

News Flash

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Hard Brexit from the Czech point of view: VAT and customs duty application from 1 January 2021

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The United Kingdom (UK) left the European Union on 31 January 2020. In accordance with the Withdrawal Agreement, it is now officially a third country. The UK however is currently still operating on the single market and customs union. The transition period will probably last until 31 December 2020. Therefore, it is necessary to prepare for application of different VAT and custom rules regarding the UK.

Brexit will affect your company if:

- it sells goods or supplies services to the UK;
- it buys goods or receives services from the UK;
- it moves goods through the UK.

In practice, there will be changes in the following areas.

GOODS

- The **intracommunity delivery** of goods to the UK and **purchase** of goods from the UK will become export and import. In relation, obligation to have an EORI number, valid licenses, permissions etc. will arise.
- The above mentioned will also affect **transfer of own goods** from/to the UK.
- **Distance sales** regime, i.e. delivery of goods to a person for whom the transaction does not represent taxable supply (British natural persons), will no longer apply. Such delivery of goods will become export as well.
- It will no longer be possible to use simplification regimes for delivery of goods such as **call-off stock** or **simplified triangulation**.

SERVICES

- The rules for applying VAT in the area of **certain types of services** will also change. In case of providing services to British customers registered for VAT in the Czech Republic, it will be necessary to take into account the rule of actual consumption.
- **The one-stop-shop (OOS)** regime will also be affected, business providing digital services to non-taxable persons have so far been able to register in the UK.
- Rules for **VAT deduction** regarding some type of services such as insurance or financial services will also be different.

VAT REFUND

- VAT refund application regarding VAT paid in the UK for 2020 needs to be submitted on 31 March 2021 at the latest, earlier than the usual deadline.

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