



Brexit Indirect Tax Impact Analysis

The UK's departure from the European Union is likely to increase the cost of trading internationally – but by how much? While we may not have sight of what the future relationship between the UK and the EU will look like, Grant Thornton has developed Brexit Indirect Tax Impact Analysis, to help you understand the possible customs duty and VAT costs posed to your business by various Brexit scenarios.

What's the issue?

Changes to the UK's relationship with Europe could increase the costs of doing business across borders. While the final result of negotiations is unknown, there are a number of potential Brexit outcomes, from 'hard Brexit' (where the UK leaves both the Single Market and the Customs Union), to a 'soft Brexit' (where the UK retains the benefits of Single Market participation) and a host of options in between – each posing different tax challenges.

What is certain is that in almost all scenarios, businesses that currently acquire goods from or despatch goods to the EU will be required to treat these movements as imports and exports. It is also important to remember that the UK currently has access to more than 50 free trade agreements (FTA) with countries around the world, negotiated by the EU – access to these may be lost as a result of Brexit. This means that both customs duty and import VAT will, potentially, be payable – not to mention the additional administrative cost arising from the need to process import and export declarations and instruct handling agents where necessary.

Brexit Indirect Tax Impact Analysis

To help you understand the possible customs duty and VAT costs and develop your contingency plans, we have developed Brexit Indirect Tax Impact Analysis, a data analytics platform.

Using duty rates and your real import and export data our platform assesses the impact of a range of possible Brexit scenarios, providing you with a personalised analysis of the potential changes in duty and import VAT.

Our Brexit Indirect Tax Impact Analysis allows you to quickly assess your current rates and compare them against potential future scenarios. You can also examine into the detail, analysing the impact down to a specific country and commodity.

The platform:

- shows the total value of all goods imported and exported by invoice and customs value;
- provides you with current amounts of import VAT and customs duty payable by you and also by your customers on your exports, and benchmarks this against five potential Brexit scenarios;
- is flexible – allowing you to custom build bespoke scenarios;
- is simple to use – you can filter the results easily to understand which potential scenario, country or product could present the greatest additional costs; and
- is suitable for businesses across all economic sectors that

What you need to do?

To get started, all you need to do is provide us with access to your intrastat and import data (MSS data). From this, our Brexit Indirect Tax Impact Analysis will evaluate the possible future custom duty and VAT costs based on the conditional rules applicable to each scenario. Your final results will be fed in to a visual dashboard, which will enable us to easily demonstrate and discuss your results in a meeting with you. From there, we can assess the necessary next steps to mitigate any risks and seize any opportunities presented.

Our platform includes five Brexit scenarios and an option to build your own

WTO The UK loses all trade agreements with the EU, all agreements with countries outside of the EU negotiated by the EU and these are not replaced.

New FTA The UK loses all trade agreements with the EU, all agreements with countries outside of the EU negotiated by the EU and these are replaced with new agreements with key markets.

Existing FTA The UK loses trade agreements inside the EU, but those countries outside (with existing FTAs with the EU) agree to trade with the UK under the same terms and conditions as before.

EEA Membership The UK retains free trade with EU and EFTA, and loses trade agreements with countries outside of the EU.

Best of both worlds The UK retains free trade with EU, keeps current FTAs and negotiates new FTAs.

+ Create your own We can model bespoke scenarios based on specific countries, commodity code assumptions, etc. that are specific to your business.

Case study



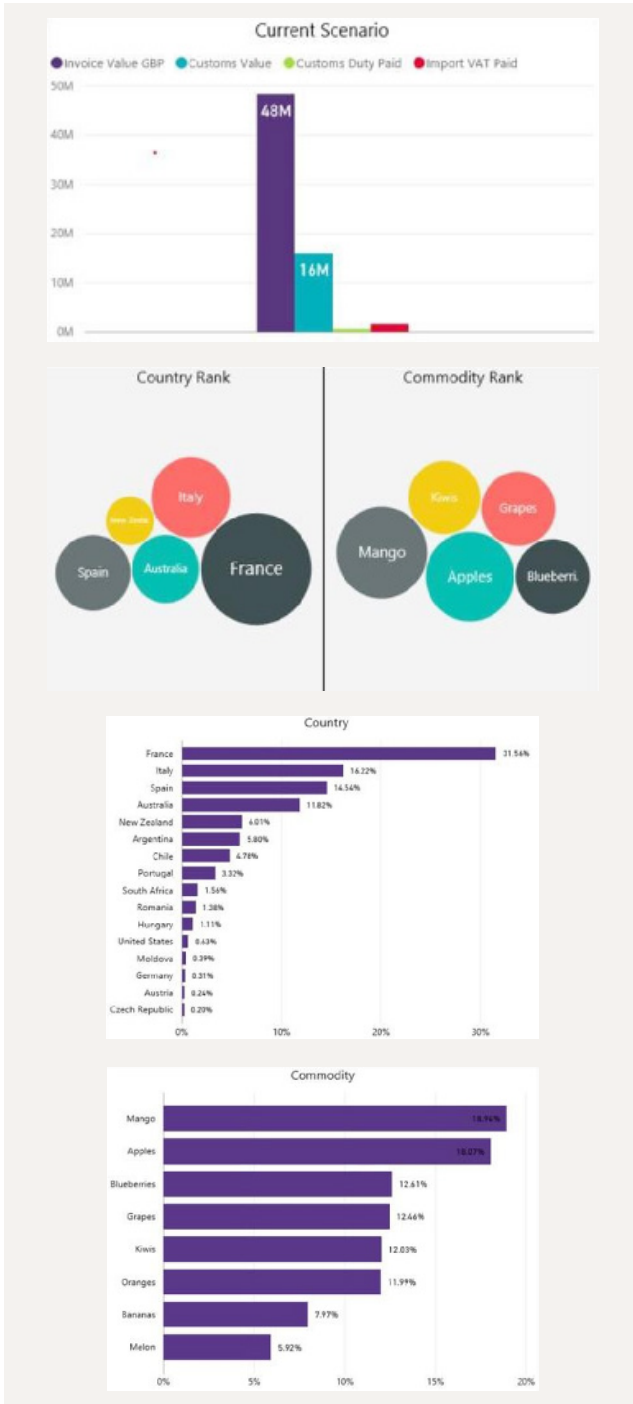
Collaborating with one client, an importer of approximately £60 million of produce from the EU each year, our Brexit Indirect Tax Analysis found that the additional customs duty cost posed by Brexit could be as much as £10 million per annum. This represented a cost of sales increase of over 15%.

In addition, as import VAT is calculated on the customs duty inclusive value of goods imported, we also identified a possible adverse impact on working capital, as the business would need to fund the additional import VAT cost until it could be reclaimed – a potential cash flow cost of £475,000 per quarter.

As a result of our analysis our client is better able to assess the potential impact of Brexit and begin the process of planning to mitigate these risks.

Explore your dashboard

As well as visualising the indirect tax cost of each scenario, you can also drill into the detail, analysing the impact down to a specific country and commodity, as seen below:



Contact



Peter Legge
 Partner, Tax
 T +(0)44 28 9587 1081
 E peter.legge@ie.gt.com



Lee Squires
 Director, Indirect Tax
 T +(0)44 28 9587 1095
 E lee.squires@ie.gt.com



Michelle Armstrong
 Assistant Manager, Indirect Tax
 T +(0)44 28 9587 2318
 E michelle.armstrong@ie.gt.com

Offices in Belfast, Dublin, Cork, Galway, Kildare, Limerick and Longford.

www.grantthornttonni.com

@GrantThorntonNI

Grant Thornton (NI) LLP

