

A woman with blonde hair, wearing a green turtleneck, is looking down at a tablet computer she is holding. She is in a warehouse or industrial setting, with blurred background elements like a yellow forklift and stacks of goods. The lighting is dim, with some highlights on the woman's face and the tablet.

HOW CAN UK AND FRENCH BUSINESSES RESPOND TO TAX CHALLENGES OF SUPPLY CHAIN CHANGE?

POST BREXIT & C-19 UPDATE

19th January - 1pm



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WHAT WE WILL COVER

WELCOME

- ▶ Lauriane Veron, Head of Events & Marketing, CCFGB

INDIRECT TAX OPPORTUNITIES & CHALLENGES

- ▶ Hakan Henningsson, Director, Customs & International Trade Specialist
- ▶ Martyne Pearson, Director, International VAT Specialist

CT & TP ACTIONS TO MANAGE CHANGE

- ▶ Julia McCullagh, Partner, International Tax & Transfer pricing Specialist

INNOVATION FUNDING AND FINANCING - R&D AND PATENT BOX

- ▶ Sacha Boksenbaum, Partner, Corporate Tax and International Tax
- ▶ Herve Mottais, Director, Innovation and Technology Group

INTERNATIONAL TAX: KEY VAT AND CUSTOMS IMPLICATIONS



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BREXIT - WHERE ARE WE NOW?

- 
- ▶ The UK left the EU on 31 January 2019
 - ▶ Transition deal until 31 December 2020

Now...

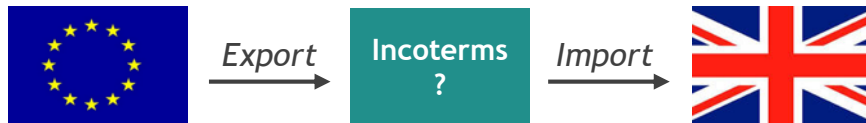
- ▶ From 1 January 2021 businesses will need to trade under new conditions
- ▶ No more intra EU movements as far as the UK is concerned
- ▶ Customs declarations will be required
- ▶ Import VAT will apply - can this be accounted for on the VAT return?
- ▶ Customs duties could apply - paid via deferment account or through the freight forwarder
- ▶ UK-EU Trade deal - sliver-ling v grey cloud?

SUPPLIES FROM EU TO UK

SUPPLIES FROM EU TO UK

What are the customs implications for and EU businesses?

The UK will be treated as a third-country from a Customs perspective (excluding NI Protocol goods)



Customs decisions - customs authorisations

- ▶ UK authorisation will not be valid
- ▶ Authorisation granted to UK EORI numbers could be amended
- ▶ Customs Comprehensive Guarantee (CCG) will be recalculated or invalid
- ▶ Binding tariff (BTI decisions) and origin information (BOI decisions)

- ▶ EORI registration:
 - UK EORI will be required to import goods into the UK
 - EU EORI will no longer be valid
- ▶ If no UK EORI the EU business may need to appoint an Indirect Representative or change its supply chain so that the UK customer is the IOR



SUPPLIES FROM EU TO UK

What are the VAT implications for EU businesses?

EU rules no longer apply for cross-border supplies and movements



This means:

- ▶ B2B: **export** instead of intra-EU supplies
- ▶ B2B: **simplifications** for EU movements will not apply (e.g. call-off stock, triangulation...)
- ▶ B2C: **distance sales scheme** (ecommerce) will not apply
- ▶ IOR will pay import VAT and duty (if applicable)
- ▶ Postponed import VAT accounting
- ▶ EU business may need UK VAT registration

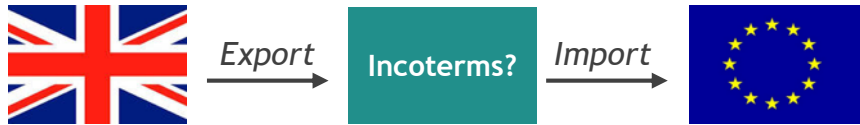
SUPPLIES FROM UK TO EU



SUPPLIES FROM UK TO THE EU

What are the customs implications for UK businesses?

EU rules no longer apply for the exportation of goods from the UK



- ▶ Goods moved from UK will be exports out of the UK and imports into the EU
- ▶ Options for importation (i) UK business; (ii) EU Customer; (iii) Indirect Representative
- ▶ Origin of goods needs to be considered for preferential duty treatment
- ▶ Re-importation of EU goods may not qualify for EU-UK trade preferences

SUPPLIES FROM UK TO THE EU

What are the customs implications for UK businesses?

Customs debt

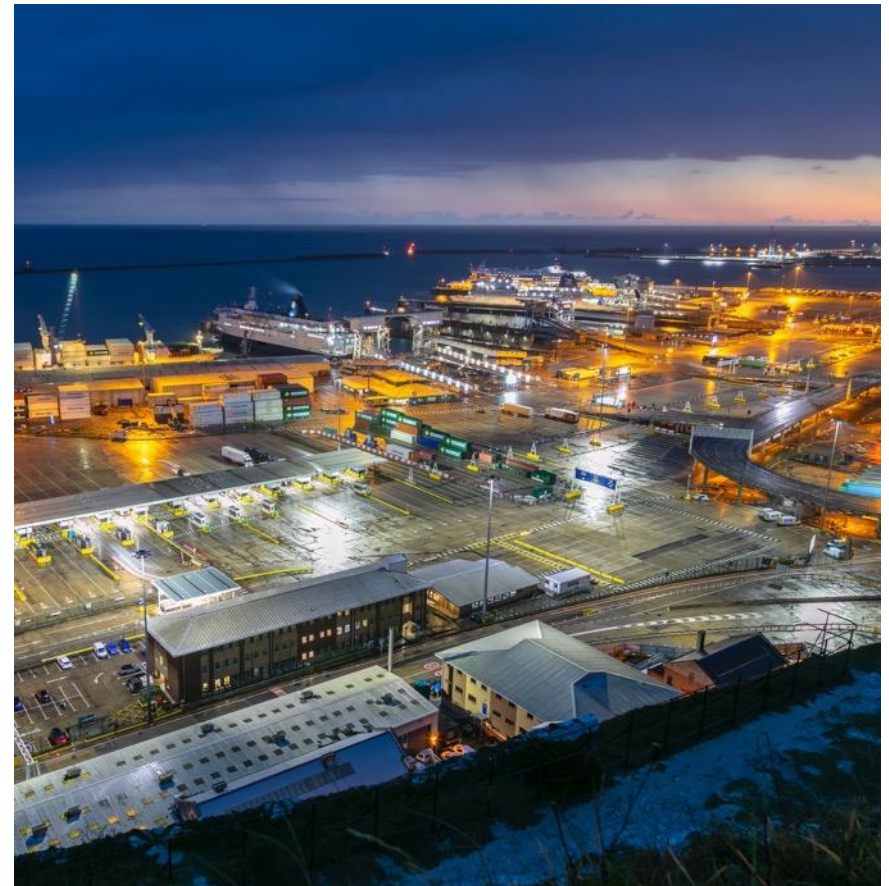
- ▶ Customs Valuation (INCOTERM clauses)
- ▶ Tariff classification
- ▶ Origin of the products

Customs simplifications / regimes

- ▶ Customs warehouse
- ▶ Inward processing
- ▶ Returned goods. EU goods transported prior the finalisation of the transition period.
- ▶ Transit to other EU countries

Customs representative

AEO certificate



SUPPLIES FROM UK TO THE EU

What are the VAT implications for UK businesses?

EU rules no longer apply for cross-border supplies and movements



This means:

- ▶ B2B: **imports** instead of intra-EU acquisitions
- ▶ B2B: **simplifications** for EU movements will not apply (e.g. call-off stock, triangulation...)
- ▶ B2C: **distance sales scheme** (e-commerce) will not apply but the special scheme for imports followed by domestic or EU supplies will apply (as of July 2021)

OTHER KEY ISSUES: IMPACT ON VAT RULES FOR SERVICES

IMPACT ON VAT RULES FOR SERVICES

Place of supply rules

- ▶ B2B: Use and Enjoyment rule could be applicable
- ▶ B2C: Services of article 59 of the VAT Directive not subject to Spanish / EU VAT

B2C: MOSS for TBE services

- ▶ It can continue under the non-Union scheme in another EU country for services provided by UK entrepreneurs (current Union scheme) and other parties identified in the UK using currently the non-Union scheme.
- ▶ Services provided from EU to UK consumers are excluded and local rules are to be followed to pay VAT.
- ▶ Services rendered within the transition period must be reported through the MOSS even after the end of the transition period (January 2021 to report MOSS for Q4 2020). Amendments until 31 December 2021.
- ▶ EU sales and acquisition listing for operations taking place within the transition period.
- ▶ MOSS will be extended to other B2C services as of July 2021. The UK could also make use of this under the non-Union scheme.

WHAT TO DO NOW?

BREXIT TO-DO LIST

- ▶ Map your supply chains and distribution channels with Incoterms - who is the importer/exporter?
- ▶ Check that you/your shippers know what to do from 1 January:
 - Do you need to talk to your customers/suppliers about Incoterms?
 - Does the designated importer/exporter (you/your suppliers/your customers) meet the customs establishment criteria?
- ▶ Who will be making your import/export declarations?
 - If a third party - do they have capacity? Compliance remain fully or partially your responsibility.
 - If in-house - how much will it cost and how soon can you be operational?
- ▶ Do you need to acquire any UK/EU VAT registrations?
- ▶ Will your goods benefit from zero tariffs under the 'origin' rules?
- ▶ Can your business benefit from any reliefs such as: UK Customs Warehouse and/or Inward Processing Relief authorisation? Authorised Economic Operator authorisation?
- ▶ Do you need to "upskill" your staff and management through customs training?

CT & TP ACTIONS TO MANAGE CHANGE



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CORPORATION TAX & TRANSFER PRICING ACTIONS FOR SUPPLY CHAIN CHANGE

COVID related transfer pricing policy change

- ▶ Consider need/potential to adjust intra-group pricing
- ▶ Identify how any adjustments will be made
- ▶ Prepare for Customs and VAT implications
- ▶ Document decisions made

Geographic footprint change in supply chains

- ▶ Integrate finance/tax into supply chain planning
- ▶ Map supply chains and identify changes in geographic footprint
- ▶ Assess implications for existing tax/transfer pricing model & risk assessment
- ▶ Implement changes and monitor risks

Innovation for UK / FR Businesses

- ▶ Understand innovation & business model change especially e-commerce
- ▶ Plan appropriately for any new IP development and exploitation
- ▶ Design transaction and TP model for new/adjusted e-commerce
- ▶ Consider potential for R&D tax credits

POST BREXIT RETHINKING



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UK R&D PASSPORT

Funding level

- ▶ For SME: 130% tax deduction
- ▶ For large company: tax credit 13% (but taxable)

Cash refund?

- ▶ SME: Yes in most cases - ability to convert tax losses into cash (subject to cap based on the amount of social contribution/Income tax paid)
- ▶ For large companies: yes but subject to conditions

What can be included?

- ▶ In-house exp.: personnel, consumables, software licenses, payment to volunteers for clinical trials
- ▶ Outsourced exp.: EPW, subcontracting costs (restricted for large companies)

Submission Process and timeline

- ▶ Can be claimed up to 2 year after the end of the accounting period



FRENCH R&D PASSPORT

Funding level

- ▶ 30% for the eligible R&D expenses incurred during the FY up to €100m and 5% above that threshold

Cash refund?

- ▶ SMEs benefit from an immediate refund (on request)
- ▶ Other companies refund is available if the credit has not been fully offset over 3 years (on request)

What can be included?

- ▶ In-house: labour, depreciation, overheads
- ▶ Outsourced:
 - Connected EPW (limited)
 - Subcontracting costs must be certified by the Ministry of Research and undertaken in the EEA

Submission Process and timeline

- ▶ Can be claimed up to 3 years



UK PATENT BOX PASSPORT

Funding level

- ▶ Profit deriving from relevant IP is taxed at 10%

Relevant IP

- ▶ Patent

Main conditions /Restrictions

- ▶ Development condition
- ▶ Patent file in Europe
- ▶ Need to have at least a license
- ▶ Nexus

Submission Process and timeline

- ▶ Can be claimed up to 2 years after the end of the accounting period



FRENCH IP BOX PASSPORT

Funding level

- ▶ Profit deriving from eligible IPs is taxed at 10% CIT rate

Relevant IP

- ▶ Patent, industrial manufacturing process, patentable invention (for SME), software etc...

Main conditions/restrictions

- ▶ Nexus ratio
- ▶ Applicable to sale, licensing or sublicensing of the eligible IP (except intragroup sale or sale of an asset acquired less than 2 years ago)
- ▶ Strong documentation needed

Submission Process and timeline

- ▶ An option is necessary for each asset, good or service etc. (no possibility of global option)
- ▶ The option has to be made within the CIT return submission deadline

Q&A



Submit your comments and questions to the Panel using the [Q&A box](#) at the bottom of the screen.

TODAY'S SPEAKERS

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