

STREETS[®]
CHARTERED ACCOUNTANTS

Interaction
Accountancy & Finance

Finance Leaders Update

Huntingdon Marriott Hotel
Tuesday 19th March 2019

Agenda

VAT & Customs

Gerry Myton, Partner & Head of Indirect Tax

Brexit – Direct Tax

Brian Mulholland, Partner & Head of International Tax

Property Tax Update

Luke Prout, Tax Partner



VAT & Customs

Gerry Myton

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The Reverse Charge Mechanism

- B2B supplies – Basic Rule:
Place of supply where the recipient located
- Recipient self-assess VAT
- Similar to the acquisition tax mechanism for goods...

Reverse Charge only applies to services



The Reverse Charge Mechanism

EXAMPLE

- Pierre supplies VAT services to SMM
- Value of services = €100
- SMM remits €100 to Pierre
- SMM accounts for VAT under the reverse charge:
 - Output tax (O/T) charge of €20
 - Input tax (I/T) deduction of €20 (subject to normal rules)



The RCM – Time of Supply

Single supplies of Reverse Charge services – the time of supply is the earlier of:

- The completion of the service; or
- The receipt of payment

Continuous supplies of Reverse Charge services – the time of supply is the earlier of:

- The end of each periodic billing or payment period;
- The receipt of payment; or
- 31 December, where no billing/payment period has ended/no payment has been made

Different time of supply rules for domestic supplies of services versus intra-EU supplies

- Note VAT registration obligations!



Reverse Charge – VAT return entries

E.g. Purchase for €15,000 : convert to £14,000

Box 1:	£2,800
Box 2:	Nil
Box 3:	£2,800
Box 4:	£2,800
Box 5:	Nil
Box 6:	£14,000
Box 7:	£14,000
Box 8:	Nil
Box 9:	Nil



VAT Issues: Imports

- UK leaves the EU on March 29, 2019 at 2300 hrs (at the time of writing these slides)
- Postponed VAT accounting
- Simplified Transitional Procedures
- No deal Brexit Tariffs
- Back to pre-December 31, 1992 position, not quite but close.



VAT Issues: Exports



- VAT on imports into the UK
- VAT on imports into EU/tariffs
- Importer of record – supplier or customer?
- Terms and conditions – review (incoterms)
- DDP as an example
- Appointment of tax representative

VAT Issues: General

- No acquisitions
- No dispatches
- No ESL
- No Intrastat



VAT Issues: General



The following go/change:

- Distance Selling
- MOSS
- EC VAT refunds (paper not electronic)

VAT Issues: Post Brexit



- Third country rules and tariffs (WTO) apply – full border controls
- Time pressure to ‘grandfather’ existing EU FTAs
- Customs declarations increase to 350m annually
- UK customs infrastructure - CHIEF for exports, CDS for imports “this is a courageous decision”

Customs: Duties

- Expectation - Mirror of EU external tariffs but 80/90% could be withdrawn in no deal scenario (tariffs on goods from ROI to NI/mainland!!!!)
- Practical challenges of funding additional duty costs (STP – guarantee by 30/6/19)



Customs: Reliefs/Regimes

- 'Trusted trader' kitemark (AEO)
- Customs Warehousing
- IP
- OP

All require Authorisation and Guarantee



Preparations: What You Need To Consider?

- Get an EORI number;
- Register for the Transitional Simplified Procedures which will reduce the administrative burden at the border;
- Map your supply chain and find your duty hotspot and take advice to determine what mitigation might be available.
- Review your terms of business and the incoterms you trade under.



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United Kingdom

- Global Trading Economy
- 130+ Double Taxation Treaties
- Advanced tax system (incl anti-avoidance)



EU Directives

- Parent – Subsidiary Directive
- Interest and Royalties Directive
- EU Merger Directive
- State Aid Rules



Is Ireland a solution?

- 'Common Law'
- English language
- Recognisable tax law
- 12.5% corporate tax rate (trading profits)



Questions?



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Property Tax Update

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What will be covered

- Revenue V Capital recap
- AIA
- Technical points
- Fixtures and Buildings
- Structural Buildings Allowance ('SBA')
- Q&A



Revenue V Capital

- Capital or revenue expense?

Law Shipping Co Ltd v CIR [1923] 12 TC 621

- Expenditure required to make an asset fit for use in the trade is capital
- Substantially reduced price?

Odeon Associated Theatres Ltd v Jones [1971] 48 TC 257

- In usable condition (open to the public)
- Price not substantially reduced



Revenue V Capital

- Why does this matter?
- Capital allowances not available on Land & Buildings
- Case law “setting” v “function”
- lists A and B (CAA 2001) - Items not allowable
- Exceptions in Statute => List C (based on case law) - Silios
- Structures, gates, windows, roofs, floors walls not allowable

= No capital allowances on certain items but could claim deduction for a repair



Plant and Machinery

- Function/moving parts
- Moveable in the course of trade
- Lots of cases
- Not defined in legislation
- List C (CAA2001)
- Based on case law
- 18% WDA (subject to AIA)
- 16 Years to obtain 95% relief



Integral Features

- Introduced in 2009
- electrical systems (including lighting systems)
- cold water systems
- heating systems, air conditioning
- lifts, escalators, moving walkways
- external solar shading
- 6% WDA (from 2019) AIA available
- 49 years to obtain 95% relief



Annual Investment Allowance (AIA)

- 'AIA' increase to £1,000,000 for 2 years
- From 1st January 2019
- Transitional rules apply
- Year end 31 December 2019
- Review spending decisions
- Defer large projects
- Both P&M and IF
- Not cars



AIA - Example

Year end 30 June 2019

AIA= 6 x 12th's £200k = £100,000
 6 x 12ths's £1m = £500,000

Total £600,000 to June 2019

Watch transitional rules - Pre Jan 2019 Max £200,000



Capital Expenditure (New Build)

Building	Percentage of relief
Warehouse (small office)	10 - 15%
Offices – High end	25 – 30%
Offices – Basic spec	15 – 20%
Factory	20 – 40%
Care homes	35 – 45%



Second-hand Buildings

- CPSE 1 – Pass to your accountant
- Agree with seller (2 years)
- Exemption for non tax payer (Charity)
- Seller needs to pool (pooling requirement)
- Election (s198 CAA 2001 election)
- Potential to lose allowances for ever
- Speak to your accountant (or me!) early doors!



Enhanced Capital Allowances (ECAs)

- Abolished from April 2020 (19 years in existence)
- Use them or lose them.
- Accelerate expenditure projects
- In addition to the AIA (100%)
- Energy Saving/beneficial Plant & Machinery
- Published list of products (ETA List)
- Must be brand new
- First year repayable tax credit – 19!
- Opportunity to spec a project and think about tax relief.



Structural Buildings Allowance

- Introduced in the 2018 Budget
- Effective on or after 29 October 2018
- New commercial Structures
- Renovations
- Conversions
- Relief over 50 years (2% PA)
- Replaced IBA's – Phased out in 2011



Structural Buildings Allowance

- Brought into use
- Land and rights inc planning permission not allowable
- Must have an interest in the land
- Dwellings do not qualify
- Purchaser takes on history and claim (CPSE) – No BA
- P&M and IF as normal
- AIA not available
- Voids allowable



Structural Buildings Allowance

- Leases less than 35 years – Lessor can claim
- Leases more than 35 years – Capital sum – Can claim
- Avoidance measures for abuse
- Non Developer unused sale – Restricted to cost
- Developer sale – Amount paid



- Tax and legislation are likely to change. The information given here is based on Streets Tax LLP's understanding of law and HMRC practice at the date of presentation.
- The information in this presentation is for illustration purposes only and is in no way intended as a recommendation of actions or decisions you should take.



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