



## Viewpoints

# Be prepared for brexit and minimize risks - we've listed the most important business effects

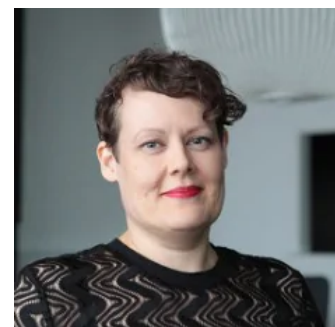
Kati Heino and Johanna Oksa

The United Kingdom ceases to be a member of the European Union 1.2.2020. This will be followed by a transition period until the end of 2020. Brexit applies not only to big multinationals, but to everyone who does business with businesses or consumers in the UK.

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The effects of Brexit are manifold; the impact is not only on supply chains for goods, customs and VAT, but also on, for example, industry regulation, people and contracts. Below are some essential examples of the practical impact of brexit on business. These should be considered at the latest, when brexit finally appears to be likely.

- **Finnish companies should consider brexit as both a buyer and a seller. Instead of the current duty-free intra-Community trade, similar export and import formalities are used as in trade with Russia, for example.** The current Intrastat reporting requirements for intra-Community trade and the EU Sales Summary Report are omitted. Customs clearance formalities will be introduced, which may also affect delivery times at an early stage, as customs clearance has to be given its own time.
- **Customs frontiers may also lead to customs duties being applied to the sale and purchase of products.** While the free trade agreement and the lowest possible level of customs between the EU and the UK is certainly the preferred option for all traders, the potential customs duty risk should be taken into account in the pricing process, as customs duties are a final cost. This may also require changes to trade agreements.
- **VAT simplifications for EU chain transactions will no longer be suitable for British companies.** The business model of many Finnish companies includes the so-called. a chain store where goods are transported once but the billing chain passes through several companies. Special attention should be paid to the organization of the transaction chain after the transitional period, when a British operator is involved. VAT simplifications for EU chain transactions will no longer be suitable for British companies, so if, for



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example, a British company is in the middle of the chain and the goods are not leaving the EU, the British company will in principle have to register for VAT in the EU. If, on the other hand, the chain trade situation is organized so that the goods ultimately end up in the UK, it may need to be cleared for export already in the country of origin and treated VAT-free throughout the sales chain, even if EU companies are involved. However, situations must always be assessed on a case-by-case basis.

- **After a transitional period, EU distance selling rules will no longer be applicable as before, which will affect Finnish companies mailing their products to British consumers.** The British consumer should be treated, for example, for VAT and customs formalities, such as a consumer resident in a third country. In this respect, it is necessary to carefully examine the future provisions of the United Kingdom, including: import liability and VAT obligations. It may be that a Finnish consumer will have to pay for import duties at home when ordering goods in Britain. However, it is possible that British online sellers may still wish to apply EU distance selling rules and, for example, set up a central warehouse in the territory of one of the EU countries, so that they can continue to apply these EU rules. The decisive factor is therefore not the country of residence of the selling company, but the itinerary of the goods and the corresponding VAT identification number used by the seller.
- For a Finnish company, brexit does not bring about such devastating changes in trade in services compared to trade in goods. **However, brexex affect invoice entry requirements and VAT reporting, meaning changes will be made to ERP systems.**
- **After a transitional period, a Finnish seller will no longer be able to report sales of electronic services to consumers through the MOSS system applying the principle of one reporting Member State, nor will he apply the country of sale rules for the sale of services to EU consumers.** Similarly, when a Finnish consumer purchases electronic services from a British operator, the tax treatment may change.
- **VAT refund procedures for foreigners change with brexit.** In the future, a Finnish company can no longer apply for a UK VAT refund through the EU portal maintained by the Finnish Tax Administration.
- **For financial and insurance service providers in Finland, brexit brings the good news** , as after a transitional period, the sale of financial services outside Europe is, under certain conditions, an activity eligible for a VAT deduction .
- **Brexit affects industry regulation and qualifications** . After the Brexit, the EU does not automatically recognize British eligibility or other standards, certificates or inspection measures. It is a good idea to find out in advance the change requirements caused by brexit if you are operating in an industry that is subject to special regulations or EU-wide qualifications or qualifications.
- **Brexit also affects individual people** . British residents in Finland must register with the Finnish Immigration Service before the EU divorce becomes effective. Registration guarantees the right of residence and employment until the end of the transitional period until 31.12.2020.
- **There may be changes to the rules on posting, particularly as regards social security provisions.** A Finnish employer company will have to register to be a social security (employer) in the UK unless there is a social security agreement that allows the employee to be covered by only one country.
- **It is a good idea to find out the measures that may be required for longer commuting trips.**
- **Trade agreements with business partners should be carefully reviewed** so that, for example, avoidable delivery delays do not lead to sanctions.

The key to preparing for brexit is identifying risks, mapping them, and developing an action plan. It is possible to manage the risks and minimize the potential damage to brexit's business.

We Deloitte experts in Finland and the UK are happy to help you think about the right way to prepare for brexit, whether you want to start brexit impact assessment entirely from scratch or just have an external review of your existing plan. Please let us know and we'll tell you more about our brexit services!

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“Brexit applies not only to big multinationals, but to everyone who does business with businesses or consumers in the UK.”

*Article: Brexit Transition Phase - Where Do We Go From Here?*

## Take contact!



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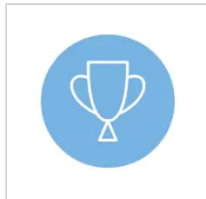
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