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BREXIT VAT NEWS

5 MAY 2021

Latest EU – BREXIT VAT News

Exit of the UK from the EU and Cyprus VAT Implications

You could find summarized developments in the EU VAT landscape by email and on our website.

Ratification Extension Confirmation

On 24 December 2020, an agreement in principle was reached between the EU and the UK on the text of a new “Trade and Cooperation Agreement”, with a view to its provisional application from 1 January 2021. The UK government has accepted a proposal from the European Commission to extend the final date for the EU-UK Trade and Cooperation Agreement (TCA) to operate on a provisional basis from 28 February 2021 to 30 April 2021.

Although not directly connected, we understand that many member states are awaiting for the ratification of the TCA and/or a decision on its equivalence with the Mutual Agreement for the Recovery of Debts (MARD) before setting out their policy of Fiscal Representation requirements for GB established businesses, therefore, uncertainty in this regard is likely to continue until the EU achieves substantive progress on ratification and equivalence.

As the Brexit trade deal contains a Protocol on Mutual Assistance in VAT matters between the UK and the EU, the Cyprus Tax Authorities through the recently published “Εφαρμοστική Οδηγία 10/2021” allows UK businesses to continue to trade in Cyprus without a fiscal representative, while Greece and Hungary are deactivating and canceling VAT registrations of UK businesses without fiscal representation; just one example of the divergent approaches of the EU tax authorities in respect of this one issue.

Increased Scrutiny of UK Businesses

The request by a taxable person in Cyprus, for a VAT refund for the VAT that has been incurred in the UK during the transitional period 1/2/2020 – 31/12/2020 for business purposes, should be submitted based on the requirements of the 13th VAT Directive (Directive 86/560/EEC).

In light of continued uncertainty, we have seen an increase in individual tax authorities scrutinising the activities of UK businesses.

We recommend that all UK businesses regularise their position in respect of VAT reporting in Cyprus as soon as possible to mitigate risks arising from further analysis by the tax authorities. Please also be aware that our interactions with tax authorities on behalf of UK companies can become more complex and time-consuming than before, even for relatively straightforward procedures.

Changing Mechanisms for the Recovery of Foreign VAT

UK companies wishing to recover VAT incurred in Cyprus without holding a local VAT registration must now follow the same processes and procedures as other businesses established outside the EU. Any claims for VAT incurred in 2020 (which can still be lodged under the Refund Directive) must be lodged via HMRC’s portal for transmission to Cyprus by 31 March 2021 at the latest. For VAT incurred after 1 January 2021, a Thirteenth Directive claim must be submitted.

Do you need Brexit and VAT advice? We have extensive experience in preparing our customers for the implications of Brexit.

WAY FORWARD: HOW WE CAN HELP YOU

If you are a business engaged in cross border arrangements with persons established in the UK, and wish to assess whether and how BREXIT impacts the VAT treatment of your transactions, please feel free to contact us. Our expert indirect tax team is at your disposal to discuss about any transactions affected by BREXIT and provide advice on the correct VAT treatment.

KEY CONTACTS

For more information on how this development might affect you or your business, please contact:

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