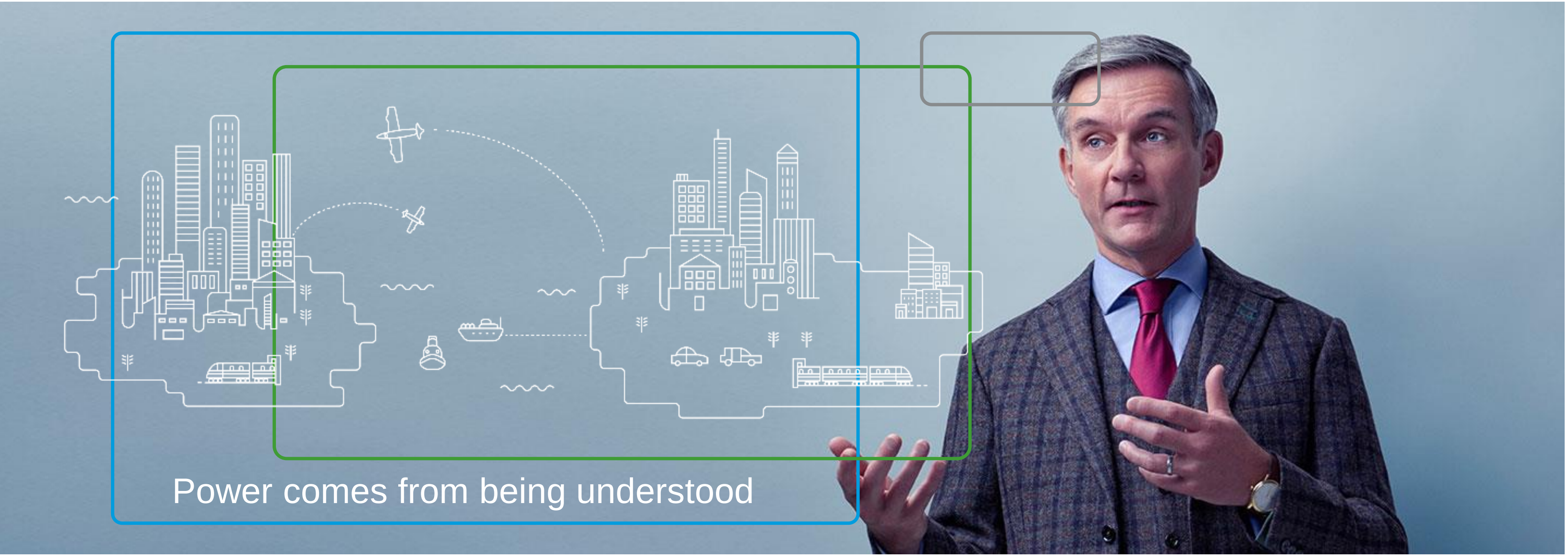

RSM AND CAUSEWAY BREXIT WEBINAR

27 October 2020

Speakers

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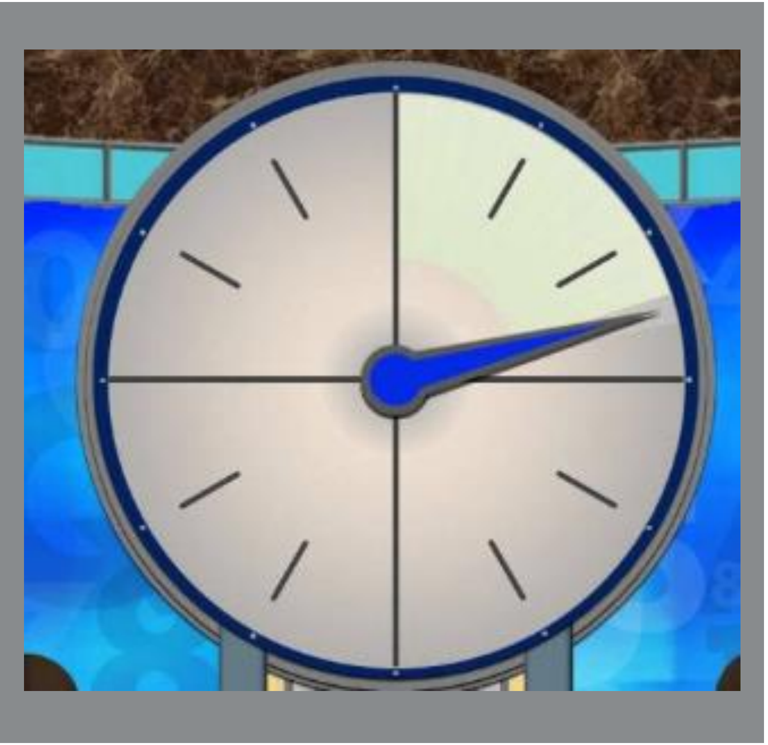
Agenda

In the next hour:

- RSM Taster
- Brexit Planning – Vat & Customs
- An Irish perspective
- How to do business in Ireland
- The least you must do….
- Questions & Answers (Hopefully)
- 1700 backstop!

Key points – 65 days to go



1 January 2021

- Controls will be placed on the movement of goods between GB and the EU.

A late deal?

- Regardless of whether there is a ‘deal’, businesses will face customs checks and must fill in declarations when moving goods between GB and the EU.

Northern Ireland

- Several issues still to be resolved in relation to trade between GB and NI

VAT – Brexit Planning and Avoiding Pitfalls

Brexit - Potential impact on international business

- Import and export declarations required for all shipments to/from GB but no EC sales lists (Arrivals Intrastats continue initially). Five-fold increase in customs declarations expected in GB.
- Check Incoterms – Who is responsible for declaring import VAT?
- Postponed import VAT accounting on GB VAT returns
- Clarity on where title in the goods passes
- Review supply chain more widely – use of EU distribution 'hubs' to retain the cash-flow benefits and admin savings of intracommunity movements?

A new border between GB and the EU

From January 2021

- Basic customs requirements.
- 6 months to complete customs declarations if required
- New UK Global Tariff will be in place.

From April 2021

- Certain goods will require pre-notification
- Physical checks will continue at point of destination until July 2021.

From July 2021

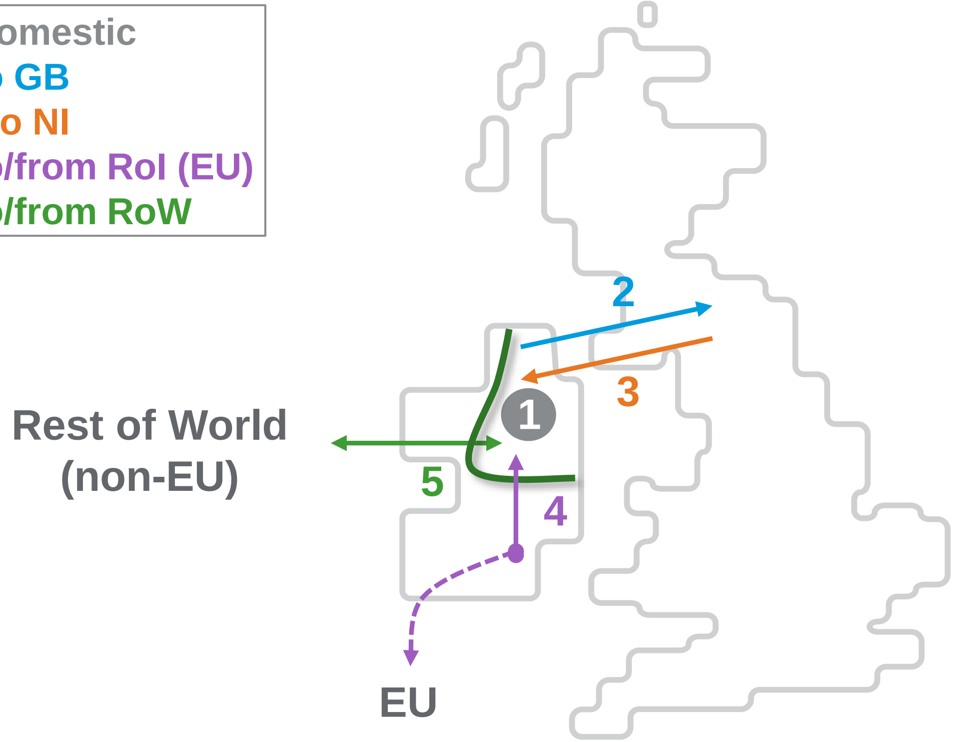
- Businesses moving any goods will have to make full customs declarations and pay relevant tariffs.

The Northern Ireland Protocol

- Protection of the Belfast (Good Friday) Agreement and a single market on the island of Ireland
- It applies to **goods** only
- NI is part of the EU single market for Customs and VAT but has “unfettered access” to UK market
- UK-EU joint committee

Northern Ireland movement of goods

1 – NI Domestic
2 – NI to GB
3 – GB to NI
4 – NI to/from RoI (EU)
5 – NI to/from RoW



- Will the movement of goods from NI to GB be treated as an export?
- What determines ‘NI goods’ for no import declarations being required in the GB?
- How will the movement of goods between GB and NI be shown on UK VAT return?
- What goods will be deemed ‘at risk’ of moving on to EU?

Services to/from GB

Some good news…

The VAT rules for the place of supply of services, which determine where VAT is accounted for and who accounts for that VAT, will largely remain the same as they are now.

Some exceptions:

- Use and enjoyment provisions (eg for hiring of goods); and
- Some Financial Services

Fiscal Representation - Who will be impacted?

Fiscal Representation Detail

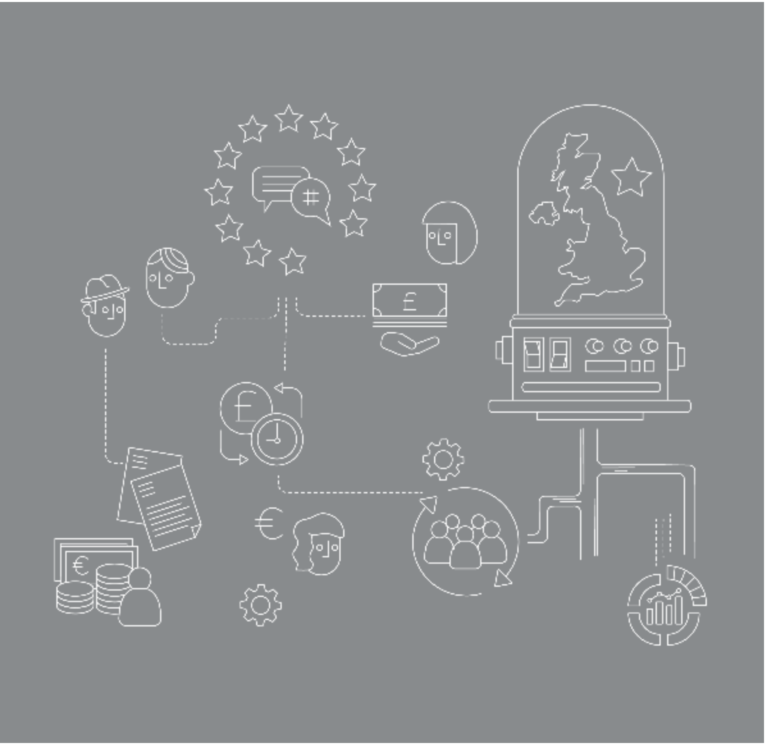
Current position

- No local fiscal rep required for UK businesses that are trading in the EU.
- Only required for non-EU businesses that are VAT registered in the EU.
- Not all EU states enforce this provision – key ones that do are Belgium, France, Italy, Poland, Spain and Sweden.

Post-Brexit position

- UK business trading in the EU fall into same regime as non-EU businesses - may require a local fiscal rep.
- Required to transfer any VAT registrations to a registration with a fiscal rep and set up the relevant financial guarantees.
- Leading to change in type of VAT registration held in EU countries and increase in costs.

Summary



New VAT rules

- Import VAT
- Increased VAT compliance
- More new rules in July 2021

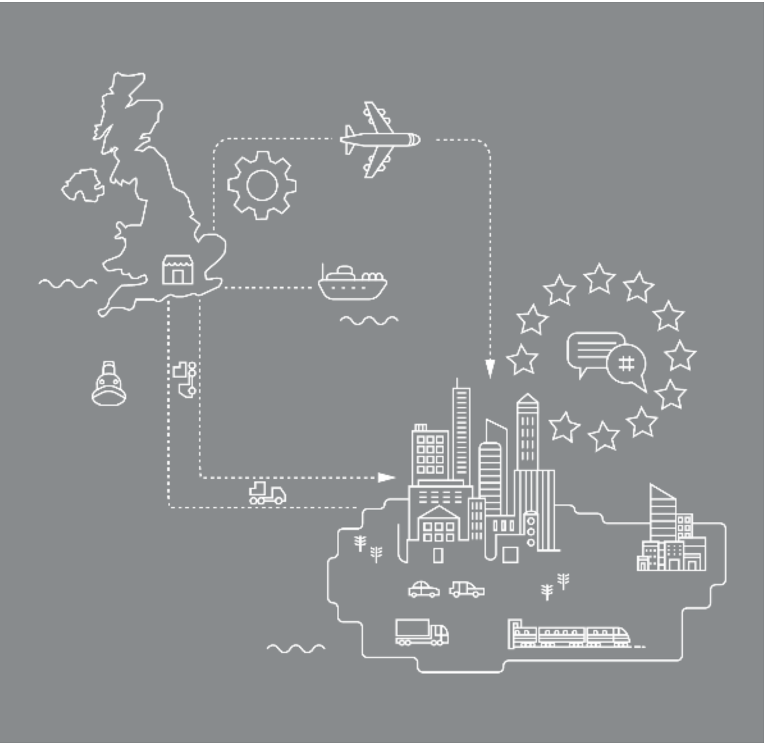
Customs declarations

- Loss of free movement of goods
- Full customs declarations required
- Free Trade Agreement or WTO terms

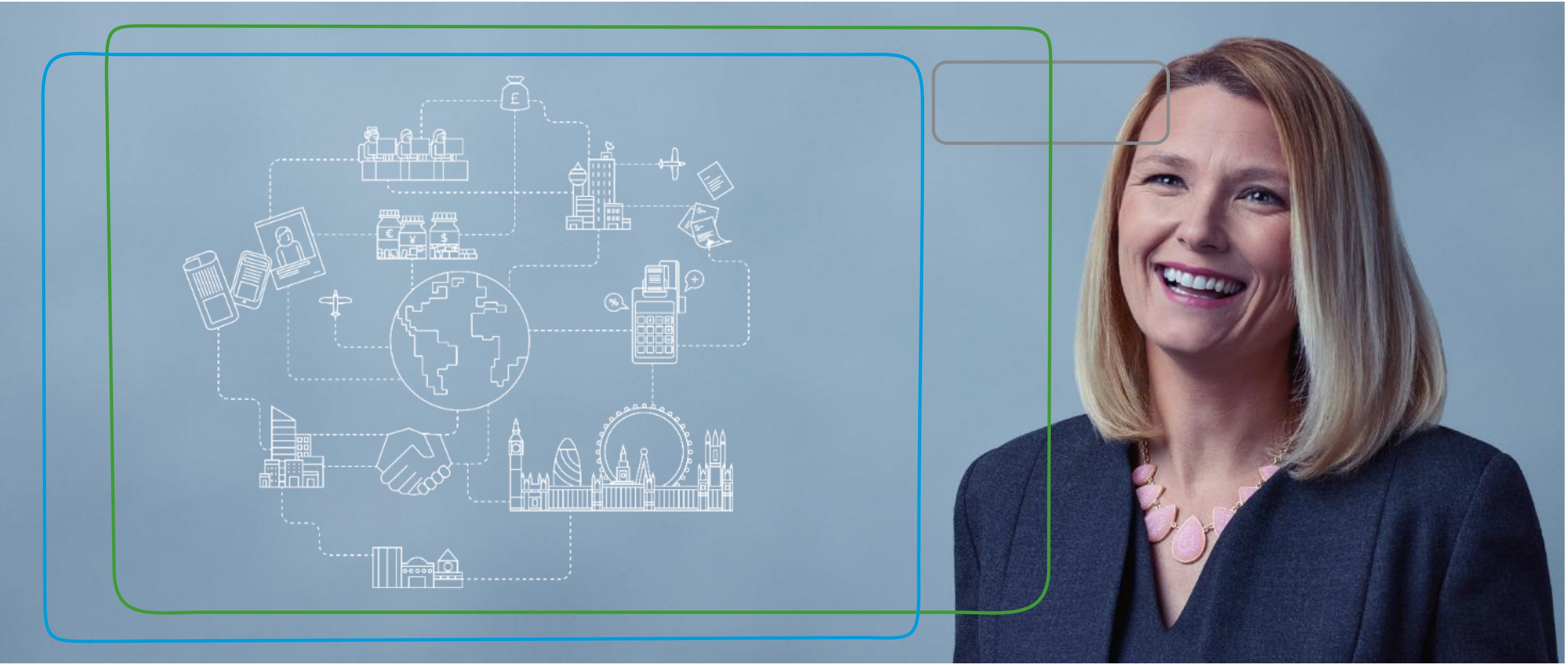
New Customs infrastructure

- Tariffs
- Increased border checks
- Checks between GB & Northern Ireland?

At what stage is your business in preparing for Brexit?



- Many firms will be tired of posturing, cliff edges and deadlines, while others are still grappling with fundamental challenges as a result of the pandemic," Adam Marshall, director of the British Chambers of Commerce (BCC).
- BCC Survey September 2020: Some 51% of companies had not taken any steps recommended by the government to prepare for changes in the trade of goods…with little more than (then) three months to go before a shift in the terms of trade with the European Union.



An Irish Perspective

27th October 2020

Ireland; an efficient location for UK businesses that require presence in the EU

- Access to EU market and regulation
- Common law system
- Eurozone member
- Youthful, well-educated, English speaking work force
- 12.5% corporate tax rate
- Comprehensive Double Taxation Agreements, currently signed with 74 countries (including the UK)
- Generally no withholding tax on payments to UK residents
- Very easy to set up - Incorporate a company with €1 share capital

Ireland’s Fiscal Budget 2021 (14 October 2020)

- Prepared on the basis of a ‘no deal’ Brexit
- €340 million of voted expenditure will be spent on Brexit supports in 2021.
  - €100M allocated across Revenue Commissioners, the Department of Enterprise, Trade and Employment and the Department of Agriculture
  - €200 million for staffing and infrastructure needs in 2021
  - Additional allocation for compliance expenditure in 2021 to finalise work at our **ports** and **airports**
  - Provides for approx. 500 additional staff bringing the total provision for approximately 1,500 for operationalising checks ahead of January 1st
- Other supports
  - €3.4 billion Recovery Fund established
  - Ireland intend to access EU’s Brexit Adjustment Reserve
  - Ireland will apply to the EU fund known as SURE

Brexit Omnibus Bill

Multifaceted Bill which among other matters seeks to;

- Preserve access to priority services, benefits and reliefs relating to trade between Ireland and the United Kingdom.
- Provide measures to satisfy several obligations and commitments Ireland has made to the UK outside of EU membership.
- Ensure that the Common Travel Area rights and privileges are protected.

Postponed VAT accounting

- Alleviate cash flow impacts for business – to apply from 1 January 2021.
- Self-accounting procedure for import VAT.

Finance Bill (22 October)

- Non-EU established business appoint a Tax Representative to be responsible for the payment of VAT due and payable by the non-EU business.

VAT matters - Goods

UK businesses

- UK companies acting as Importer of record – Irish VAT number required
- Nil registration threshold for non-established traders
- ‘VAT Registration process; 6 – 8 weeks
- EORI number required for importation

Irish businesses

- Imports from the UK; EORI number required if acting as Importer of Record
- Exports to the UK; No VAT chargeable. Prepare ERP/accounting software to code sales as exports (no longer intra community supplies)
- Intrastat reporting no longer required for sales to UK businesses
- Box E1 / E2 (value of EU goods to/from other EU countries) not required
- NI Protocol – goods to be treated as deemed intra-EU supplies / acquisitions

VAT matters - Services

- Supplies by Irish businesses to UK business; from 1 Jan 2021 the place of supply is outside the EU / no VAT applies.
- Usual exceptions apply to place of supply rules (e.g. immovable property).
- Previously reported as an intra EU supply – ERP/accounting systems to be updated for customer accounts.
- Sales to the UK - reporting on EC Sales list no longer required
- Statistical reporting on VAT 3 Return - Box ES1 / ES2 (value of EU services to/from other EU countries) not required

Other tax factors

- What type of structure to establish ? Fixed establishment / Irish Branch / Limited company
- 12.5% Irish corporation income tax rate; not automatic – substance required
- Tax residence; Exercise of management & control
- Transfer pricing (Branch and LTD structure only)
- Are you sending people to the UK or Ireland? Consider employment tax and HR matters.
- Do you need an Irish / EU bank account ?
- Compliance requirements – manage inhouse or appoint an agent.

INCORPORATING A COMPANY IN THE REPUBLIC OF IRELAND

Warren Keogh
Management Consulting Director, RSM Ireland

How to incorporate an Irish company

- The process to incorporate an Irish Company is relatively straight forward, we copied most of it from UK law in the first place!

- CRO is the Companies Registrations Office and the equivalent of the UK Companies House.

Company

- Private company limited by shares (LTD): This most simplistic and common company type in Ireland.
- Designated activity company (DAC): This entity must have a main objects clause included in its constitution which will restrict the activities of the company. It has limited liability.

Branch

- Establishment of an External Company (Branch): A foreign company may also establish an external company within the State.

Private Company Limited by Shares (LTD).

The most common company type in Ireland is the Private Company Limited by Shares (LTD). The main features of an LTD are as follows:

1. You need at least 1 Director resident in the EEA (if no director is EEA resident a bond will be required). ***Consideration should also be given, at this time, to the tax residency of the directors.***

2. You can have 1-149 Shareholders.

3. The Company Secretary cannot also be the Sole Director.

4. No Objects Clause - Full and unlimited capacity.

5. No requirement for an Authorised Share Capital.

6. Cannot list Debts or Securities.

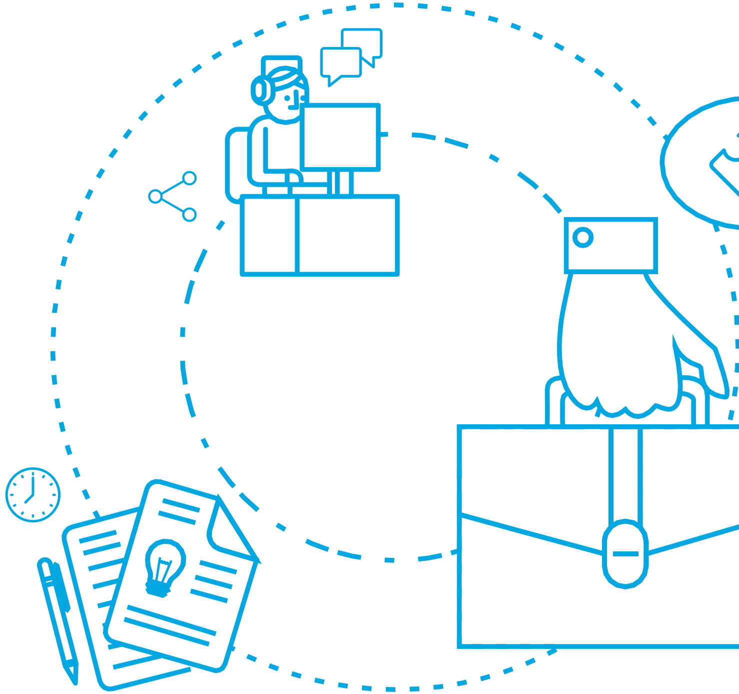
7. Cannot be a Credit Institution or an Insurance Undertaking.

8. A LTD has a one document constitution, which consists of the articles of association. A LTD does not have a memorandum of association as there are no stated objects for a LTD, it can engage in any legal business.

Company name

- The CRO will reject an application to register a new company if the proposed name is considered objectionable or if it is too similar to a company name already on the Register.

- The availability of the proposed company name should be checked with the CRO.



Company address

- In order to incorporate a new company it must have a Registered office address – this is the address in the Republic of Ireland (not just a PO Box).

Directors/Officers:

- Every Irish company is required to have two directors (with the exception of a LTD which can have a sole director) and a company secretary. The secretary may be one of the directors of a company. A body corporate may act as secretary to another company.
- At least one of the directors is required to be resident in a member state of the European Economic Area (EEA). If this is not possible, the following two options are available:
  1. Application to the CRO to grant a certificate confirming the company has a real and continuous economic link with Ireland; or
  2. Provide a bond, in the prescribed form.

Requirements Post Incorporation (LTD):

1. **Annual Return:** Every company must file an annual return and financial statements each year with the CRO. A company's first annual return is made up to 6 months after the date of incorporation. No financial statements are required with this. Thereafter, a company will be required to file an annual return every 12 months together with financial statements.
2. **Annual General Meeting:** In general, a company is required to hold an annual general meeting ("AGM"), or provide a shareholder written resolution in lieu thereof, each year.
3. **Financial Statements:** The that directors of companies incorporated in Ireland prepare financial statements for the company in respect of each financial year.
    1. profit and loss account (or an income and expenditure account if the company is not trading for profit);
    2. a balance sheet;
    3. a directors' report; and a statutory auditors' report (if required)

Irish accounting and tax compliance matrix

	Fixed establishment	Branch of UK Corporate	Limited Company
Annual Return		✓	✓
Filling of Financial statements	✗	✓	✓
Filling of Audit report (subject to Companies Act 2014)	✗	✗	✓
Corporate Tax return	✗	✓	✓
VAT	✓	✓	✓
PAYE (Payroll Tax)	✓	✓	✓

Establishment timeline

Business review & preparation

Formation / registration

Ready for business

Week 1 - 2

Review supply chain, plan structure type and requirements.

Engage local service provider

Weeks 2 - 4

Incorporation of Limited Company or registration of Branch

Weeks 4 - 10

Registration with the Irish tax authorities

Week 11

Ready to trade.

Irish bank account opening

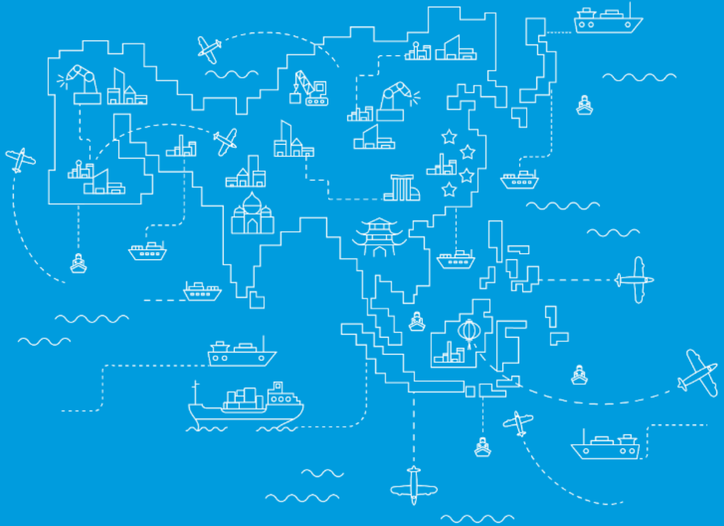
The least you must do……..

1. Review supply chain and contract terms e.g. free on board, delivery duty paid?
2. Review and understand relevant rules and requirements; NI Protocol, EU Customs, UK Tariffs and VAT rules
3. Quantify exposures
4. Engage with customers / suppliers
5. Identify new registrations required (i.e. Irish VAT, UK VAT etc.) & commercial structure (Fixed Establishment, Branch or Subsidiary).

Keep up to date

https://www.rsmuk.com/ideas-and-insights/brexit

https://www.rsm.global/ireland/insights/brexit



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