

**Baker
McKenzie.**

**Regional Webinar Series:
Recovery & Renewal: EMEA Tax Issues**

VAT Session

October 13, 2020



Agenda

1 INTRODUCTION

2 IMPACT OF SUPPLY CHAIN
CHANGES

3 NEW PLATFORM RULES

4 BREXIT

5 DISCOUNTS, DEFERMENTS
AND CANCELLATIONS

6 TRENDS IN VAT COLLECTION

7 QUESTIONS

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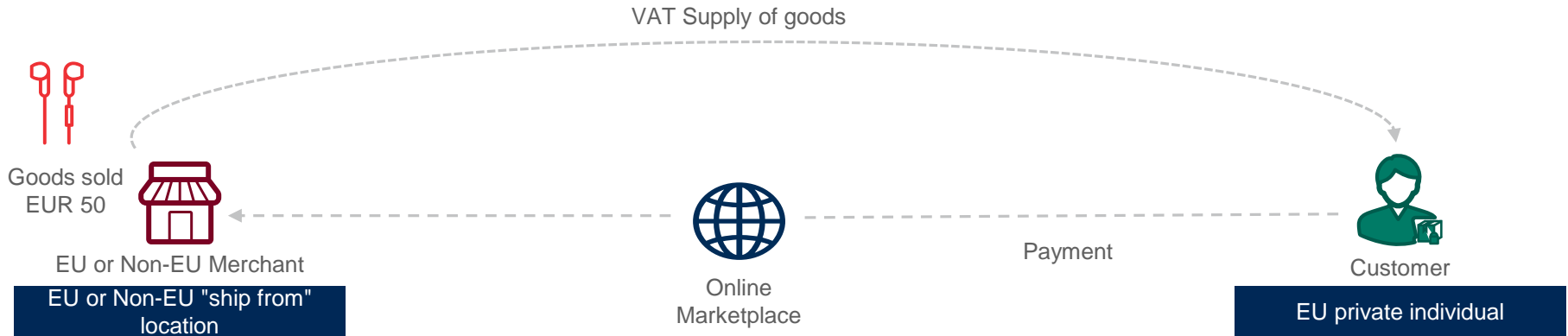
Supply Chain 3R





**Online platforms
becoming resellers**

Current EU VAT rules for e-commerce sales through online platforms



New EU VAT rules as of 1 July 2021

Scenario 1: imported e-commerce sales through online platforms <EUR 150

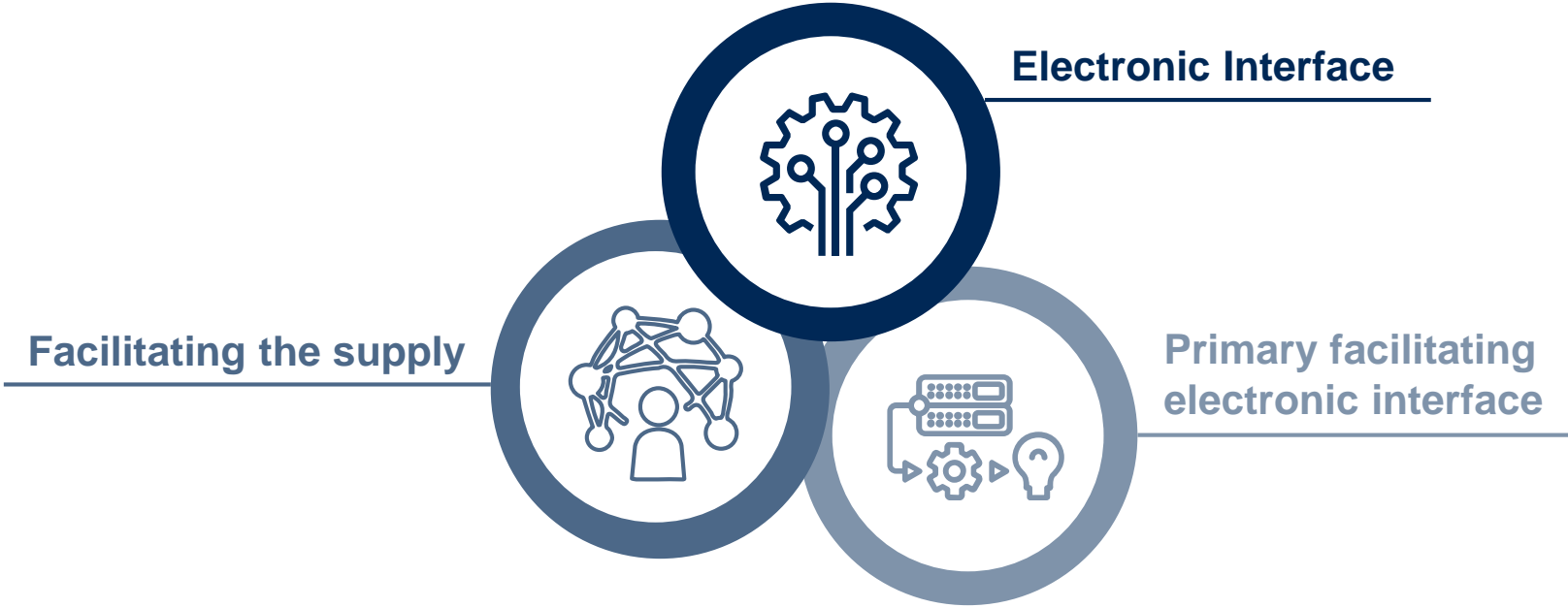


New EU VAT rules as of 1 July 2021

Scenario 2: Intra-EU e-commerce sales through online platforms



Requirements to qualify as deemed reseller:



Consequences for online platforms:



Collect VAT from customer



Register for VAT



Report and remit VAT



Issue VAT invoices



Collect and retain detailed information and documents



Diligence checks



Brexit

Political landscape

The background features a complex, abstract graphic of glowing blue lines and dots that form a series of overlapping, wavy patterns across the center of the image. The lines are thin and semi-transparent, creating a sense of depth and movement. The overall aesthetic is futuristic and digital, with a color palette dominated by various shades of blue against a dark, almost black background.

EU/UK: Negotiating Positions



Both EU/UK want a free-trade agreement, with no tariffs or quotas



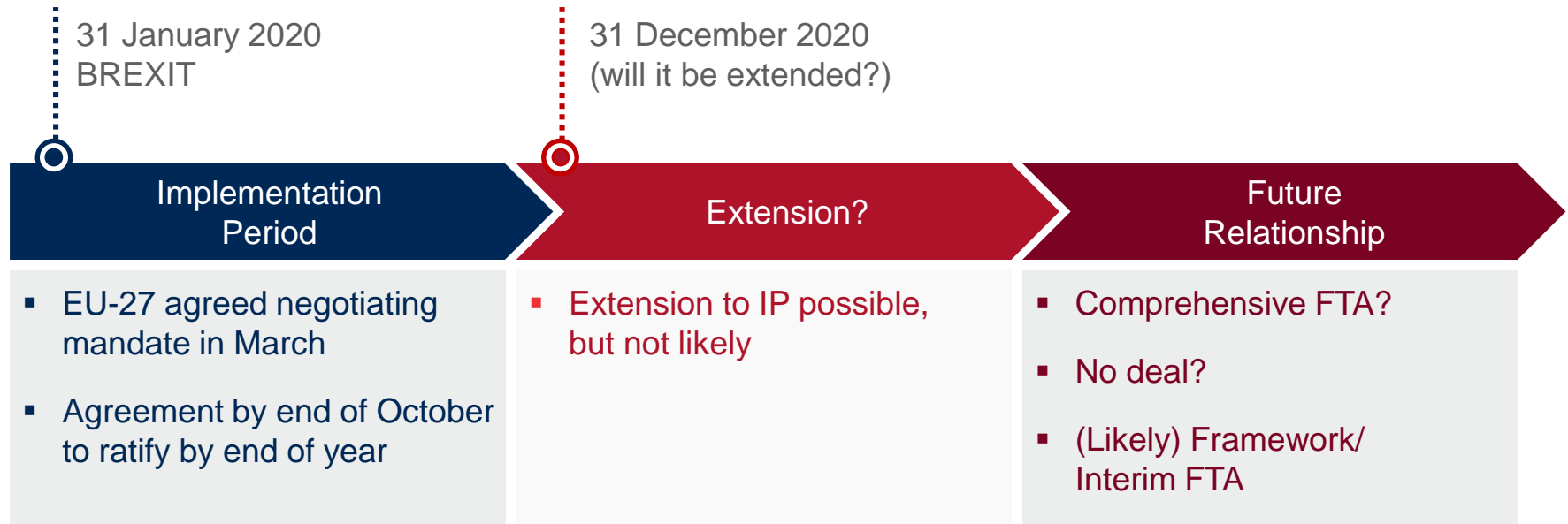
But – primary remaining areas of disagreement:

- Level playing field provisions (environment, labour and state aid rules)
- Fisheries



EU Chief Negotiator Michel Barnier and UK Chief Negotiator David Frost

What can we expect in 2020?



VAT Considerations

The background features a dark blue gradient with a complex, glowing blue digital wave pattern. This pattern consists of numerous thin, intersecting lines and dots that create a sense of depth and movement, resembling a data visualization or a digital signal. The wave is centered horizontally and extends across the width of the image, with a bright horizontal line of light passing through its center.

VAT Considerations

Imports and exports between the UK and EU (and special rules for Northern Ireland)



VAT reliefs in FS sector; use and enjoyment; invoicing

Impact on use of EU simplifications such as call off stock or triangulation



Implications for VAT re electronic services provided to EU private individuals

Practical VAT and Customs Considerations for Businesses

1 What are your companies' current supply chains and main markets?

2 Do you import goods into the UK from the EU or from EU FTA countries?

3 Do you import goods into EU-27 from UK?

4 Do you distribute into the EU from the UK or vice versa? Consider alternative distribution models

5 Does your business manufacture in the UK or EU-27?
Will this be affected by Brexit?

6 Evaluate impact on your supply chains, including the impact on your suppliers and your customers



Discounts, Deferments and Cancellations

Discounts, deferments and cancellations

Discounts



How discounts impact the taxable base:

- Discounts granted prior or at the moment of tax point
- Discounts granted after the tax point



Partial/Total discounts. Does it make a difference?



Total discounts versus non-payments

Discounts, deferments and cancellations

Deferments and Cancellations



Payment Deferments:

- In non-continuous supplies
- In continuous supplies



Cancellations and No-Show Fees



Indemnities



Trends in VAT collection

Effects on supply chain structuring



Responding to the pandemic has underscored the need to accelerate the adoption of agile ways of working and value chain transformation.



Unprecedented challenges: multi-country disruption (less global supply chains), higher fulfilment costs, stakeholders' expectations for sustainability, lack of flexibility to meet changing customer demand, inflexible IT systems.



Opportunities for meaningful change: Initial response plans for supply chain intervention, risk analysis, monitoring.

VAT Implications of supply chain restructuring

Typical issues arising from modified supply chains



Recognising fixed establishments; domestic agency issues; warehouses as fixed establishments.



New flow of goods and services between group companies to be considered for potential VAT grouping and input VAT recovery



Cross-border shipments: chain supplies with a logistic stop-over; IC supply exemptions require VAT-ID number; making use of call-off stock simplifications; special VAT place rules



Special regime for electronically supplied services



Administrative simplifications may apply on a local level

VAT fraud in supply chains

Creating awareness for potential VAT liabilities due to fraud



Disruption in supply chains offers opportunities for fraudsters to involve righteous and credible companies in a scams such as missing trader fraud or carrousel fraud.



Risk for credible companies because of statutory VAT liabilities for VAT underpayments that the authorities deem preventable because thorough checks would have indicated fraud (i.e. ECJ case Italmoda, C-131/13).

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