to progress"
- **Import pre-notification in advance of arrival (IPAFFS)**
- **Port Health Authority conducts documentary checks (from July 2021)**

Goods imported

- Haulier/carrier submits Entry Summary declaration
- Importer instructs agent
- Import declaration filed by agent on behalf of the importer (TBC UK BOM, or pre-lodgement under GVMS)
- Option for importer self-filing e.g. CFSP (may need CSP non-inventory linked badge)
- **Entry via a Border Control Post (from July 2021)**
- **If selected, Port Health ID and physically inspect goods – potential lab tests**
- **Remote documentary checks (April – June 2021)**
- **IPAFFS updated with outcome of inspections**
- Duty paid (TBC UK BOM)
- PIVA for VAT

Goods arrive

- **IPAFFS matched against CHIEF/CDS data – HMRC approval required to release goods from customs hold**
- **Importer receives goods**
- Importer / exporter receive a copy of the entry paperwork
- Post-declaration reviews by the importer / exporter

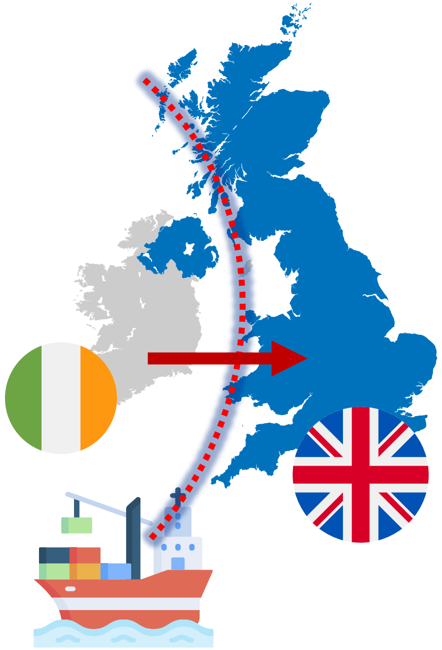
Key:

- Standard import/export steps post-Transition
- **Phased import controls from April**
- **Full import controls from July**

Example 1: Goods moving ROI-GB

1. **Export** from ROI **(EU EORI)** & **Import** into UK **(GB EORI)**

Use of GVMS?



2. Consider **Incoterms & Master data**

Consider using an **agent** or **self-filing**

(Optional) Phased import declarations (standard goods) – consider **CFSP**

Potential **product specific regulations/inspections**

Duties & VAT due (UKGT or EU-UK FTA rates, PIVA)

Consider **deferment account –** TBC if a financial guarantee is required

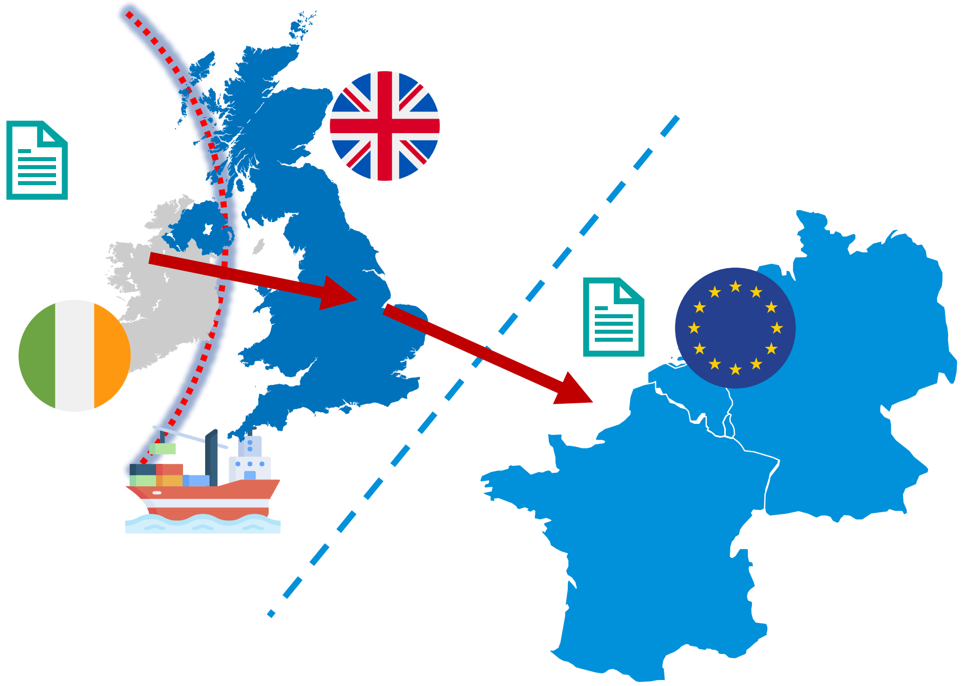
UK Intrastat Arrivals reporting required for 2021

Consider **customs valuation** / transfer pricing

Managing customs agents / customs declarations

- Select and appoint customs agent and associated processes and control
- Select and implement customs declaration technology
- Consider subscription to CSP system non-inventory linked badge (RORO EU facing ports) and/or inventory linked badge
- Consider application for CFSP or secure access to third-party CFSP Authorisation

Example 2: Goods moving ROI-GB-EU (UK as a "land bridge")

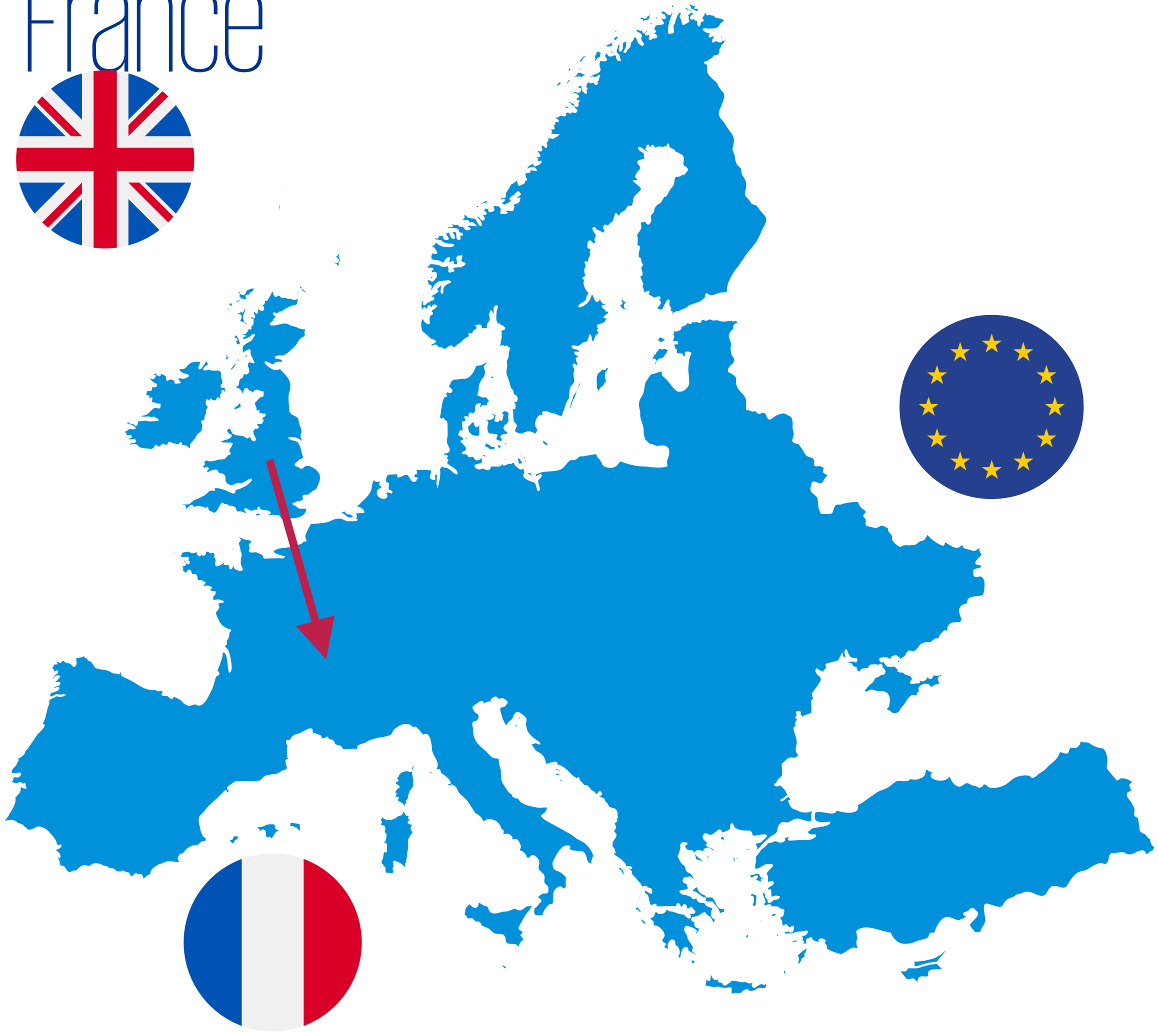


- **Issue:** Potential for double duty hit – UK and EU
- **Potential solution**: use **Transit**
  - Open the movement in ROI, UK is the office of transit, close the movement in EU
  - Can look at getting approval for **Authorised Consignee/Consignor** to clear at customers/suppliers premises
  - **No requirement to import into the UK** - goods retain EU status
  - Reduced risk of delays at border
  - Requires access to NCTS

Managing customs agents / customs declarations

- Select and appoint customs agent and associated processes and control
- Select and implement customs declaration technology
- Consider subscription to CSP system non-inventory linked badge (RORO EU facing ports) and/or inventory linked badge

Example 3; Selling from GB to France/ EU - e.g. UK sub selling to France



Customs impacts of Brexit post-Transition

- UK Export declaration required
- Full export declarations required (no staggered rules for exports)
- Must be UK established to act as declaration
- Options for Irish entity
- Importing into France

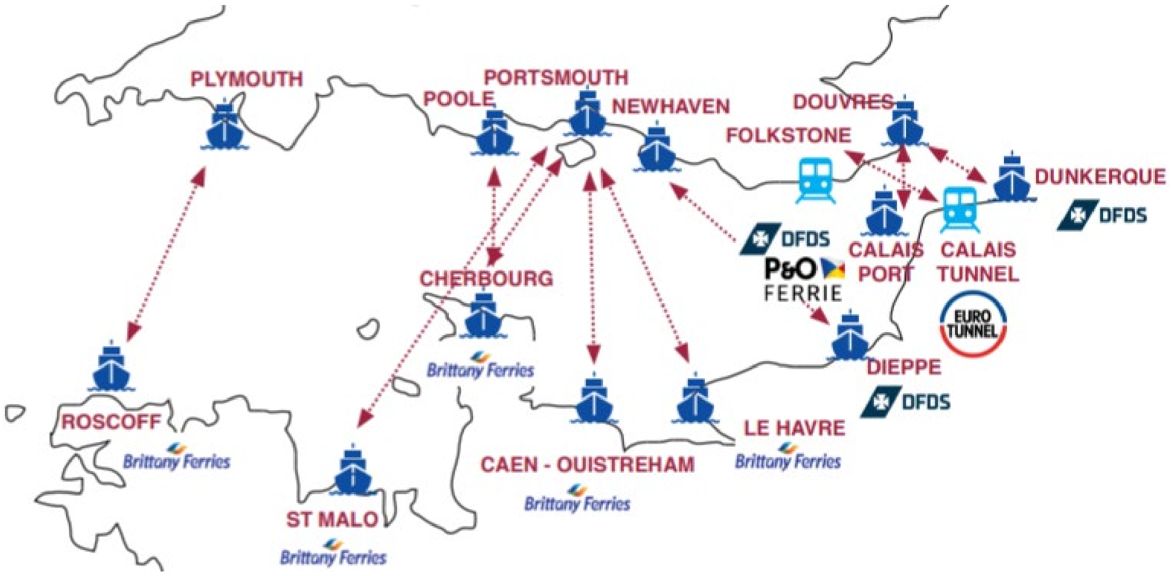
France
Brexit Update

French Customs - Smart border (1/2)

French Customs developed an IT solution known as the “**smart border”**, in order to keep trade flowing between the UK and France, at all the points of entry and exit in the Calais area and along the Channel/North Sea.

The “smart border” is based on three pillars:

- **Advance completion** of Customs declaration prior to arrival at the border point
- **Identification of trucks** by linking their number plates to Customs declarations prior to Channel crossing
- **Automation of data: trucks are not stopped at the border point**

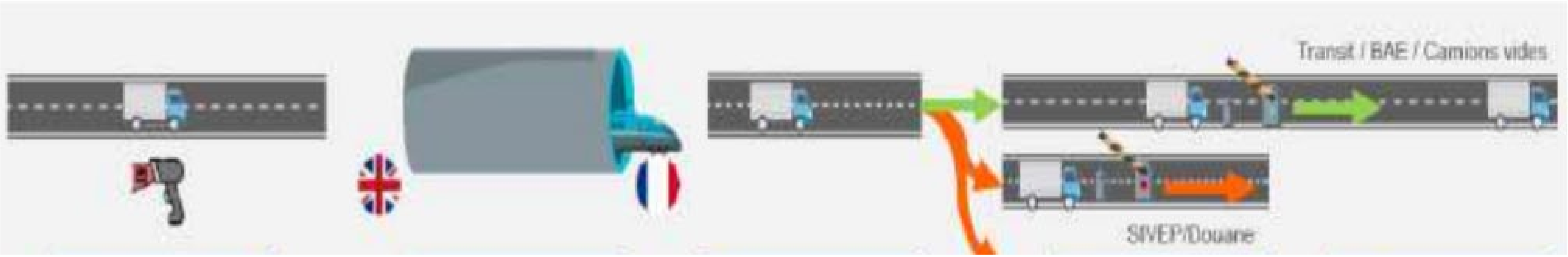


Source: French Customs guidelines preparing-for Brexit https://www.douane.gouv.fr/sites/default/files/uploads/files/Brexit/Other_languages/customs-guidelines-preparing-for-brexit-january-2020.pdf

French Customs - Smart border (2/2)

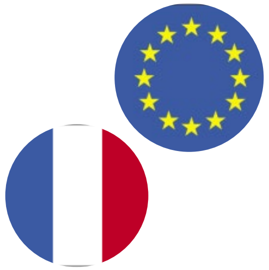
Use Transit regime to postpone the Customs declaration

Import from UK to the EU.



Entrance of the goods into France without a stop at the French border.
Goods are travelling under transit status and can be imported into any EU country

France - other points of attention



It should be noted that Brexit will have "**secondary**" effects on businesses, from a Customs perspective.

As for example, we draw you attention to the following points:

→ UK entities will need to appoint a **Customs representative** to handle Customs formalities (i.e. indirect representation),

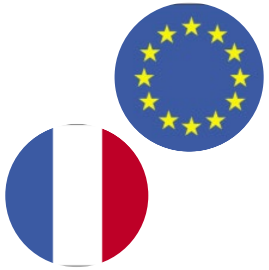
→ UK entities may also need to appoint a fiscal representative in France,

→ The payment of the import VAT can be delayed by the import **VAT reverse charge** mechanism (*autoliquidation de la TVA à l'importation*), but the condition governing this scheme are different for EU established companies and non-EU established companies (fiscal representative needed)

→ The application of the new EU definition of the "***exporter***" may have significant consequences on UK companies, in particular:

- UK companies (non EU-established) will not be able to act as the exporter (box 2 of the export declaration),
- In some EU Member States, it appears that an EU branch of a UK principal (non-EU established) will not be able to act as the exporter.

France - other points of attention



(A) Transit from Ireland (goods in EU free circulation)

No import require in France - goods already in free circulation

(B) UK sub of Irish company selling into France (good not in EU free circulation)

Brexit will significantly impact imports of UK product into France/the EU from a VAT and Customs perspective. For example;

- → UK entities will need to appoint a Customs representative to handle Customs formalities (i.e. indirect representation),
- → UK entities may also need to appoint a fiscal representative in France,
- → The payment of the import VAT can be delayed by the import VAT reverse charge mechanism (*autoliquidation de la TVA à l'importation*), but the condition governing this scheme are different for EU established companies and non-EU established companies (fiscal representative needed)
- → The application of the new EU definition of the "*exporter*" may have significant consequences on UK companies

Importing UK products into France

UK company importing products from the UK under DDP (or movement of own goods)

The UK company will

- be recorded as the importer in box 8 of the French import declaration (DAU);
- Have to apply for an EU EORI number prior to importation
- will have to appoint an indirect customs representative;
- may have to appoint a fiscal representative
- will have to pay customs duty (if any) and import VAT;
- will be able to apply for the French import VAT postponmemt scheme (autoliquidation) but under stricter conditions compared to an EU established company;
- will not be able to apply for its own deferment account (crédit d'enmèvement) in order to defer the import taxes;
- will not be able to apply for a customs relief in France.

Irish company importing products from the UK under DDP (movement of own goods)

The Irish company will

- be recorded as the importer in box 8 of the French impot claration (DAU);
- will **not** have to appoint an indirect customs representative;
- will **not** have to appoint a fiscal representative
- will have to pay customs duty (if any) and import VAT;
- will be able to apply for the French import VAT postponmemt scheme (autoliquidation) under simpler conditions than a non EU established company
- will be able to apply for its own deferment account (crédit d'enmèvement) in order to defer the import taxes;
- will be able to apply for a customs relief in France.

KPMG

Before you go

There is a narrowing window in which to prepare for Brexit.

What should you be considering now?

1. You will need declarations whether or not an FTA is agreed – at a minimum plan how you will manage these on an outsourced or insourced basis.

2. Review your supply chain and supplier/customer agreements to understand where customs and VAT implications are triggered, who is responsible for these and assess the impact (duty/VAT/administration) on your business.

3. Ensure you have addressed all regulatory requirements associated with GB trade.

4. Assess whether customs simplifications such as AEO, IP, OP or UK based easements such as CFSP can bring benefits to your business and how you can apply for them.

5. Understand what systems changes will be needed to support the new VAT and customs reporting environment

Q&A