



Indirect Tax News

Impact of Brexit on VAT refund claims for business expenses incurred in the UK in 2018

Our current newsletter aims to inform you of the impact that the imminent Brexit will have on the deadline for claiming refund of the VAT on business expenses incurred in the UK during 2018 in accordance with Directive 2008/09/EC (formerly 8th Directive).

The Directive enables businesses established and registered for VAT purposes within the EU to request a refund of the VAT incurred on business expenses in other EU member states.

In principle, Cypriot VAT registered businesses should be able to recover some or all of the VAT on business expenses incurred in other EU Member States, thereby reducing their costs, provided that such goods and services are used for the exercise of taxable business activity in the Republic of Cyprus. The procedure for the EU VAT refund claim pursuant to the Directive can be used for expenses incurred in the UK only as long as the UK is part of the European Union.

Notice from the Cyprus Tax Authorities regarding VAT refunds from the UK under Directive 2008/9

Given that the UK is due to leave the EU on the 29th March 2019, the Cyprus Tax Authorities have issued a notice

informing Cypriot VAT registered businesses that they **need to submit their claims for VAT suffered on business expenses in the UK during 2018 by 10th March 2019.**

The Directive, will cease being in force with regards to the United Kingdom after 29th March 2019, date of its exit from the European Union, unless new developments arise or an extension of the negotiations period is agreed.

As from that date, the EU VAT refund electronic system will not recognize the UK as an EU Member State and the relevant applications will not be able to be processed. As a result, refunds with regards to VAT paid in the UK for business expenses incurred by EU businesses will not be possible in accordance with the provisions of the Directive.

Recovering VAT on expenses in the UK up to 31.12.2018

With regards to UK VAT incurred during 2018 on goods or services received from taxable persons registered in the UK or in respect of the importation of goods into the UK, a VAT refund claim must be submitted electronically according to the Authorities **by 10th March 2019**, and not by 30th September 2019 as per the provisions of the Directive for claims in other EU Member States.

Recovering VAT on expenses in the UK from 1.1.2019 to 29.3.2019

With regards to UK VAT incurred from 1.1.2019 - 29.3.2019 on goods or provided services from other taxable persons registered in the United Kingdom or in respect of the importation of goods into the UK, taxable persons will be able to submit a claim under 13th Directive (86/560) as long as the relevant provisions are satisfied and provided a reciprocity agreement or reciprocal treatment for the recovery of VAT is in place between the two countries.

How can Deloitte assist you

Cypriot businesses may recover significant amounts of VAT that has been incurred on business expenses in the UK during 2018 relating to goods and services that may include accommodation, transportation, parking, food, drinks and restaurant services, admissions to fairs and exhibitions or seminars in the UK, insofar as such goods and services are used for the exercise of taxable business activity in the Republic of Cyprus.

As such we suggest that businesses affected by this development should identify any expenses during 2018 on which UK VAT was imposed so as to proceed with the relevant

claim within the deadline if they are eligible under the provisions of the Directive.

Our dedicated team of indirect tax experts is at your disposal to provide further information and assist you in submitting the relevant claims for VAT refund under Directive 2008/9. Deloitte shall keep you updated on any new developments that may arise in relation to Brexit.

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