



Tolley® Tax intelligence from LexisNexis® **LexisNexis**®

VAT and supply chains (2021)

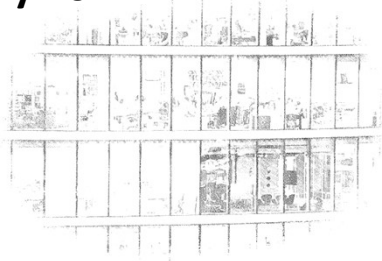
Before viewing this webinar, please visit www.lexiswebinars.co.uk/test-your-system to ensure that your network and PC are configured correctly.


Tip: Press F11 on your keyboard to enlarge the webinar player.

1

VAT and supply chains (2021)

The law as stated during this webinar is up to date as of **29 July 2021**



LexisNexis® Confidential 

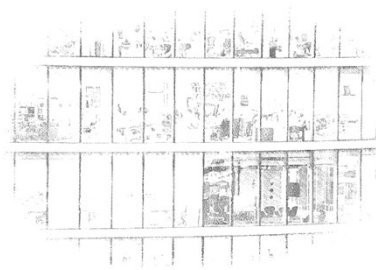
2

Kevin Hall

VAT Partner
Wright Hassall

Kitty Swanson

Counsel
Mayer Brown



LexisNexis® Confidential



3

Introduction

Webinar outline and the importance of
VAT to supply chains

LexisNexis® Confidential

4

4

Introduction

- Topics
 - The importance of VAT to supply chains
 - Domestic supply chains – basic position
 - Imports into Great Britain (i.e. excluding Northern Ireland)
 - Exports from Great Britain (i.e. excluding Northern Ireland)
 - Northern Ireland
 - Other issues
 - Conclusion

LexisNexis® Confidential

5

5

Why is VAT important in the context of supply chains?

- Purpose of VAT – to tax the value added at each stage
- Need to understand VAT obligations to ensure transactions are economically viable – particularly important for cross-border transactions
- Key issues
 - Which country's VAT regime applies
 - The applicable rate of VAT
 - Where the business needs to register for VAT
 - Filing and reporting obligations
 - Which party is required to account for the VAT
 - Availability of relief for input VAT

LexisNexis® Confidential

6

6

Domestic supply chains
VAT treatment of domestic supplies

LexisNexis® Confidential

7

7

Domestic supply chains – basic position

- B2C: UK supplier > UK retailer > non-business customer

- B2B: UK supplier > UK supplier > business customer

- Consider UK VAT charge on each transaction
 - Different rates on sale
 - Ability to recover VAT on attributable purchases
 - Overhead purchases

LexisNexis® Confidential

8

8

Imports

Imports into Great Britain (i.e. excluding Northern Ireland)

LexisNexis® Confidential

9

9

Purchasing services from non-UK supplier

- B2C – place of supply is where supplier belongs
 - s7A VATA
- B2B – place of supply is where the recipient belongs
 - s7A VATA
- B2B basic rule – reverse charge mechanism
 - Great Britain recipient of services treated as supplying those services in the course of its business
 - Required to account for VAT accordingly
 - s8 VATA
- Exceptions

LexisNexis® Confidential

10

10

Purchasing goods from non-UK supplier – pre-Brexit

- Pre-Brexit, UK VAT regime distinguished between goods imported from EU and non-EU jurisdictions
- B2C
 - Distance selling rules within EU
 - Imports from non-EU
- B2B
 - Acquisitions from EU
 - Imports from non-EU
 - Different procedural requirements
- Margin schemes

LexisNexis® Confidential

11

11

Purchasing goods from non-UK supplier – post-Brexit – B2C

- B2C supplies – domestic VAT or import VAT
- Applicable rules depend on value – £135 threshold
- Online marketplace involvement
- Situation where goods already located in Great Britain

LexisNexis® Confidential

12

12

Purchasing goods from non-UK supplier – post-Brexit – B2B

- B2B – reverse charge or import VAT
- Import VAT
 - Per consignment
 - Deferred VAT accounting
 - Special customs procedures
- Small value imports
- Online marketplace involvement
- Situation where goods already located in the UK
- Supply and installation
- Ability to use margin schemes limited

LexisNexis® Confidential

13

13

Exports

Exports from Great Britain (i.e. excluding Northern Ireland)

LexisNexis® Confidential

14

14

Exports from Great Britain (excluding Northern Ireland)

- Exports – GB to (e.g.) EU customer
- Zero-rated for VAT
- GB EORI
- Who is importer of record into EU?
- Contractual terms
- If customer – issues?
- If GB seller – issues?
- One Stop Shop – 1 July 2021
- What can you do?
 - Easiest step administratively v commercial risk

LexisNexis® Confidential

15

15

Exports from Great Britain (excluding Northern Ireland)

- Exported services
- Opportunity: zero rate some B2C services, not others (previously plus VAT)
- Risk: use and enjoyment override
- Financial services
 - UK Chancellor – sales UK to EU now zero-rated (effectively)
 - Significant attributable costs?
 - Fintech start up

LexisNexis® Confidential

16

16

Exports from Great Britain (excluding Northern Ireland)

- Margin Scheme exports
- Advantage if purchasing without VAT (e.g. from individual)
- VAT only on margin
- Pre-Brexit – included EU purchases and EU sales via the UK
- Ceased upon Brexit – VAT on full selling price, registration in customer's country, import VAT issues, EORI registration, etc.
- Businesses reducing workforce and restricting markets
- What can you do?
 - Some solutions in some cases
 - Administratively burdensome still (less than if unplanned)
 - Additional costs (less than if unplanned)
 - Can save markets, jobs

LexisNexis® Confidential

17

17

Exports from the UK – One Stop Shop

- When is it?

LexisNexis® Confidential

18

18

Exports from the UK – One Stop Shop

- One Stop Shop only?
- E-commerce only?
- Goods only?
- GB > EU only?

LexisNexis® Confidential

19

19

Exports from the UK – One Stop Shop

- What is it?
 - Change to place of supply and taxation of goods supplied within the EU
 - Change to EU import VAT rules
 - Change for electronic interfaces (online marketplaces)
 - Change of options for simplification
- Risk: VAT register in numerous EU member states
- Address risk: review supply chains, understand VAT impact, explore solutions
- Solutions:
 - One, more or no One Stop Shops
 - Adjust supply chains

LexisNexis® Confidential

20

20

One Stop Shop (OSS and IOSS)

- Options:
 - IOSS – import distance sales (different definition)
 - Non-union OSS - non-EU suppliers of certain services
 - Union OSS – intra-EU distance sales
 - Any combination of the above – as appropriate
 - OSS not applicable – adjust supply chains, VAT register in EU appropriately
 - No OSS by choice – VAT register in every EU member state of import/delivery

LexisNexis® Confidential

21

21

One Stop Shop – do nothing

- Example:
 - GB supplier (no EU establishments)
 - Sale via a website e.g. Amazon/eBay/smaller
 - B2C
 - Goods
 - GB > EU
 - Consignment value Euro 150 or less
- Electronic interface (e.g. online marketplace) is responsible for VAT on sales
 - Good for small sellers via Amazon/eBay/etc. sale
 - Awkward for the electronic interface – now deemed supplier
 - Awkward for sellers with other sales

LexisNexis® Confidential

22

22

One Stop Shop – IOSS

- What if any of the six factors are changed? 720 combinations!
- Example 2:
 - GB supplier (no EU establishments)
 - **Sale NOT via a website**
 - B2C
 - Goods
 - GB > EU
 - Consignment below Euro 150
- Implications of doing nothing
 - Pay EU import VAT in EU member state of import
 - VAT register in EU member state of delivery to pay VAT
- Consider IOSS
 - No import VAT
 - One VAT registration in one EU member state (of choice)
 - Good for small eBay/Amazon/etc. sale

LexisNexis® Confidential

23

23

One Stop Shop – Non-Union OSS

- Supplies of services
- Example 3:
 - GB supplier (no EU establishments)
 - **Sale via any means**
 - B2C
 - **Services**
 - GB > EU
 - **Any value of service**
- Some services subject to VAT in the EU
- Do nothing
 - VAT register in each EU member state
- Consider Non-Union OSS
 - One VAT registration in one EU member state (of choice)

LexisNexis® Confidential

24

24

One Stop Shop – adjust supply chain

- Adjust supply chain
- Example 4:
 - GB supplier (no EU establishments)
 - **Sale via a website or direct**
 - B2C
 - Goods
 - **GB > EU**
 - **Consignment above Euro 150**
- Do nothing
 - Pay import VAT in every EU member state of import
 - VAT register in every EU member state of delivery (if different)
- Consider adjusting supply chain
 - Import into one EU member state and distribute
 - Union OSS to avoid registering for VAT in each EU member state of delivery
 - Euro 10,000 threshold
 - How recover import VAT?
 - Non VAT factors must be considered

LexisNexis® Confidential

25

25

One Stop Shop – summary

- It's not just about the OSS or e-commerce or goods
- Risk
 - Pay import VAT in every EU member state of import
 - VAT register in every EU member state of delivery (and import if different)
- To do:
 - Review supply chains
 - Understand VAT impact
 - Explore solutions
 - Apply early for registrations (if required)
 - Amend terms of sale (if required)

LexisNexis® Confidential

26

26

Northern Ireland

Northern Ireland's unique VAT position post-Brexit

LexisNexis® Confidential

27

27

Northern Ireland VAT position

- Northern Ireland Protocol preserves pre-Brexit VAT position for certain transactions in goods involving Northern Ireland
- Northern Ireland effectively straddles two VAT regimes
 - Treated as part of the EU for certain VAT purposes
 - Treated as part of the UK for other VAT purposes
- Very complex VAT treatment!
- Have to notify HMRC if trading within the Protocol
- XI EORI number required
- Supplies of services not affected

LexisNexis® Confidential

28

28

Purchasing goods into Northern Ireland

- Northern Ireland Protocol preserves pre-Brexit VAT position for purchases of goods from the EU into Northern Ireland – Northern Ireland effectively treated as part of the EU for certain VAT purposes
- Northern Ireland VAT regime continues to distinguish between goods imported from EU and non-EU jurisdictions
- Non-EU as for the rest of the UK
 - Domestic VAT/import VAT for B2C
 - Reverse charge/import VAT for B2B
- EU reflects pre-Brexit treatment
 - Distance selling for B2C up to 30 June 2021
 - From 1 July 2021, domestic VAT applies for B2C unless seller qualifies for micro-business threshold
 - Acquisition VAT for B2B
 - Margin schemes may be available

LexisNexis® Confidential

29

29

Purchasing goods into Great Britain from Northern Ireland

- Goods originating in Northern Ireland
- Goods previously acquired into Northern Ireland from outside the EU
- Goods previously acquired into Northern Ireland from the EU
- Movements of own goods from Northern Ireland to Great Britain
- VAT groups straddling Great Britain and Northern Ireland

LexisNexis® Confidential

30

30

Northern Ireland – exports

- Northern Ireland: “export” to GB, EU or non-EU?
- Unique VAT jurisdiction: part of UK, EU
- Services: NI is non-EU
- Goods: GB number registered as XI number, XI EORI
- Goods “at risk”
- Technically:
 - Goods NI > GB are EU exports, but “qualifying goods regime”
 - Goods NI > non-EU are full EU exports
 - Goods NI > EU are intra-EU dispatches (B2B) or distance selling (B2C)
- One Stop Shops: B2C exports from NI
- What can you do?
 - XI VAT and XI EORI registration
 - Analyse supply chains
 - Trader Support Service
 - Consider One Stop Shops

LexisNexis® Confidential

31

31

Triangulation

Challenges post-Brexit

LexisNexis® Confidential

32

32

Triangulation issues

- Triangulation
- Can it work in the EU for UK businesses?
- No
- But yes if ...
- XI numbers in triangulation?

LexisNexis® Confidential 33

33

Conclusion
Key points

LexisNexis® Confidential 34

34

Conclusion

- Review supply chains
- With knowledge
- Understand VAT impact
- Explore solutions
- Implement solutions
- Allow time
- Communicate

LexisNexis® Confidential

35

35

Questions?



Kevin Hall
Wright Hassall
kevin.hall@wrightshassall.co.uk



Kitty Swanson
Mayer Brown
kswanson@mayerbrown.com

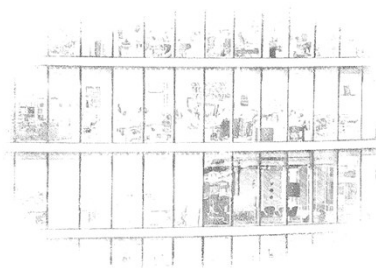
LexisNexis® Confidential

36

36

VAT and Indirect Tax webinars in 2021

- VV0121 VAT reverse charge (2021) - Q1 2021
- VV0221 VAT and supply chains (2021) – Q3 2021
- VV0321 Indirect tax and e-commerce (2021) – Q3 2021
- VV0421 VAT and property in 2021 – Q4 2021
- VV0521 Litigation and disputes in VAT and Indirect Tax (2021) – Q4 2021
- VV0621 VAT and Indirect Tax - end of year round-up 2021 - Q4 2021



LexisNexis® Confidential



37

Thank you and reminders

- This webinar is designed to help solicitors meet requirements A2 (Maintain competence and legal knowledge) and A4 (Draw on detailed knowledge/understanding) of the SRA's Statement of solicitor competence. You may also use the quiz, which can be accessed via the "Take a quiz" link on the webinar details page, to reinforce your understanding of the webinar content. You should answer 7 out of 10 questions correctly and will have two attempts at the quiz.
- Please submit feedback via the survey screen
- This webinar will be available to view on-demand for 24 months
- A transcript of the webinar can be made available on request
- You can use the training and evaluation record form which is included in the supporting materials for this webinar to log this training activity and how it relates to the continuing competences that the SRA requires from all solicitors.
- If you have any queries, please contact us: webinars@lexisnexis.co.uk or +44 (0) 330 161 2401

LexisNexis® Confidential



38

Thank you for attending.
We hope you've enjoyed this session.



Bespoke in-house training solutions

- Tailored for your business
- Extensive portfolio of expert presenters
- All areas of legal practice covered
- Location of your choice

Find out more at <http://www.lexiswebinars.co.uk/in-house-training>

