

ONESOURCE Indirect Tax

United Kingdom Exiting the European Union (Brexit)

FREQUENTLY ASKED QUESTIONS

10 NOV 2020

The United Kingdom (UK) withdrew from the European Union (EU) on 31 JAN 2020 – and are currently in the Transition Period, which ends 31 DEC 2020. We continue to monitor the United Kingdom government publications waiting for them to publish the final laws pertaining to VAT, including such conventions for sale and acquisition of goods and services, and trade regulations with the EU and Northern Ireland. New regulations that eventually will become published law by the UK may require Thomson Reuters to enhance our ONESOURCE™ Determination, Tax Content, and Global Compliance solutions.

Throughout 2019, Thomson Reuters released INTL tax content updates and a new Determination version specifically for Brexit. Since the UK has not published final laws for a post-Brexit VAT regime, we are using assumptions of general regulations and HMRC guidance to determine what the tax treatment should be for sale/acquisition of goods and supply/acquisition of services for both domestic and cross-border transactions.

1. Why is the United Kingdom exiting the European Union?

In June 2016, a referendum passed in the United Kingdom in which 51.9 percent of voters elected to have the UK leave the EU.

2. What is Thomson Reuters doing to address the post-Brexit UK VAT regulations?

The UK has not published their final VAT laws regarding a post-Brexit regime. The content and Determination enhancements are based on the Withdrawal Agreement concluded between the United Kingdom and the European Union, general VAT tax treatments such as the general trade requirements published by the World Trade Organization, and on policy papers provided by the HMRC. The situation is still relatively fluid as we expect more announcements from the UK government in the upcoming weeks.

For ONESOURCE Determination, clients may already test post-Brexit transactions for UK-EU transactions. We have updated United Kingdom Authority Logic Group: CLSDSPStandardJD

The United Kingdom standard zone in the International Tax Data includes an EU Exit Date of 01 JAN 2021.

The updates for the United Kingdom Authority are described in the article available in Customer Center: "*United Kingdom Tax Content Documentation*".

For ONESOURCE Compliance, we will release new tax codes with the ONESOURCE Indirect Compliance NextGen R14 release on 11th December (ONESOURCE Indirect Compliance Legacy release date tbc), although these may be updated in a following release depending upon the finalization from HMRC. We will also provide guidance for customers that wish to use these tax codes or use existing tax codes update their configuration.

3. What validation testing has Thomson Reuters performed with the UK post-Brexit assumed VAT regime?

Thomson Reuters tested a variety of use cases between the UK, EU member states, and other non-EU countries. The use cases cover transactions for: domestic sale of goods, domestic supply of services, domestic acquisition of goods, domestic acquisition of services, export of goods, export of services, acquisition of imported goods, and acquisition of imported services.

4. Will ONESOURCE Determination support Mini One Stop Shop (MOSS) for the UK?

MOSS is an EU Directive which is regulated across the EU member states. Since the UK will no longer be part of the EU, we assume that the EU MOSS Directive will no longer apply to the UK in a post-Brexit VAT regime. We recommend that if MOSS applies to your business and you have designated the United Kingdom as the MOSS authority in your Determination configuration, you end date the UK authority as of the date the UK exits the EU, and establish a different EU member state as your MOSS authority.

5. Will ONESOURCE Determination and ONESOURCE Compliance continue to support Triangulation Simplification for the UK?

Triangulation Simplification is regulated by an EU Directive. Since the UK will no longer be part of the EU, Triangulation Simplification may not apply to the UK. If your business performs transactions that includes the UK as one of the locations that is typically evaluated for triangulation, you will need to review your Determination configuration to ensure the appropriate tax treatment occurs.

6. Will ONESOURCE Determination and ONESOURCE Compliance continue to support Distance Sale for the UK?

Distance Sale is regulated by an EU Directive. Since the UK will no longer be part of the EU, Distance Sale may not apply to the UK. Although the Distance Sale Threshold amount is still available on the UK authority, based on the final law the UK publishes, this threshold amount may be removed in a future content update.

7. What is the position on Northern Ireland?

The situation is still in flux with Northern Ireland, but it is believed that Northern Ireland will adopt a special, dual position within the EU VAT regime after 31 December 2020 as part of the end of the Brexit transition period.

The EU will issue new country codes to facilitate Northern Ireland and EU business to classify transactions from 1 January 2021, with 'XU' denoting the UK excluding Northern Ireland and 'XI' denoting Northern Ireland.

8. Will ONESOURCE Compliance continue to support the European Sales List for the UK?

The sale of goods or services from the EU by a UK business excluding Northern Ireland business will be treated as exports from 1st January 2021 and no longer classified as EU intra-community sale of goods or services, as such these transactions are no longer required to be recorded in the EC Sales List.

Northern Ireland businesses will still need to complete the EC Sales List until the Northern Ireland protocol ends for goods only so these will still be available in ONESOURCE.

9. Will ONESOURCE Compliance continue to support Intrastats for the UK?

The Intrastat Arrivals report is still required to report acquisition of goods from the EU, but there is no obligation for UK excluding Northern Ireland businesses to declare intra-community sales from 1 January 2021 to the EU administration.

Northern Ireland businesses will still need to complete both Intrastat Arrivals and Dispatches filings until the Northern Ireland protocol ends so these will still be available in ONESOURCE.



10. What changes are expected with the UK VAT Return and will ONESOURCE Compliance be ready?

At this point, there appears to be no changes to the VAT Return, but there is reclassification of transactions reporting to the UK VAT return.

The reclassification of tax codes applies to the purchases and sale of goods from and to the EU from 1 January 2021 by UK excluding Northern Ireland businesses as these will become imports and exports. The reclassification for services is still to be determined, they may not be required as Northern Ireland remains in the UK VAT regime for services. There are also new tax codes required for the new Postponed VAT Accounting regime for the import of goods from 1 January 2021. Depending on reporting requirements for Northern Ireland to and from rest of UK, there may also be additional tax codes set up to handle this.

There are outstanding questions with HMRC on the treatment of particular transactions, but we will aim to release new tax codes with guidance in the December release so customers can ensure readiness. The updates to ONESOURCE configuration will provide flexibility for our customers depending upon how they have identified movement of goods between EU, UK excluding Northern Ireland and Northern Ireland.