

UNITED KINGDOM – LOGIC CHANGES

AUTHORITY UPDATE GUIDE

THOMSON REUTERS TAX RESEARCH
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Introduction

This guide applies only from version 5.12.1.1 of Determination

This guide provides an explanation of the recent Brexit-related changes made to Determination for the authority of the United Kingdom, which were implemented to support all post-Brexit scenarios (i.e. both in case of a potential withdrawal from the European Union without an agreement, as well as conducted after the relevant transition period).

According to the regulations and explanations issued so far by the UK Government regarding no-deal Brexit, its aim is to keep the VAT procedures as close as possible to the current ones. As a result, the VAT rules related to the place of supply of services in the UK should continue to apply to businesses as they do now, i.e. with accordance to rules applicable for the UK as an EU country.

Considering the above, we have implemented some tax engine and content changes to Determination for the UK authority, which are related to tax treatment of services in post-Brexit transactions. With accordance to the latest amendments, the Default Services (DS) transaction type will fully reflect the post-Brexit tax results.

In consequence, the results received for the Transaction Type of Default Services (DS) in post-Brexit scenarios will depend on whether the recipient of the services is a relevant business person. With accordance to the new logic enhancements:

- B2B cross-border transactions of Default Services will not return tax in the Seller's country, but "reverse-charge" in the Buyer's location,
- B2C cross-border transactions will return output tax in the Seller's location only.

Below are some examples of the expected results for the United Kingdom authority in respect of supply / acquisition of the abovementioned services. However, it should be noted that the presented logic will be valid as of 1 November 2019 provided that "no-deal Brexit" scenario occurs.

PART II – TAX RESULTS EXAMPLES

Test 1: B2B Default Services provided by a foreign entity to the UK Buyer

WORKBENCH ELEMENTS	VALUES
Transaction Type	Default Services
Seller Primary	Poland
Buyer Primary	United Kingdom
Seller Registration	PL1234567890
Buyer Registration	GB123456789

NOTE: Seller Primary and Buyer Primary parameters are the only necessary locations for this transaction type.

Results for the non-UK SELLER:

Tax Calculation Results										
Scenario BREXIT - Default Services (DS):										
View Results: 3 ▾		Gross Amount: 100.00		Eff%: 0%						
Zone		Authority	Invoice Desc	Type	Dir	Fee	Rate	Tax Amt	TT	IT
Country: POLAND		Poland	Not Liable	NL	O		0%	0.00		
Country: UNITED KINGDOM		United Kingdom	Not Liable	NL	O		0%	0.00		
								0.00 USD		
📄 Authority Messages:										
Authority	RuleOrder	Message								
Poland	5001	EUSS17: No VAT liability in Seller's country under Article 44 of EC Directive 2006/112.								
United Kingdom	5001	GCSDS21: No VAT liability in Buyer's country. Customer to Reverse Charge.								

Results for the UK BUYER:

Tax Calculation Results												
Scenario BREXIT - Default Services (DS):												
View Results: 3 ▾		Gross Amount: 100.00		Eff%: 0%								
Zone		Authority		Invoice Desc		Type	Dir	Fee	Rate	Tax Amt	TT	IT
Country: UNITED KINGDOM		United Kingdom		VAT		RC	O		20%	20.00		
Country: UNITED KINGDOM		United Kingdom		VAT		RC	I		20%	20.00		
										0.00 USD		
<input type="checkbox"/> Authority Messages:												
Authority		RuleOrder		Message								
United Kingdom		10000		GCBDS31: Reverse charge in Buyer's country.								
United Kingdom		10000		GCBDS32: Recovery of Reverse charge in Buyer's country.								

Test 2: Default Services B2B provided to a foreign entity by the UK Seller

WORKBENCH ELEMENTS	VALUES
Transaction Type	Default Services
Seller Primary	United Kingdom
Buyer Primary	Poland
Seller Registration	GB123456789
Buyer Registration	PL1234567890

NOTE: Seller Primary and Buyer Primary parameters are the only necessary locations for this transaction type.

Results for the UK SELLER:

Tax Calculation Results												
Scenario BREXIT - Default Services (DS):												
View Results: 1 ▾		Gross Amount: 100.00		Eff%: 0%								
Zone		Authority		Invoice Desc		Type	Dir	Fee	Rate	Tax Amt	TT	IT
Country: UNITED KINGDOM		United Kingdom		Not Liable		NL	O		0%	0.00		
Country: POLAND		Poland		Not Liable		NL	O		0%	0.00		
										0.00 USD		
📄 Authority Messages:												
Authority	RuleOrder	Message										
United Kingdom	5001	GCSDS20: No VAT liability in Seller's country.										
Poland	5001	EUS04: No VAT liability in Buyer's country under Articles 196 and 44 of EC Directive 2006/112. Customer to Reverse Charge.										

Results for the non-UK BUYER:

Tax Calculation Results										
Scenario BREXIT - Default Services (DS):										
View Results: 1 ▾		Gross Amount: 100.00		Eff%: 0%						
Zone		Authority	Invoice Desc	Type	Dir	Fee	Rate	Tax Amt	TT	IT
Country: POLAND		Poland	VAT	IR	O		23%	23.00		
Country: POLAND		Poland	VAT	IR	I		23%	23.00		
								0.00 USD		
Authority Messages:										
Authority	RuleOrder	Message								
Poland	10000	EUBS31: Reverse charge in Buyer's country under Articles 196 and 44 of EC Directive 2006/112.								
Poland	10000	EUBS32: Recovery of reverse charge in Buyer's country under Articles 196 and 44 of EC Directive 2006/112.								

Test 3: Default Services B2C provided to a foreign entity

WORKBENCH ELEMENTS	VALUES
Transaction Type	Default Services
Seller Primary	United Kingdom
Buyer Primary	Poland
Seller Registration	GB123456789

NOTE: Seller Primary parameter is the only necessary location for this transaction type.

Results for the UK SELLER:

Tax Calculation Results												
Scenario BREXIT - Default Services (DS):												
View Results: 7 ▾		Gross Amount: 100.00		Eff%: 20%								
Zone		Authority		Invoice Desc		Type	Dir	Fee	Rate	Tax Amt	TT	IT
Country: UNITED KINGDOM		United Kingdom		VAT		S	O		20%	20.00		
										20.00 USD		
<div><div></div> Authority Messages:</div>												
Authority		RuleOrder		Message								
United Kingdom		10000		GCSDS2: Output VAT in Seller's country.								