



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

Feargal McCormack, Aileen McShane & Colleen Flanagan
PKF-FPM Accountants (pkffpm.com)

23rd February 2021

TED Tourism Enterprise Development Programme

tourism northernireland

**Northern Ireland
Enterprise
Grant
Scheme**

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 adapt, post Brexit, the protocol on Ireland / Northern Ireland to the Withdrawal Agreement, and the Free Trade Agreement between the UK / EU, all effective from 1 January 2021.
- Single markets exist to simplify trading arrangements between countries. When one country leaves a single market as Great Britain has done from the EU, following a Referendum, it follows that trading arrangements become more complicated. Given the special arrangements for NI via the NI Protocol, issues are further complicated.
- The Webinar is a follow-up to our earlier "Preparing for Brexit" Webinar hosted by Tourism NI on 15th December 2020 and aims to explore what the new trading environment, post the introduction of Brexit, means for the tourism and hospitality industry in NI.
- Acknowledged that one to one mentoring may be available to enhance knowledge and understanding of specific elements of today's Webinar.

TED Tourism Enterprise Development Programme

Presentation Context Cont..

- 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 and now adapt to the changing circumstances arising from Brexit, effective from 1 January 2021.
- Our preparations were before and after the NI Protocol, which originated as part of the draft Brexit Withdrawal Agreement in December 2017 and was subsequently finalised in terms of implementation on 9th December 2020, and reflected in the NI Command Paper issued by the British Government on 10th December 2020.






TED Tourism Enterprise Development Programme

Presentation Context Cont..

- The Protocol on Ireland / Northern Ireland to the Withdrawal Agreement establishes a trading relationship between NI and Britain, such that a hard border is not required on the island of Ireland to comply with the post-Brexit trading relationship agreed between Britain and the European Union. Its consequence is that NI will retain tariff free access to the EU in respect of goods, while the rest of the UK will not.
- Post the introduction of Brexit and the NI Protocol, there have been supply chain practical consequences, increase in transport costs and post-Brexit administration hold-ups.
- Currently ongoing political discussions and debate, along with business representations addressed to EU Vice-President Maroš Šefčovič and UK Cabinet Minister Michael Gove. Note NI Protocol has a potential expiry date at the end of 2024, when the Stormont Assembly can decide, whether or not, it is to continue operating.
- For services businesses, there are a range of issues, namely mutual recognition, travel and mobility of people and data adequacy.

TED Tourism Enterprise Development Programme

Economic Context

-  Covid-19 and Brexit have caused the structure of the NI and Global, economies to change rapidly and Covid-19 and Brexit are expected to continue to impact as the economy evolves, albeit at a less rapid pace, as Covid Vaccinations become more prevalent, than over the past 12 months..
-  Changes in consumer and employee behaviours to online and at home, acceleration of digitalisation, remote working and loss of attachment to the physical office workplace, requirement to meet 2050 net zero carbon targets and a focus on our own wellbeing, will mean that a very different "normal" will prevail.
-  As the economy opens up, post Covid-19 vaccinations and improvements in the risks to community health, the expectation is that some lost ground will be recovered, through a consumer led recovery with Staycations being the norm for the Tourism and Hospitality sector in 2021. At present the consensus for 2021 suggest a rebound for the entire economy relative to 2020 of +4% to 6%, for NI, consistent with advanced economies.
-  Despite the continuing uncertainty, it is encouraging that there are positive reportings of strong bookings for summer staycations this year.
-  From 2022 onwards, it may take up to 5 years, to get fully back pre-pandemic economic levels – assuming 15% growth per annum.

TED | Tourism
Economic Development
Programme

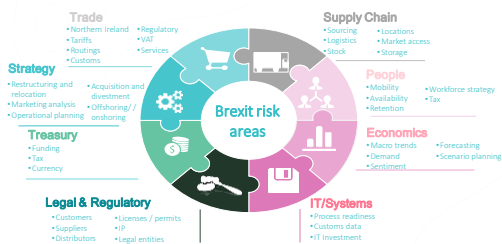
Webinar Outputs

Understanding of:

- Context of Brexit and NI Protocol.
- Customs, Tariffs and Supply Chain, and Trade & Co-operation Agreement, when preferential tariffs don't apply.
- Options to mitigate tariffs i.e. Trader Scheme or Waiver.
- Filing Customs Declaration.
- Brexit Labour Implications.
- VAT Implications of NI Protocol.
- Impact of Brexit on UK Tour Operators Margin Scheme (TOMS), VAT Retail Export Scheme (VAT RES) and Electronic VAT Refund System.
- Impact of Brexit on the VAT place of supply rules.
- Brief Overview of Excise Duties post Brexit.

TED | Tourism
Economic Development
Programme

8 Key Brexit Impact Areas



TED | Tourism
Economic Development
Programme

NI Protocol

- My colleagues Aileen McShane and Colleen Flanagan will go into the detailed practical implications of Brexit and the NI Protocol, but, I would like to reflect at high level on some issues.
- to 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.
- Missing from some of the discussions on the NI Protocol, is a recognition that the protocol designates NI as a uniquely privileged trading zone. It is now a member of both the EU customs area and the British customs area. Because the Trade and Co-operation Agreement largely eliminates tariffs between Britain and the EU, this advantage is not as pronounced as it might have been.
- However, an EU supplier can sell high tariff goods, typically food and manufactured products into NI without any customs consequences. The benefit of this is not obvious at present since, Britain is currently only applying light touch customs controls on many types of goods entering Britain from the EU, however, once this changes as is anticipated, NI's privileged status as an export destination for EU produce and goods, will become more apparent.
- 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 (although currently temporary grace periods).
- There are little or no controls on goods moving from NI to mainland Britain, and NI businesses have unfettered access to the wider UK market.

TED | Tourism
Economic Development
Programme

NI Protocol Cont...

Two factors make NI an unvalued location for EU businesses, wishing to trade with Britain. It is clear that Britain's suitability as a distribution hub for EU goods is fast declining. The opposite is the case for NI.

VAT is the other great handicap to cross border trade in goods. When VAT is taken into account, the position of NI, is further enhanced.

As a result of the NI Protocol, NI has a hybrid status. It remains part of the EU VAT territory for goods, yet compliant with British rates and rules, thus a French exporter can supply goods to a customer in Belfast on the same terms as a customer in Milan, but not on the same terms to a customer in Manchester.

Thus, there is now a window of opportunity for EU enterprises to locate distribution and processing activities to NI, to avail of the best elements of the protocol.

None of the above undermines initial concerns raised by the protocol which hopefully can be addressed by Joint GB / EU Committee under the leadership of GB Ministers Michael Gove / Sir David Frost and EU Commission Vice-President Margrethe Vestager.

It is acknowledged that the Protocol has thrown up some anomalies, like the VAT treatment of second-hand goods in NI, but thankfully most goods in the NI Tourism & Hospitality sector are not second-hand.

TED | Tourism Enterprise Development Programme

Brexit – Other Practical Issues

- Impact of currency fluctuations on tourism.
- 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.

TED | Tourism Enterprise Development Programme

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 (**€430 / £390 by air or sea**). 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.



TED | Tourism Enterprise Development Programme

Irish Companies with no EU Resident Directors

- From 1st January 2021, for Irish companies who do not have a resident EU director, 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.




TED | Tourism Enterprise Development Programme

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.

TED
Tourism Enterprise Development
Programme

Northern Ireland



A map showing Northern Ireland in purple, with the Republic of Ireland to its west, Scotland to its north, and England and Wales to its east. A dashed line separates Northern Ireland from the Republic of Ireland.

Aileen McShane
PKF-FM Accountants (pkffm.com)

TED | Tourism Enterprise Development Programme

tourism
northernireland

Northern Ireland
Embassy
Agent
Sport

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

- The Protocol includes special provisions which 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 can continue unaffected, with no change at the border, no new paperwork, and no tariffs or regulatory checks.

Trade in goods between NI and ROW

- Can 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, cannot 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.



Movement of Goods – NI to GB

- Unfettered access for Northern Ireland's businesses to the rest of the UK internal market, ensuring that trade from Northern Ireland to Great Britain continues as it does now.

- Phase 1: Goods in Free Circulation in NI
- Phase 2: Good of NI origin

- Movements NI via RoI to GB – no tariffs if goods move under transit.



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 is now treated as an import into the EU.
- For that reason, full electronic import declarations are 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



TED | Trade and Economic Development Programme

EU-UK Trade & Cooperation Agreement

Preferential Tariffs – or Not?



- TCA will not help all businesses, careful planning is required to mitigate the customs duty impacts.

TED | Trade and Economic Development Programme

Case Study

ABC Hotel & Spa Ltd

- NI registered company.
- Purchase bed linen from supplier based in GB.
- GB supplier originally purchased the goods from Italy
- GB supplier claimed preferential tariff (0%) on initial movement from Italy to GB
- Goods did not undergo any/sufficient processing to alter origin whilst in GB
- Origin of bedlinen remains EU
- On sale to company in NI, preferential tariff cannot be availed of



TED | Trade and Economic Development Programme

Options

1. UK Trader Scheme

Authorised by HMRC to declare goods not at risk of entering the EU:
Declare goods are for sale to, or final use by, end consumers located in the UK;

Or

For goods which are processed, there is additional criteria which is very strict but there are allowances which include but are not limited to:

- If your turnover for the most recent financial year, is below £500,000 or
- If you declare that you intend to bring goods for processing into Northern Ireland for the sole purpose of providing food for sale to end consumers in the UK



2. Claim a waiver on the goods brought into NI

Traders can claim a waiver for duty on goods brought into NI from GB which might otherwise incur 'at risk' tariffs if you have not exceeded the relevant allowances at the point your import declaration is submitted. Waivers for duty on goods that would otherwise incur 'at risk' tariffs are provided in the form of 'de minimis aid' and most businesses can claim up to a maximum of €200k of aid, on a rolling basis, over 3 tax years (this threshold includes 'de minimis' aid unrelated to customs duties).

If none of the above conditions are satisfied, goods will be subject to EU tariffs on their movement from GB to NI.

TED | Trade and Economic Development Programme

Completing Customs Declarations GB to NI Movements



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.



TED | Trade
Environment
Development
Programme

Brexit & Services

- Unlike trade in goods, Northern Ireland, like the rest of the UK is now considered a 3rd Country in respect of the provision of services to the EU.

Implications for:

- Data flows.
- Availability of labour.
- VAT.



TED | Trade
Environment
Development
Programme

Labour Considerations

- Under the Common Travel Area (CTA) Irish and British citizens will continue to be able to move freely and reside in either jurisdiction and enjoy associated rights and entitlements including access to employment, healthcare, education and social benefits etc.
- In respect of employees who are EU Citizens but not Irish, advised that businesses promote the EU Settlement Scheme to ensure the workers retain their rights to continue living and working in the UK to include NI. This scheme is due to close on 30 June 2021.
- As of 1 January 2021, EU citizens who are not Irish, who live in ROI and work in Northern Ireland will need to apply to the UK's Frontier Worker Permit Scheme in order to continue working in Northern Ireland after 31 December 2020.
- From 1 January 2021, non British, non Irish workers who wish to begin employment in the UK while remaining outside the UK will need to apply through the UK's points-based immigration system.

TED | Trade
Environment
Development
Programme

VAT Compliance Post-Brexit

Colleen Flanagan
PKF-FPM Accountants (pkffpm.com)

TED | Tourism Enterprise Development Programme

tourism
northernireland

North's
Irish
Enterprise
at
Heart
Spirit

VAT Compliance Post-Brexit

| Cross border supply | Will Brexit change the VAT treatment of the transaction? | |
|------------------------------|---|--|
| | Supply of goods | Supply of services |
| GB - NI & NI - GB | Continue to treat as a domestic supply, applying UK VAT where appropriate. | Continue to treat as a domestic supply, applying UK VAT where appropriate. |
| EU (e.g. ROI) - NI & NI - EU | B2B - Continue to treat as an intra-community supply; B2C - Distance selling rules continue to apply | B2B - Place of supply is where the business customer is established. Business customer can self-account for VAT arising; B2C - Place of supply is where the supplier is established |
| RoW- NI & NI - RoW | Import and export VAT will continue to be applied as it is now. Postponed VAT accounting will be available. | VAT on services from NI- RoW will continue to apply as it did prior to 1 January 2021. |

TED | Tourism Enterprise Development Programme

VAT Compliance Post-Brexit

| 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 stately home | Place where the activities are performed |

TED | Tourism Enterprise Development Programme

Changes to the place of supply rules as a result of Brexit

- B2C Services of a professional, technical, financial, intellectual or other intangible nature supplied to customers outside the UK:
 - Place of supply is the place where your customer belongs;
 - Provision of tourist information (except where information relates to a particular piece of land);
 - Letting on hire, or leasing, of goods other than means of transport.
- Use and enjoyment provisions:
 - Place of supply is the place where effective use and enjoyment takes place;
 - Letting on hire of goods (including means of transport);
 - Apply where the place of supply would be the UK but the services are used and enjoyed outside the UK OR the place of supply would be outside the UK but the services are effectively used and enjoyed in the UK.

TED | Tourism Enterprise Development Programme

UK Tour operators Margin Scheme (TOMS)

What supplies fall within the scope of the margin scheme?

| | |
|------------------------------|---|
| Accommodation | Services of tour guides |
| Passenger transport | Use of special lounges at airports |
| Hire of a means of transport | Catering * |
| Trips or excursions | Admission tickets and sports facilities * |

What VAT rate applies to the margin?

| | |
|-----------------------------|----------------------|
| Tour enjoyed in the UK | Standard rate of VAT |
| Tour enjoyed outside the UK | Zero rate of VAT |

- How do we determine if we are required to register for VAT under TOMS?
 - Total margin achieved on your taxable margin scheme supplies;
 - Full value of your taxable (including zero rated) in-house supplies.

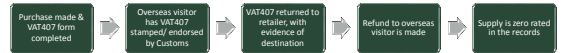
VAT Retail Export Scheme (VAT RES)

What is the purpose of the scheme?

- Allows non-EU visitors to the EU to recover VAT on purchases they make on the high street which they take home with them in their luggage;

What conditions must be satisfied

- Eligible goods must be purchased by an overseas non-EU visitor;
- Customer must make the purchase in person and complete the form at the retailer's premises in full;
- Time limits around the export of goods from NI and the EU;
- Specific documentation to be provided by the customer in order to obtain VAT refund.



Can passengers travelling from NI to GB now be entitled to avail of the VAT RES scheme?

- Yes, however, different rules will apply.

Electronic VAT Refund system



| Conditions to continue to be eligible to utilise the EVR system post Brexit | ✓ | ✗ |
|---|---|---|
| Taxable person registered for VAT in the UK with an establishment in NI | | |
| Business must be identified as trading under the NI Protocol (Goods are located in NI at the time of sale; Goods are received in NI from VAT registered EU businesses for business purposes; You sell or move goods from NI to an EU country) | | |
| Claims must be in relation to goods only | | |
| Traders must not be registered or eligible to be registered in the EU member state of refund | | |
| During the period, the trader must not have supplied any goods in the EU member state of refund | | |

- Existing process: Electronic VAT refund system to continue to be used
- New process: Follow the procedure set out by the EU member state from which you are making the claim

Movement of Goods Subject to Excise Duty

| Movement of goods | Change to pre-Brexit position? |
|-------------------------|--|
| Excise movements GB-NI | <ul style="list-style-type: none"> You will need to submit an import declaration when bringing excise goods into NI from GB. This will need to be pre-logged before the goods move and made using the CDS system; An excise duty charge will arise when the goods enter NI, however, you can offset the excise duty already paid in GB against this liability under the duty-offset mechanism; Likely to result in no excise duty being payable on the movement of the goods into NI. |
| Excise movements ROI-NI | No change to pre-Brexit procedures; No import declaration required. |
| Excise movements RoW-NI | No change to pre-Brexit procedures; Import declaration required, as was the case prior to Brexit. |



Case Study

NI Hotel

- Purchases bed linen from GB
- Hotel has a gin bar & alcohol is purchased from GB;
- Meat is purchased from ROI;
- Hotel buys in coach passenger transport to collect its guests at the start and end of their stay;
- Hotel's golf shop hires out golf clubs to guests;
- Majority of guests travel from GB and USA.

Outcome

- Regardless of where guests travel from, UK VAT continues to apply;
- No impact on the way in which VAT is applied by GB and ROI suppliers;
- May need to consider use of the duty offset mechanism when goods enter NI from GB;
- Tour operator's Margin Scheme- VAT will arise on the margin earned on package deals;
- Use and enjoyment provisions- If a guest hires golf clubs and intends to travel to ROI in order to play golf, this could create a potential VAT registration requirement in ROI.

Case Study

NI Tourist Attraction

- Consists of tours and admission to a stately home;
- Majority of visitors are private individuals/ groups from NI/ ROI;
- Purchases diesel from ROI for use in vehicles used to maintain the grounds;
- Sells gifts associated with the stately home both to visitors to the home and online

Outcome

- Where B2C services are provided in connection to cultural activities, these will be taxable at the place where they are performed. Regardless of where visitors are from, UK VAT will continue to apply;
- Providing services only- business can no longer use the EVR system to reclaim VAT;
- Entitled to continue to follow the distance selling rules until the introduction of the VAT ecommerce reform in July 2021, at which point the business will be required to register for the new "One Stop Shop".

What questions do I need to ask to ensure Continued VAT Compliance post- Brexit?

- Has my "Place of Supply" changed as a result of Brexit?
- Where are my suppliers based?
- Where are my consumers based?
- Are my consumers VAT registered businesses or non-VAT registered private individuals?
- Do my services fall within the "use and enjoyment" provisions?
- Will I incur VAT in other EU member states which I wish to reclaim?
- Am I making online sales to EU based private customers?
- Are there new excise rules which I need to follow?



Concluding Comments

Brexit Business Planning

Now that much of the uncertainty around Brexit, especially in relation to goods, has been clarified, 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.

TED | Tourism Development Programme

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.
- With the ongoing evolution of the Covid-19 Vaccination programme, and improved certainty around Brexit, there is a brighter dawn and outlook for the NI and global economies.
- In the short-term, travel restrictions will affect the potential mix of customers in the NI Tourism & Hospitality markets – and innovative creativity re island consumers and staycations will be required.
- Brexit will create challenges and opportunities for NI businesses in the Tourism and Hospitality sector.
- The fittest will survive, post the lockdown. Onwards and Upwards.

TED | Tourism Development Programme

Conclusion (Cont).

- Sometimes we can **not** control the events around us, like Brexit and Covid-19. **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 and Tourism NI will organise that you get a call from our Brexit Centre of Excellence team.
- Looking forward to participating in the Q&S session now.
- Thank you.

TED | Tourism Development Programme

Thank
you



TED | Tourism Development Programme



