

Brexit: UK HMRC provides guidance to EU businesses and removes opportunity for advance VAT registrations

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Executive summary

As the United Kingdom (UK) prepares to leave the European Union (EU) on 31 January 2020, both businesses and HM Revenue & Customs (HMRC) have started to consider the indirect tax implications post-Brexit.

Initially the UK will enter an implementation period (also known as the "transitional period") to 31 December during which no indirect tax changes will take place. The UK and the EU have the option to extend the implementation period but agreement to this extension would need to be requested and confirmed by 30 June 2020.

In the absence of an extension to the implementation period, the UK will leave the umbrella of the EU's value-added tax (VAT) and Customs arrangements from midnight of 1 January 2021.

As the UK approached previous Brexit dates, HMRC released several VAT easements for businesses in the event of a no-deal scenario. These easements have now been removed, although they may come back into operation if a no-deal looms again.

This Alert summarizes the latest Brexit-related announcements from HMRC regarding these easements.

Detailed discussion

At the end of January 2020 HMRC began communicating with UK VAT-registered businesses about trade arrangements after the UK leaves the EU.

HMRC's letter is being sent to businesses trading with the EU and/or the rest of the world. The letter explains the actions businesses should take to prepare for changes to customs arrangements after the transition period, including:

- ▶ Requesting a UK Economic Operator Registration and Identification (EORI) number
- ▶ Customs facilitation

The letter confirms that from 1 February 2020, the UK will no longer be a member of the EU and will enter an implementation period until 31 December 2020.

During this time there will be no changes to the terms for trading with the EU or the rest of the world, unless the rules change for the whole of the EU. This means that current EU rules for customs, VAT and excise taxes will continue to apply to the movement of goods until 1 January 2021.

The letter also explains that registration and use of Transitional Simplified Procedures (TSP) for imports from the EU is currently suspended. This is because continuation of the existing rules means that businesses

will not need to use TSP between February and December 2020. Those businesses that have already applied for this service are advised to retain their paperwork. In addition, postponed VAT accounting will not be available during the implementation period.

Advance UK VAT registrations

In addition, HMRC has withdrawn guidance issued in September 2019 which allowed some EU businesses to apply in advance for a UK VAT registration.

Advance VAT registration had been available in the UK for EU businesses holding goods in the UK under call-off stock arrangements. Such businesses do not currently need a UK VAT registration but would have required one in the event of a no-deal Brexit. Following the passing of the [EU \(Withdrawal Agreement\) Act 2020](#), this guidance has been removed from HMRC [Notice 700/1](#).

The acceptance of advance UK VAT registrations may need to be reintroduced towards the end of 2020 if a no-deal Brexit becomes possible.

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Indirect Tax

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