

**Preparing for Brexit  
For NI Tourism Businesses  
Webinar**

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## Presentation Context

- Webinar is being delivered as part of Tourism NI's new Tourism Enterprise Development (TED) Programme. Slides will be an Aide Memoire
- Designed to help businesses operating within the NI tourism industry prepare for the implications of Brexit and the protocol on Ireland / Northern Ireland to the Withdrawal Agreement effective from 1 January 2021.
- Much of the administration arrangements re the NI Protocol will apply from 1 January 2021, regardless of current UK / EU negotiations on a Free Trade Agreement (FTA).
- Acknowledged that one to one mentoring may be available to enhance knowledge and understanding of specific elements of today's Webinar.

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## Presentation Context Cont..

- While the economic and social chaos caused by the Covid-19 pandemic has left few aspects of life unaffected, one thing that has not changed, is the date on which the Brexit transition period will end. With December 31 2020, now 16 days away, it is vital that businesses prepare for the Brexit disruption and changes that lie ahead. The UK will leave the EU at midnight on 31 December 2020.
- For over 4 years, following the UK wide Referendum vote in June 2016 which favoured the UK (52%) leaving the EU and the subsequent decision of the UK government to notify the EU of the UK's intention to withdraw from EU on 29 March 2017, beginning the Brexit process, we at PKF-FPM have been involved in ongoing risk assessment and planning for a range of different Brexit scenarios and also endeavouring to help our clients prepare for Brexit.
- Our preparations were before and after the NI Protocol, which originated as part of the draft Brexit Withdrawal Agreement in December 2017 and has now been updated on a few occasions, the most recent being an agreement last week (9th December) in principle on implementing the Protocol, and reflected in the NI Command Paper issued by the British Government on 10th December 2020.

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## Presentation Context Cont..

- The Protocol on Ireland / Northern Ireland to the Withdrawal Agreement is designed to maintain an all-island economy and prevent a hard border on the island of Ireland. Its consequence is that NI will retain tariff free access to the EU, while the rest of the UK will not.
- The UK including NI, will leave the EU on 31 December 2020.
- Clarification is still required on how some areas of the Protocol will operate from a customs perspective.
- Much like Covid-19, the economic impact of Brexit, will not be felt evenly by all businesses. However, while the agri-good sector, fisheries, manufacturing and retail sectors will be the most affected, almost no business will remain untouched.
- For services businesses, there are a range of issues, namely mutual recognition, travel and mobility of people and data adequacy.

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## Presentation Context Cont..

- The importance of reliable and timely information on Brexit over the coming weeks and months cannot be emphasised enough.
- Whatever the outcome, it is clear businesses will need to manage risk and embrace varying levels of uncertainty over the coming weeks, months and years.
- Brexit is not the only reason for this uncertainty, the Covid-19 pandemic, a potential recession, global political uncertainty and climate change are other matters that will require businesses to implement agile business models to embrace change, including: digitalisation and the evolving fixation with health, to ensure future sustainability.

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## Webinar Outputs

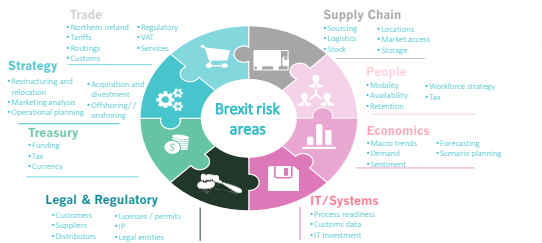
Understanding of:

- Context of Brexit and NI Protocol.
- Customs, Tariffs and Supply Chain.
- VAT, Online Services and Contracts.
- GDPR and Data elements.
- Movement of People and Employees.
- Brexit impact on cross border transport and tours.

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## 8 Key Brexit Impact Areas



## NI Protocol

- No EU member state will be able to apply any tariff or related barriers to goods from NI. Thus this does not just apply to movement from NI to RoI, it applies to movements to any other EU member state.
- Even with a trade deal NI businesses would have an advantage.
- A trade deal between EU and UK would eliminate tariffs for UK businesses trading with EU, but only NI firms would avoid new regulatory checks, because they will still be following EU single market rules.
- The UK Government has also promised NI businesses, that with a few exceptions, they will continue to have unfettered access to the wider UK market.
- However the flipside of the Protocol is that goods, particularly food, arriving in NI from the rest of the UK, will be subject to a new range of controls and checks.
- A very small proportion of GB – NI trade could also be hit with tariffs.



## NI Protocol Cont..

- Goods brought in from GB that are sold to consumers in NI or used in NI, are tariff free. A grace period has been granted for supermarkets for an initial 3 months, with an extension up to 6 months for chilled meats.
- However, further clarification is required on whether the grace period applies to any other companies involved in food preparation or distribution.
- If you get goods from GB it is essential that you sign up for the new free Trader Support Service, which will help you move goods between GB and NI, or bring goods into NI from outside the UK. This service can complete declarations on your behalf.
- The Trader Support Service is yet to go live and there are lots of questions about how it will function. Further information on and rollout of the UK Trader Scheme is needed ASAP.
- It is anticipated that new 'anti-avoidance provisions' to stop NI being used as a backdoor to GB market will be introduced. At the moment, the definition of a NI good is very broad and needs to be narrowed.
- There are still a lot of unknowns. For example the movement of parcels, labelling etc. still remain to be addressed.

## Brexit – other Practical Issues

- Impact of currency fluctuations on tourism.
- Availability of labour going forward: Common Travel Area (CTA) Agreement between UK and Ireland should ensure no impact with UK and Irish citizens – but other matters to address include EU Settlement Scheme, re EU citizens currently working in your business, important to apply for settled status; Frontier Workers Permit in respect of NI businesses, who have EU Nationals working for them, who commute everyday from RoI. (Kiera Lee will cover these matters later).
- VAT Rates applicable to Tourism sector, strong argument to lobby for option to keep VAT rates low in tourism & hospitality sector to stimulate economic activity, given Brexit and the particularly hard affect of Covid-19 on the Tourism & Hospitality Sector.
- Downside to the Protocol – duty free sales will not be available either for GB or RoI visitors to NI.
- Supply Chains, Shopping and Irish Companies with no EU resident directors.

## Supply Chains

- Entities in the hospitality sector are commonly closely entwined with GB entities, either in owner-subsidiary relationships, or in terms of contractual supply arrangements. These relationships should be examined to establish whether they still represent the most efficient structure (e.g. goods/services invoiced by a GB entity, but delivered from an EU member state is not efficient). Also, the acquisition of goods as a domestic sale from GB, when those goods might move to the EU may be problematic.



## Shopping

- There is scope for exploration of the impact of Brexit on shopping across the Irish Sea. Limits on personal shopping will apply between GB and Ireland (€400 by air, €330 by road/ferry). There are no limits between NI and RoI. There could be scope for NI to become a convenient place for high-value shopping, although the precise modality of that would need to be worked out.



## Irish Companies with no EU Resident Directors

- Post the UK leaving EU on 31 December 2020, it is important to appreciate the implications for any NI Tourism business with related Irish companies, who do not have an EU resident director from 1 January 2021. Although there is likely to be a transition period post Brexit.
- For Irish companies who do not have a resident EU director, to continue trading, there are two options, if they wish to continue trading. The first option is a non resident bond to the value of €25,000, valid for two years, or Option 2 to establish a real and continuous link with the Revenue Commissioners in ROI.



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## Irish Companies with no EU Resident Directors Cont..

- For the Irish Revenue Commissioners to establish a continuous link exists and issue a link certificate, the intention to create a business in Ireland would not be enough to get this, as for securing the linked document from the Revenue, the company will have to confirm that one or more of the following conditions are satisfied by the company:
  - The affairs of the company are managed by one or more persons from a place of business established in the state and that person or those persons is / or authorised by the company to act on its behalf.
  - The company carries out a trade in the state.
  - The company is a subsidiary or a holding company of a company, or another body corporate that satisfies either or both of the conditions specified in the above two points.
- The second step once a positive opinion has been received from the Revenue Commissioners, is to complete a B67 Form and submit it to the CRO confirming the existence of a continuous link.

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## Brexit

- From the 1<sup>st</sup> January 2021, i.e. following the end of the transition period, the UK will become a 3<sup>rd</sup> Country which will operate a full, external border as an independent nation and will be free to strike its own trade deals for buying and selling goods and services around the world.
- With the exception of trade from and to Northern Ireland, which is subject to the Northern Ireland Protocol, all goods entering the EU from GB or leaving the EU to go to GB will be subject to customs formalities.



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## Customs

### What is Customs?

- Customs is one of the oldest taxes.
- It controls what enters the market place, there is a price for entry, both to raise money and to level the playing field for domestic producers.
- Ensures goods entering meet all the standards required for goods being placed on the market.
- It detects and deters smuggling and international criminality.



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## Customs (Cont.)

- Register with the customs administration – EORI.
- For every export and import consignment a declaration is made, detailing the goods, their route of travel, and giving proofs of compliance with regulations.
- The declaration entries are mostly codes and reference numbers.



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## No Customs

- No data and no control on imports or exports.
- High risk of prohibited, restricted and sub-standard goods.
- Domestic market open to exploitation –likely collapse of some businesses.
- Trade can't continue.



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## Northern Ireland Protocol



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## NI Protocol – What does it mean for Tourism & Hospitality Businesses in NI

- The UK government has announced that special provisions will apply to trade in goods in respect of Northern Ireland.

### Trade in goods between NI & Ireland / NI & EU Member States

- Trade in goods across the island of Ireland together with trade in goods between NI and other EU member states is to continue unaffected, with no change at the border, no new paperwork, and no tariffs or regulatory checks.

### Trade in goods between NI and ROW

- Will continue as is, i.e. requirement for customs declarations will remain
- NI Tourism & Hospitality businesses who currently buy from ROW to be aware that, currently, Northern Ireland, will not be able to benefit from EU preferential agreements with RoW. If the UK fail to agree new FTA with these countries, increased prices likely to be passed on.



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## Movement of Goods – NI to GB

- The UK Government has committed to guaranteeing, in legislation, unfettered access for Northern Ireland's businesses to the rest of the UK internal market from 31 December 2020, ensuring that trade from Northern Ireland to Great Britain continues as it does now.
- Movements NI via RoI to GB – no tariffs if goods move under transit.



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## Movement of Goods – GB to NI

- The Protocol means that UK authorities apply EU customs rules to goods entering Northern Ireland.
- The movement of goods from GB to NI will be treated as an import into the EU.
- For that reason, full electronic import declarations will be required and goods that are cleared through the import process are then in free circulation within the EU.
- The UK Government position remains that there should be no tariffs payable on all internal UK trade
- The new command paper on NI protocol outlines that a UK Trader Scheme will be introduced that will allow authorised businesses to undertake that the goods they are moving to NI are "not a risk" of onward movement to the EU and therefore not liable to EU tariffs.

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## Movement of Goods – NI to GB (Cont.)

Other considerations:

- Health Certificates & SPS checks.
- Certifications & Accreditations.



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## Case Study

### ABC Hotel & Spa Ltd

- NI registered company.
- Purchase bed linen from supplier based in GB.
- What are the implications of this transaction post 31 December 2020 regardless of whether or not FTA reached?



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## Movement of Goods from NI to GB

- The bed linen will have to be imported to NI.
- Full electronic import declarations will be required
- Unclear whether domestic or import VAT will apply
- If no FTA tariffs will apply the WTO for cotton bed linen 12% however if you can avail of the UK Trader Scheme, no tariffs will apply as the goods will remain within the UK.
- Likely information to provide is expected to include suppliers (name, VAT no., EORI, address), importer (name, VAT no., EORI, address), goods description, commodity code(s), quantity, value, currency, weight of goods, Incoterms, country of origin etc.) in advance of the goods moving.

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## Options

- Talks to suppliers to understand what steps they have taken to support trade given Brexit.
- Understand who is going to be responsible for the customs obligations.
- The company should confirm the incoterms to be adopted by their suppliers based in GB, which will determine which party holds responsibility for import and export formalities. Delivered DDP means supplier will look after the import formalities—likely to result in additional costs for customer.
- If you, the customer, the importer, have to be responsible for the import declaration—how will you deal with them.
- TSS.
- Customs Agent.
- Stock pile.
- Alter supply chain.



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## Trader Support Service



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## Temporary Movements

- ATA Carnet, which can be purchased from local Chamber of Commerce, is an international customs document that permits the tax-free and duty-free temporary export and import of non perishable goods for up to one year.



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## Brexit & Services

- Unlike trade in goods, Northern Ireland to become a 3rd country in respect of the provision of services to the EU.
- Various challenges post 31 December 2020.
- Data flows.
- Availability of labour.
- VAT.



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## VAT Fundamentals

1. What is being supplied? Supply of goods v supply of services
2. Who are the goods or services being supplied to? Business customers v private customers
3. Where are the goods being supplied? Domestic supply v cross border supply
4. What is your role in the transaction? Supplier v purchaser / exporter v importer



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## Supply of Goods

Movement of goods	VAT implications
GB - NI & NI- GB	EU guidance: This will be considered an export from GB and an import into NI. Postponed VAT accounting available.  UK guidance: This will continue to be treated as a domestic supply, with output and input VAT being treated as it currently is.
EU (e.g. ROI) – NI & NI – EU	Current VAT rules will continue to apply. Supply will be treated as an intra-community supply. NI businesses will have access to an EU VAT number.
RoW- NI & NI – RoW	Import and export VAT will continue to be applied as it is now. Postponed VAT accounting will be available.

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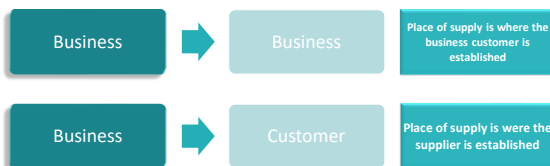
## Postponed VAT Accounting

Current position	Position from 1 January 2021
<ul style="list-style-type: none"> <li>Import VAT due at the point of importation into the EU;</li> <li>Input VAT credit subsequently claimed through the filing of a UK VAT return;</li> <li>Negative cashflow outcome: time delay between paying VAT at the border and claiming input VAT.</li> </ul>	<ul style="list-style-type: none"> <li>VAT registered businesses will no longer be required to pay VAT on imported goods at the point of importation to the UK;</li> <li>Import VAT can be accounted for through the trader's VAT return. Trader will be entitled to claim input VAT simultaneously, subject to the recoverability rules;</li> <li>Significant cash benefit for the trader;</li> <li>An importer that is not registered for VAT will still pay VAT at the point at which the goods arrive to the UK;</li> <li>No requirement to obtain permission to apply postponed VAT accounting;</li> </ul>

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## Supply of Service – General Rules



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## Cross Border Supply of Services

Cross-border supply of services	VAT implications
NI- GB	<ul style="list-style-type: none"> <li>Continue to be treated as a domestic supply</li> <li>Output VAT charged at the applicable rate &amp; input VAT recovered, subject to the current rules</li> </ul>
NI- EU	<p>B2B- Outside the scope of UK VAT</p> <p>B2C- At present guidance indicates such services will be subject to UK VAT</p> <p>Where services are received from EU businesses, the NI business should account for the reverse charge.</p>
NI- RoW	VAT on services from NI- RoW will continue to apply as it currently does.

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## Services – Exceptions to the General Rules

Service	Example	Place of supply post Brexit
Land related service	Providing accommodation in hotels, holiday camps, camping sites or timeshare accommodation	Place where land is located
Hire of a means of transport	Touring caravans and trailers, car hire	Short-term hire- Place where the vehicle is put at the disposal of the customer
Restaurant and catering services	Restaurant services	Place where the services are physically carried out
Passenger transport	Coach transport	Place where the transport takes place
Admissions to events	Hire of a corporate box at a sporting event	Place where the event is performed
B2C services relating to cultural, artistic, sporting, entertainment and similar activities	Tours around a museum or statelyhome	Place where the activities are performed

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## Use & Enjoyment Provisions

Currently applies:

Where the place of supply would be outside the EU but the services are effectively used and enjoyed in the UK

OR

Where the place of supply would be the UK but the services are effectively used and enjoyed outside the EU

Place of supply is where effective use and enjoyment takes place

Scenario	Place of supply
An Australian tourist hires a video camera from a UK provider during a visit to the UK	UK
A UK golf shop hires out a set of golf clubs to a UK customer for use on a holiday in the USA	Outside the UK & EU
An individual hires a boat which is put at his disposal in the Channel Islands but he spends 3 of the 4 weeks of hire in the UK	UK VAT due on the percentage of the hire that relates to time spent in the UK on the boat

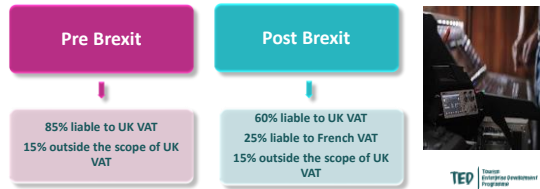
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## Impact of Brexit on the use & enjoyment of provisions

### Case Study:

UK registered business hires audio visual and lighting equipment to a UK customer. During the period of hire the customer uses this equipment 60% in the UK, 25% in France and 15% in the USA.



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## Tour operator Margin Scheme (TOMS)

### What is TOMS?

A special scheme for businesses that buy in and resell travel, accommodation and certain other services as a principal or undisclosed agent.

### What does TOMS mean for businesses?

TOMS allows businesses to account for VAT only on the difference between the amount you receive from your customer and the amount you pay your suppliers, i.e. your margin. The scheme helps avoid multiple VAT registrations throughout the EU.

### Post-Brexit implications:

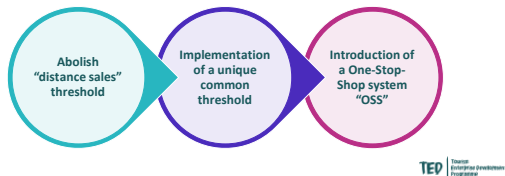
Sales outside of the UK, including sales relating to a European holiday will continue to be zero rated by the UK supplier.

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## eCommerce

- Post 31 December 2020 distance selling rules will continue to apply.
- EU July 2021 e-Commerce VAT package:



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Form	Required post 31 December 2020 for NI businesses?	Comment
EC Sales List	✓	Post 31 December 2020 NI businesses will continue to complete EU Sales Lists for the same sales that they do now.
Intrastat return	✓	For the movement of goods between NI and GB, Intrastat returns will continue to be required for the lifetime of the Northern Ireland Protocol, which will be at least 4 years.
VIES return	✓	Trade between NI and the EU to continue to be included on VIES returns.

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## Other Considerations

- Ensure you have obtained your **XI EORI number**.
- If you're a VAT-registered business trading in Northern Ireland or between Northern Ireland and the EU, you need to **notify HMRC** via your Government Gateway account so you can avail of the benefits of unfettered access to the UK and close alignment with the EU.
- The current **£15 low value consignment stock relief measure** – which makes goods below this level VAT free – is being withdrawn.
- EU VAT refund system will continue to be available in respect of EU VAT relating solely to goods. The refund system will no longer be available for supplies of services.
- Potential requirement to appoint **fiscal representatives** in EU Member States.



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## Brexit NI People and Data



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## People Checks

- 1 January 2021, the right of free movement of people between the UK and the EU will end.
- The EU Settlement Scheme ("EUSS") is open for any EU, other EEA or Swiss citizens until 30 June 2021 but they must be resident by 31 December 2020!
- If you wish to employ a non-UK and non-Irish citizen who is not resident in the UK before 31 December 2020, you will need to sponsor that individual under the new immigration points-based system.
- Points system has a minimum salary requirement of £25,600 and relevant skills.

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## Data Protection

- Personal data received from individuals located in Europe before the end of the transition period must continue to be processed in accordance with the GDPR.
- The UK will become a "third country" for the purposes of GDPR - unless a Brexit deal is reached or a decision of adequacy is made by the European Commission before then additional measures will be needed
- Privacy notices will need to be updated and EU representatives based in EEA may have to be appointed if you offer goods or services to / monitor behaviour of EEA citizens
- UK will need to put adequacy agreements in places for countries outside EEA

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## Concluding Comments

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**"OUR PRESENT  
CIRCUMSTANCES  
DON'T DETERMINE  
WHERE WE CAN GO;**

**THEY MERELY DETERMINE  
WHERE WE  
START"**



Whatever about the Brexit uncertainty, be prepared, to be prepared

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## Business Planning

The future belongs to those who plan for it:

*"If you don't have a destination you will never get there"*

Remember .....

It was Henry Kissinger who said:  
*"When you don't know, where you are going, every road will get you nowhere".*



We can analyse the past, but we must design the future. Design means putting things together to deliver a value added solution to meet or exceed client/customer expectations and thus deliver market differentiation.

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## Conclusion

- Agile planning is pivotal to business success and the future belongs to those who plan for it, especially in the context of responding to the implications of Brexit, living with and post Covid-19.
- If we don't have a destination, we will never get there.
- A No Deal will still be a huge hit to the NI economy, especially in the short term, albeit goods will still flow between NI and the EU as they do now.
- A No Deal will have an impact on GB – NI movement of goods, including in supply chains.
- There are an array of non-goods trade issues (including exchange of data, selling of services, transport security) that will affect the island of Ireland.
- Brexit will create opportunities for NI businesses, e.g. weak Sterling may attract RoI / EU visitors and FDI opportunities.

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## Conclusion (Cont).

- Sometimes we can **not** control the events around us. **But** we do have the **ability** to **choose** our **response**.
- As sure as night follows day, individuals make **Choices** every day. **Individual actions matter and can be a force for change**. Let's try and make **every moment count**.
- However, if today's webinar has raised an issue or question that you would like to discuss in private, you can get in touch via email to: [industry.development@tourismni.com](mailto:industry.development@tourismni.com) and Tourism NI will organise that you get a call from a finance expert.
- Looking forward to participating in the Q&S session now.
- Thank you.



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## Questions & Answers



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