



No-deal Brexit: Impact on tax law

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By: Roderik Bouwman | Richard Woolich

While a range of outcomes, including [a departure under the terms of the current Withdrawal Agreement](#), remains possible, it is important for businesses to plan for a no-deal Brexit, in which the UK leaves the EU without a withdrawal agreement or other deal. Here we look at the potential impact of a no-deal Brexit on tax law.

In principle, taxes most affected by a no-deal Brexit are those the rules in respect of which are positively imposed at the EU level - customs duties (on goods entering the UK where the UK currently has no legislation of its own), VAT, and certain information sharing rules.

However, other taxes will also be affected including corporation tax, withholding tax and employment tax, as the UK will lose access to certain relief directives.

The exact impact will depend largely on the type of business in question and how it is structured. Certain main tax changes from a no-deal Brexit include:

- Taxpayers must obtain an EORI number to trade in goods with the EU 27;
- Goods imported into the UK from the EU will attract import VAT (which can be deferred for up to 3 months for businesses registered for UK VAT);
- Changes to VAT and duty payable on packages under £135 imported into the UK;
- Customs duties are imposed on goods entering the UK, subject to transitional rules and the UK will enact its own customs code;
- There is some good news for banks and insurance companies doing business with EU 27 established customers, as they will be able to recover their attributable input VAT, just as they can with customers based outside the EU;
- Some businesses may need to register for VAT in the other EU 27 states, e.g. as the UK Mini One Stop Shop (MOSS) will no longer allow UK businesses to account for VAT in the EU through a UK VAT registration, and the UK will no longer be able to take advantage of EU Distance Selling regime. They may need to appoint a fiscal representative depending on local rules;
- The Merger Directive, Parent and Subsidiary Directive, and Interest and Royalty Directive will cease to apply to UK businesses. As a result, royalties and interest paid by UK businesses, and dividends, interest and royalties received by UK businesses may become subject to withholding tax, and claims under Double Tax Treaties should be made. But they may not always give an equivalent result;
- UK companies should check the impact on their structure to check other loss of reliefs and Treaty benefits; and
- Employees seconded overseas may be subject to social security contributions in more than one country.

Online guidance is available from the UK Government, including papers on VAT and the UK tariff, UK tax authority HMRC, and the European Commission.

[How DLA Piper can help](#)

For a more detailed analysis of the situation, please contact the authors or your usual DLA Piper contact.

AUTHORS



Roderik Bouwman

Partner

Amsterdam | T: +31 (0)20 541 98 88



Richard Woolich

Partner

London | T: +44 (0)20 7349 0296
