

# Brexit Indirect Tax Impact Analysis

The UK's departure from the European Union is likely to increase the costs of trading internationally – but by how much? While we may not have sight of what our future relationship with the EU will look like, Grant Thornton has developed Brexit Indirect Tax Impact Analysis, to help you to understand the possible Customs Duty and VAT costs posed to your business by various Brexit scenarios.

## What's the issue?

Changes to the UK's relationship with Europe could increase the costs of doing business across borders. While the final result of negotiations is unknown, there are a number of potential Brexit outcomes, from 'hard Brexit' (where the UK leaves both the Single Market and the Customs Union), to a 'soft Brexit' (where the UK retains the benefits of Single Market participation) and a host of options in between – each posing different tax challenges.

What is certain is that in almost all scenarios, businesses that currently acquire goods from or despatch goods to the EU will be required to treat these movements as imports and exports. It is also important to remember that the UK currently enjoys access to more than 50 free trade agreements with countries around the world, negotiated by the EU – access to these may be lost as a result of Brexit. This means that both Customs Duty and import VAT will, potentially, be payable – not to mention the additional administrative cost arising from the need to process import and export declarations and instruct handling agents where necessary.

## Brexit Indirect Tax Impact Analysis

To help you understand the possible Customs Duty, VAT costs and develop your contingency plans, we have developed Brexit Indirect Tax Impact Analysis, a data analytics platform.

Using duty rates and your real import and export data our platform assesses the impact of a range of possible Brexit scenarios, providing you with a personalised analysis of the potential changes in duty and import VAT.

Brexit Indirect Tax Impact Analysis allows you to quickly assess your current rates and compare them against potential future scenarios. You can also drill into the detail, analysing the impact down to a specific country and commodity.

The platform:

- shows the total value of all goods imported and acquired by invoice and customs value
- provides you with current amounts of import VAT and Customs Duty payable and benchmarks this against five potential Brexit scenarios (see overleaf)
- is flexible – allowing you to custom build bespoke scenarios
- is simple to use – you can filter the results easily to understand which potential scenario, country or product could present the greatest additional costs
- is suitable for businesses across all economic sectors that import and export goods to and from the UK.

## What you need to do...

To get started, all you need to do is provide us with access to your Intrastat and import data (MSS data). From this, Brexit Indirect Tax Impact Analysis will evaluate the possible future custom duty and VAT costs based on the conditional rules applicable to each scenario. Your final results will be fed in to a visual dashboard, which will enable us to easily demonstrate and discuss your results in a meeting with you. From there, we can assess the necessary next steps to mitigate any risks and seize any opportunities presented.

## Our platform includes five Brexit scenarios and an option to build your own

<p><b>WTO</b></p>	<p>The UK loses all trade agreements with the EU, all agreements with countries outside of the EU negotiated by the EU, and these are not replaced.</p>	<p><b>EEA Membership</b></p>	<p>The UK retains free trade with EU and EFTA, and loses trade agreements with countries outside of the EU.</p>
<p><b>New FTA</b></p>	<p>The UK loses all trade agreements with the EU, all agreements with countries outside of the EU negotiated by the EU, and these are replaced with new agreements with key markets.</p>	<p><b>Best of both worlds</b></p>	<p>The UK retains free trade with EU, keeps current FTAs and negotiates new FTAs.</p>
<p><b>Existing FTA</b></p>	<p>The UK loses trade agreements inside the EU, but those countries outside (with existing FTAs with the EU) agree to trade with the UK under the same terms and conditions as before.</p>	<p><b>+ Create your own</b></p>	<p>We can model bespoke scenarios based on specific countries, commodity code assumptions etc., specific to your business.</p>

### Case study

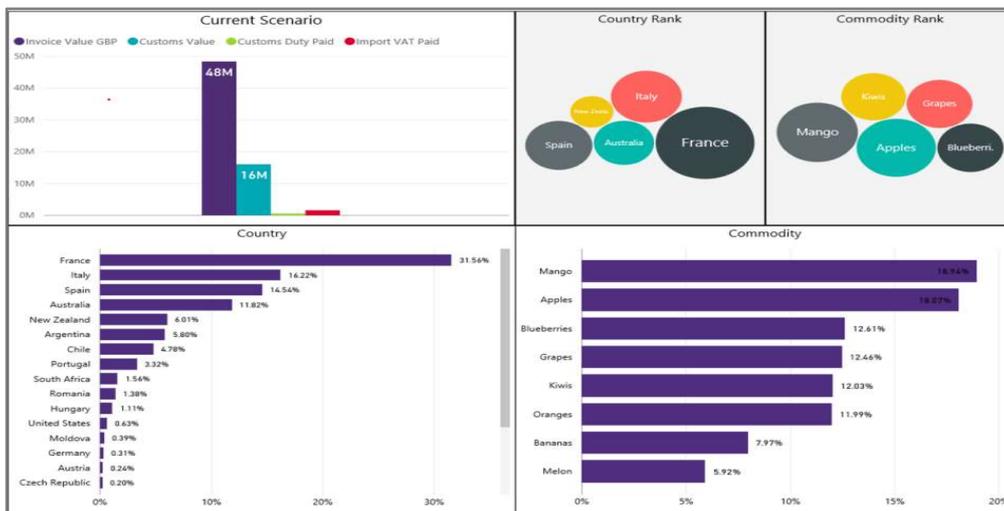
Collaborating with one client, an importer of approximately £60million of produce from the EU each year, our Brexit Indirect Tax Analysis found that the additional Customs Duty cost posed by Brexit could be as much as £10million per annum. This represented a cost of sales increase of over 15%.

In addition, as import VAT is calculated on the Customs Duty inclusive value of goods imported, we also identified a possible adverse impact on working capital, as the business would need to fund the additional import VAT cost until it could be reclaimed from HMRC – a potential cash flow cost of £475k per quarter.

As a result of our analysis our client is better able to assess the potential impact of Brexit and begin the process of planning to mitigate these risks.

### Explore your dashboard

As well as visualising the indirect tax cost of each scenario, you can also drill into the detail, analysing the impact down to a specific country and commodity, as seen below:



### Contact us

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