

Practical guide to Brexit for Finance & Operations

Learn what changes you need to make to continue trading digital services and consumer goods between UK and EEA. Including VAT Rates, GDPR and how bank fees and deposit rights will continue to work.



Summary

The transition period for the United Kingdom's withdrawal from the EU ended on 31 December 2020 at 23:00 CET. Existing EU Treaties and general principles of the EU law no longer apply in relation to the UK, read this simple guide to understand the changes and general rules you need to follow post Brexit.

Section 1

Taxes and VAT

Supply of goods between the UK and the EU

Supply of services between the UK and the EU

Supply of Digital Services post Brexit

— B2C Digital Services

— B2B Digital Services

Northern Ireland (NI)

— Supply of goods between Northern Ireland and Great Britain

— Supply of goods between Northern Ireland and Ireland

— Supply of services

Section 2

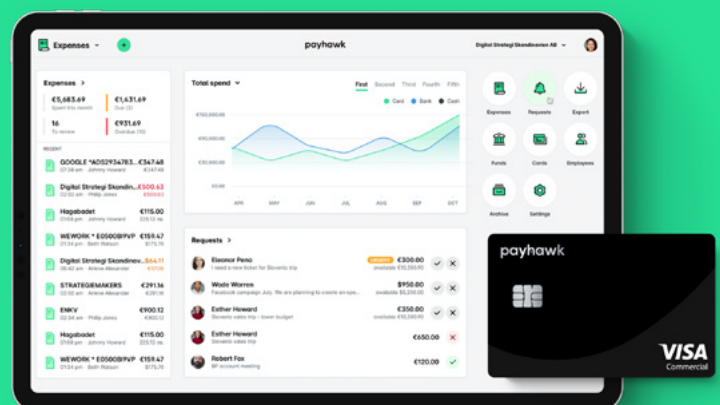
Bank fees, transfers and deposit protections

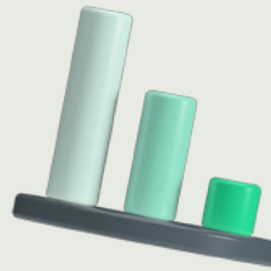
Section 3

Data protection under GDPR

The financial system of tomorrow

Payhawk combines credit cards, payments, expenses, cash management and pre-accounting into one integrated experience to give you maximum control and visibility over your spend.





Taxes and VAT

The transition period for the United Kingdom's withdrawal from the EU ended on 31 December 2020. This means that from 1 January 2021 onwards UK is now formally a third country to the EU and generally EU tax laws no longer apply there. Post-a supplies and movements of goods and services between the EU and the UK will be subject to the rules on imports and exports. As a result, there are changes to the way customs and VAT is handled

Supply of goods between the UK and the EU

Supply of goods will be treated as exports from the country of dispatch and imports in the country of arrival. Customs declarations and procedures are necessary for the import and export of goods into and out of the EU and the UK.

Businesses moving goods between the UK and EU require an Economic Operator Registration Identification (EORI) number from both the UK and EU following Brexit. EORI numbers are used as an identification means in all customs procedures when exchanging information with customs administrations. Without a valid GB or EU EORI number, your goods will not clear through customs. EORI number can be obtained from any EU member state's tax authority or HMRC for the UK.

The general rule is that exports of goods are exempt/zero-rated VAT in the country of export and charged at the local VAT rate in the country of import. However, there might be different VAT rates applied depending on the type of goods imported (e.g. some work of arts may be entitled to reduced VAT rates). One important requirement when moving goods between the EU and the UK is that the supplier of exported goods must prove the goods have left the EU or the UK, respectively.

Distance selling goods threshold no longer applies after Brexit. This means that EU e-commerce sellers may now need to register immediately for UK VAT even if they have been selling to UK consumers below the pre-Brexit thresholds. The same applies for UK e-commerce sellers that now need to do EU VAT registration.

The EU will implement as of 1 July 2021 an optional import scheme covering distance sales of goods imported from third countries to customers in the EU up to a value of EUR 150. The seller will charge and collect the VAT at the point of sale to EU customers and declare and pay that VAT globally to the Member State of identification via a One-Stop-Shop (OSS). These goods will then benefit from a VAT exemption upon importation, allowing a fast release at customs.

Supply of services between the UK and the EU

Similar to the supply of goods, post-Brexit supply of services between the EU and the UK is treated as imports and exports depending on the place of supply of the services. This can depend on factors such as the nature of the service, where the service is performed, etc.

The general rule is that supply of services will be subject to VAT in the country where the service is supplied. For B2B this is usually where the customer is located. And for B2C this is usually where the supplier is established. There are, however, exceptions to this rule. For example, for B2C supply of digital services VAT is due in the country where the consumer is resident.

Supply of Digital Services post Brexit



B2C Digital Services

EU Businesses selling to UK consumers:

- a.** need to register for VAT in the UK and apply the UK VAT rate on their sales to UK consumers. Sales and VAT need to be declared to HMRC.

UK Businesses selling to EU consumers can either:

- a.** register for VAT in each EU member state where they supply digital services to consumers; or
- b.** register for the [Non-Union VAT MOSS scheme](#) in any EU Member State

VAT MOSS is an optional scheme that allows accounting for VAT - normally due in multiple EU countries - in just one EU country. This will most likely be the preferable option for the majority of UK sellers to EU consumers. Any non-EU business which had a UK MOSS registration before Brexit needs to re-register after Brexit in any EU Member State. Any existing old (Pre-Brexit) registrations will not be valid, and businesses need to re-register. The deadline for registration is by the 10th day of the month following a sale made to a EU consumer.

B2B Digital Services

In general B2B digital services are outside the scope of both the EU and the UK VAT. Which means that when selling B2B Digital Services from the UK to the EU (and vice versa) the seller invoice will include zero-rate VAT and the buyer's accountant will accrue the VAT at their domestic country rate.



Northern Ireland (NI)

After Brexit, Northern Ireland has a special VAT regime as the country maintains alignment with the EU VAT rules for goods but is also in the UK VAT regime.

Supply of goods between Northern Ireland and Great Britain

The general rule is that supply of goods between NI and GB will continue to follow the established rules before Brexit. This means that VAT will be charged as if those supplies are domestic UK supplies. There will be exceptions to this rule.

Supply of goods between Northern Ireland and Ireland

The terms of the Ireland/Northern Ireland Protocol require that Northern Ireland maintains alignment with the EU VAT rules for goods. The general rule is that goods moving between Ireland and NI will continue to be treated as movements across internal EU borders. For B2B, this means they remain intracommunity VAT zero-rated transactions. More complex rules will apply for goods shipped from GB to Ireland through NI and from Ireland to GB through NI.

Supply of services

VAT rules related to services are not covered by the Northern Ireland Protocol. This means that NI will follow the general UK VAT rules for services, although some exceptions may apply.

Bank fees, transfers and deposit protections



Bank transfers and fees between UK and the EU

SEPA (Single Euro Payments Area) is Europe's payments system that harmonizes cashless transfer of money between countries in the form of credit transfers or direct debits. An EU regulation states that banks cannot charge for cross-border payments in euro more than an equivalent domestic transfer in the national currency. Given that EU laws will not apply after 1 January 2021, UK banks that use SEPA might add additional charges to their transfers in EUR.

Tip: Make sure that you closely follow any recent or new changes to your banking tariff and terms and conditions especially in regards to SEPA credit transfers and direct debits.

Further, additional data might be required when filling out bank transfers that wasn't previously required for intra-EU transfers. In addition to the payer's payment account number or unique transaction identifier, the information will also include details on the payer's name and either the payer's address, official personal document number, customer identification number or the date/place of birth. As a result, the consumers transferring funds between the EU and UK may be asked by their payment service providers to provide these additional details. More information is available on the European Banking Authority [website](#).

International transfers with SWIFT, and payments in GBP using Faster Payments and BACS are not expected to be affected.



Protection to deposits

After the transition period, EU citizens and businesses might maintain their bank accounts with UK banks subject to applicable UK law. The deposit protection rules will apply, but they might be different than those held in the EU. If a deposit is held with an EU-based branch of an UK financial institution, you are required to check with the financial institution (branch) or national supervisory authorities in their Member State whether such deposits will be protected by the deposit protection scheme in the relevant Member State.



Data protection under GDPR

Although the UK formally left the EU on 31 December 2020, some UK businesses may have to continue to comply with EU regulations such as GDPR. UK companies need to ensure that any transfer of EU citizens' personal data to the UK is compliant with both the UK's privacy laws and EU's GDPR.

The UK has adopted its own UK GDPR and has amended its Data Protection Act 2018 to mirror to a large extent the provisions of the EU GDPR. However, the EU has not yet granted an adequacy decision to the UK which would allow for the ongoing free flow of data between the EU/EEA and the UK. Instead, the EU-UK Trade and Cooperation Agreement contains a bridging mechanism that allows the continued free flow of personal data from the EU/EEA to the UK after 1 January 2020 for a period of up to 6 months (until an adequacy decision has been granted or declined).

In case no adequacy decision is granted, UK companies that are controllers or processors of EU citizens' data will need to ensure that alternative transfer mechanisms, such as the European Commission approved model clauses, are in place.

UK businesses without EU presence that are controllers or processors of EU-based individuals' data need to follow the EU GDPR's requirements and may be required to appoint an EU representative. That representative needs to be authorized to deal with the EU regulators on behalf of the UK company. Same applies for EU businesses that are controllers or processors of UK-based individuals' data. They need to follow UK GDPR and may be required to appoint a UK representative.

Legal Disclaimer:

The information contained herein is provided for informational purposes only and should not be construed and relied upon as legal advice on any of the subject matters discussed here. You should not act or refrain from acting on the basis of any content included in this guide without seeking legal or other professional advice and Payhawk Limited hereby disclaims all liability in respect to actions taken or not taken based on any or all of the contents of this guide to the fullest extent permitted by law.

Our story

Payhawk is the financial system of tomorrow that combines credit cards, payments, expenses, cash management and pre-accounting automation into one integrated experience. Payhawk was founded in 2018 and currently serves customers across 18 countries in Europe from its offices in London, Berlin, Barcelona and Sofia. Payhawk disrupts the expense management market by combining financial and software products into a single platform.

The product is available for any registered business in Austria, Belgium, Bulgaria, Croatia, Republic of Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, and the United Kingdom.

[Use Cases](#)[Podcast](#)[Customer Stories](#)

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