UNITED KINGDOM – LOGIC CHANGES

AUTHORITY UPDATE GUIDE

THOMSON REUTERS TAX RESEARCH

MARCH 2019 CONTENT UPDATE #2

Introduction

This guide provides an explanation of the recent Brexit-related changes made to Determination for the authority of the United Kingdom, which were implemented under assumption that there will be no deal with the EU. As of 30 March 2019 United Kingdom will be treated as a third country.

It should be noted, that the UK has not yet adopted new laws for a post-Brexit VAT regime. Therefore, considering there are no final decisions on the tax treatment for the cross-border transactions, we assumed that current general rules will not significantly change after the Brexit.

Regardless of the above, we have implemented some changes to Determination for the UK authority, which are mostly related to tax treatment of services in post-Brexit logic. In particular with accordance to the latest amendments:

1. Customer Location Services (CLS) – this transaction type shall be used post-Brexit for all the services that are taxable where the customer has its registered seat. In this case Determination will return "reverse-charge" in the customer's location and "not liable" in the seller's country.
2. Default Services (DS) – in the post-Brexit scenario, this transaction type will be no longer taxable in the buyer's country, but in the country where the seller is established or has his registered seat. As a result, Determination will no longer apply "reverse-charge" on the buyer's side. Instead these transactions will be treated as a domestic supply in seller's country. Therefore, this transaction type will be mostly applicable to the B2C supply of services, and generally will not be applicable to the buyer's side.
3. Physical Performance (PP) – in the post-Brexit scenario, this transaction type will be taxable in accordance to the service location. Therefore, if the seller is not registered in the country where the service is provided, Determination will return a NL (not liable) result.

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 30 March 2019 provided that "no deal Brexit" scenario occurs.

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PART II – TAX RESULT EXAMPLE

Test 1a: Customer Location Services B2B provided by a foreign entity

WORKBENCH ELEMENTS	VALUES
Transaction Type	Customer Location Services
Seller Primary	Germany
Buyer Primary	United Kingdom
Seller Registration	DE111111111
Buyer Registration	GB111111111

NOTE: Buyer Primary parameter is necessary for this transaction type.

The following image shows details for the SELLER side:

Tax Calculation Results

Scenario Brexit scenario 1 Seller:

View Results: 6 ▼   Gross Amount: 1000.00   Eff%: 0%

Zone	Authority	Invoice Desc	Type	Dir	Fee	Rate	Tax Amt
Country: GERMANY	Germany	Not Liable	NL	O		0%	0.00
Country: UNITED KINGDOM	United Kingdom	Not Liable	NL	O		0%	0.00
							0.00 EUR

Authority Messages:

Authority	RuleOrder	Message
Germany	5001	EUSS17: No VAT liability in Seller's country under Article 44 of EC Directive 2006/112.
United Kingdom	5001	GCSCL13: No VAT liability in Buyer's country.

The following image shows details for the BUYER side:

Tax Calculation Results

Scenario Brexit scenario 1 Buyer:

View Results: 6 ▼   Gross Amount: 1000.00   Eff%: 0%

Zone	Authority	Invoice Desc	Type	Dir	Fee	Rate	Tax Amt
Country: UNITED KINGDOM	United Kingdom	VAT	RC	O		20%	200.00
Country: UNITED KINGDOM	United Kingdom	VAT	RC	I		20%	200.00
							0.00 EUR

Authority Messages:

Authority	RuleOrder	Message
United Kingdom	10000	GCBCL31: Reverse charge in Buyer's country.
United Kingdom	10000	GCBCL32: Recovery of reverse charge in Buyer's country.

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Test 1b: Customer Location Services B2B provided to a foreign entity

WORKBENCH ELEMENTS	VALUES
Transaction Type	Customer Location Services
Seller Primary	United Kingdom
Buyer Primary	Germany
Seller Registration	GB111111111
Buyer Registration	DE111111111

NOTE: Buyer Primary parameter is necessary for this transaction type.

The following image shows details for the SELLER side:

Tax Calculation Results

Scenario Brexit scenario 1 Seller:

View Results: 7 ▼   Gross Amount: 1000.00   Eff%: 0%

Zone	Authority	Invoice Desc	Type	Dir	Fee	Rate	Tax Amt
Country: UNITED KINGDOM	United Kingdom	Not Liable	NL	O		0%	0.00
Country: GERMANY	Germany	Not Liable	NL	O		0%	0.00
							0.00 EUR

⊟ **Authority Messages:**

Authority	RuleOrder	Message
United Kingdom	5001	GCSCL18: No liability in Seller's Country.
Germany	5001	EUSS04: No VAT liability in Buyer's country under Articles 196 and 44 of EC Directive 2006/112. Customer to Reverse Charge.

The following image shows details for the BUYER side:

Tax Calculation Results

Scenario Brexit scenario 1 Buyer:

View Results: 7 ▼   Gross Amount: 1000.00   Eff%: 0%

Zone	Authority	Invoice Desc	Type	Dir	Fee	Rate	Tax Amt
Country: GERMANY	Germany	VAT	RC	O		19%	190.00
Country: GERMANY	Germany	VAT	RC	I		19%	190.00
							0.00 EUR

⊟ **Authority Messages:**

Authority	RuleOrder	Message
Germany	10000	EUBS31: Reverse charge in Buyer's country under Articles 196 and 44 of EC Directive 2006/112.
Germany	10000	EUBS32: Recovery of reverse charge in Buyer's country under Articles 196 and 44 of EC Directive 2006/112.

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Test 2: Default Services B2C provided to a foreign entity

WORKBENCH ELEMENTS	VALUES
Transaction Type	Default Services
Seller Primary	United Kingdom
Buyer Primary	Germany
Seller Registration	GB111111111

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

The following image shows details for the SELLER side:

Tax Calculation Results

Scenario Brexit scenario 1 Seller:

View Results: 3 ▼   Gross Amount: 1000.00   Eff%: 20%

Zone	Authority	Invoice Desc	Type	Dir	Fee	Rate	Tax Amt
Country: UNITED KINGDOM	United Kingdom	VAT	S	O		20%	200.00
							200.00 EUR

Authority Messages:

Authority	RuleOrder	Message
United Kingdom	10000	GCSDS2: Output VAT in Seller's country.

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Test 3a: Physical Performance B2B provided by a foreign entity

WORKBENCH ELEMENTS	VALUES
Transaction Type	Physical Performance
Supply	United Kingdom
Seller Registration	DE111111111
Buyer Registration	GB111111111

The following image shows details for the SELLER side:

Tax Calculation Results

Scenario Brexit scenario 1 Seller:

View Results: 4 ▼   Gross Amount: 1000.00   Eff%: 0%

Zone	Authority	Invoice Desc	Type	Dir	Fee	Rate	Tax Amt	TT	IT
							0.00 EUR		

Authority Messages:

Authority	RuleOrder	Message

System Messages:

Code	Message
USING_COMPANY_ACTIVE_MAPPING_GROUP	Using company's active product mapping group.
TAX_RESULT_IS_ROUNDED	Output XML tax results are rounded. Rule [Round] Precision [2] MAU [0.01]
WORKBENCH_GETS_ALL_XML	No action is required.
NO_VALID_REGISTRATION	No valid registration numbers were found for the authority. No valid SELLER registration found for Authority United Kingdom and Supply Location UNITED KINGDOM with mask ^GB\d{9}$|^GB\d{12}$|^GB[A-Z]{2}\d{3}$|^EU
GCSPP4	Seller must register to collect VAT in Service location. Authority: United Kingdom

The following image shows details for the BUYER side:

Tax Calculation Results

Scenario Brexit scenario 1 Buyer:

View Results: 4 ▼   Gross Amount: 1000.00   Eff%: 0%

Zone	Authority	Invoice Desc	Type	Dir	Fee	Rate	Tax Amt
Country: UNITED KINGDOM	United Kingdom	Not Liable	NL	I		0%	0.00
							0.00 EUR

Authority Messages:

Authority	RuleOrder	Message
United Kingdom	5001	GCBPP10: Seller cannot invoice VAT since seller is not registered in Service location.

Test 3b: Physical Performance B2B provided to a foreign entity

WORKBENCH ELEMENTS	VALUES
Transaction Type	Physical Performance
Supply	Germany
Seller Registration	GB111111111
Buyer Registration	DE111111111

The following image shows details for the SELLER side:

Tax Calculation Results

Scenario Brexit scenario 1 Seller:

View Results: 4 ▼		Gross Amount: 1000.00		Eff%: 0%					
	Zone	Authority	Invoice Desc		Type	Dir	Fee	Rate	Tax Amt
	Country: GERMANY	Germany	Not Liable		NL	O		0%	0.00
									0.00 EUR

⊟ **Authority Messages:**

Authority	RuleOrder	Message
Germany	5001	EUSPP1: No VAT liability in Service location under Articles 194 and 53 of EC Directive 2006/112. Customer to reverse charge.

The following image shows details for the BUYER side:

Tax Calculation Results

Scenario Brexit scenario 1 Buyer:

View Results: 4 ▼		Gross Amount: 1000.00		Eff%: 0%					
	Zone	Authority	Invoice Desc		Type	Dir	Fee	Rate	Tax Amt
	Country: GERMANY	Germany	VAT		RC	O		19%	190.00
	Country: GERMANY	Germany	VAT		RC	I		19%	190.00
									0.00 EUR

⊟ **Authority Messages:**

Authority	RuleOrder	Message
Germany	10000	EUBPP1: Reverse charge in Service location under Articles 194 and 53 of EC Directive 2006/112.
Germany	10000	EUBPP2: Recovery of reverse charge in Service Location under Articles 194 and 53 of EC Directive 2006/112.

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