

Legal Changes

-BREXIT

Taskforce BREXIT, German SAP User Group (DSAG) – Topic Group Global Legal Changes (w/o HR)

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DSAG

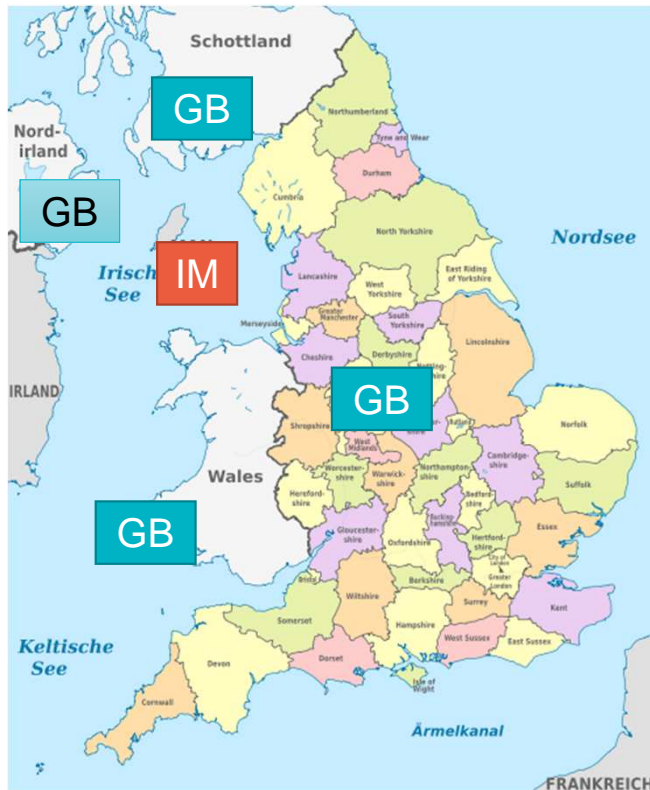
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General assumption

General assumption

Scope definition for BREXIT



- BREXIT (**B**ritain **E**xit from EC) means the exclusion of UK (United Kingdom of Great Britain and Northern Ireland) from European Community
- based on the actual status Oversea territory's (without Gibraltar) and Crown dependency's (without Isle of Man) are not part of EC so there are no changes
- Gibraltar is actually not part of European Customs and tax union, so in this direction no changes
- Isle of Man is part of European Customs union handled by so called protocol 3, so actually tax free transfers of manufactured products and agriculture products is allowed.
- BREXIT is planned for 12th of April 2019
- further status for Northern Ireland is from legal perspective still not finally confirmed

General assumption

Additional company codes related to UK

Country Code	Description	Part of EC	Changed?
AI	Anguilla (Oversea territory - Caribic)	No	No
BM	Bermuda (Oversea territory – Atlantic Ocean)	No	No
FK	Falkland Islands (Oversea territory – South America)	No	No
GG	Guernsey (crown dependency – Europe)	No	No
GI	Gibraltar (Oversea territory - Europe)	Special	Yes
GS	South Georgien and Sandwich Islands (Oversea territory – Atlantic Ocean)	No	No
IO	British Indian Ocean Territory (Oversea territory – Indian Ocean)	No	No
IM	Isle of man (crown dependency – Europe)	Special (Protocol 3)	Yes
JE	Jersey (crown dependency – Europe)	No	No
KY	Cayman Islands (Oversea territory – Caribic)	No	No
MS	Montserrat (Oversea territory – Caribic)	No	No
PN	Pitcairn Islands (Oversea territory – Caribic)	No	No
SH	Saint Helena (Oversea territory – Atlantic Ocean)	No	No
TC	Turks- and Caicos Islands (Oversea territory – Caribic)	No	No
VG	British Virgin Islands (Oversea territory – Caribic)	No	No

General assumption

Overall tax assumptions

- Legal base for taxation will be changed from that date the BREXIT comes into force.
- British European VAT registration numbers (UID) will be outdated. However this number will be still valid after the BREXIT and will serve as the national registration number.
- Based on the expectation it seems that there will be a special arrangement in place for region North Ireland.
- European tax regulations will not be applicable for GB any longer – special national laws are currently not known.

General assumption

Identifications of business purposes

It is necessary to analyze the business connections regarding their relevance. Special business situations need to be checked in detail. Mainly the following examples are relevant:

- Deliveries of goods and services to GB from EC or non EC area or Northern Ireland
- Deliveries of goods and services from GB to EC or also non EC area or Northern Ireland
- Deliveries of goods and services from GB but in the responsibility of an abroad company
- Handling of consignment stock in GB transferred from different EC area
- Sales of goods to final costumers (without VAT registration number) located in GB

General assumption

Identifications of master data needs

It is necessary to analyze the business partners related to the usage of EC / non EC differentiations or grouping. This can be for example:

- Bank accounts for payment purposes
- Special marketing information stored in business partner
- Reconciliation accounts
- For marketing or pricing needs customer groups or price groups / price lists
- Account assignment groups to differentiate EC versus non EC area
- Tax classification to differentiate EC and non EC business or to mark business partner as relevant for European Triangulation

General assumption

Identifications of reporting topics

In addition to general legal reporting (VAT reporting) there could be also the need to check special reporting or worklist topics to adapt the selection variants. This could be for example:

- Special EC sales reporting
- Background billing due lists where non EC area is excluded by variant settings

General assumption

Changes for country settings

Based on withdrawing GB from EC it is needed to change the relevant settings in the country table T005. This change needs to be available with a day based cut.

The following information need to be checked and maybe adapted:

- Delete the flag “EU member” in country settings for ERP and attached new dimension systems.
- The INTRASTAT code needs to be 0.
- No further checks for VAT registration number needed.
- If needed maintain additional checks for local VAT numbers in tax number 1 – 5. Since the VAT registration number might still be valid after the BREXIT SAP has to define in which tax field this number need to be transferred.

General assumption

Important OSS notes

Note	Description
2546068	GB_UK Withdraw from European Union
2749671	BREXIT: Guideline in case of „no deal“
2753338	BREXIT: programm changes for Intrastat in case of NO DEAL
2754659	Recommandations for NO DEAL in sales & Distribution
2766031	Tax number check (STCEG) in FI for BREXIT
2766616	Recommandation for NO DEAL Brexit in MM
2768412	Recommendation for FI in case of BREXIT

Transaction based changes

Transaction based changes

General handling of tax determination in the Sales & Distribution module (SD)

- Regularly tax calculation in Marketing & Sales processes is done by tax conditions. Mostly condition type MWST is in place.
- Tax determination should be handled based on the service rendering data which is possible to adapt in each sales invoice.
- Related to BREXIT needs it is expected that all sales invoices legally relevant after the 29'th of March need to contain non EC taxation.
- For those processes where the new (or rather changed) tax determination was not done during the invoicing process a repricing / re-taxation in existing open orders is necessary. This can be supported by mass changes for example with sales order list (transaction VA05).
- Automatic repricing is possible to activate based on invoice type in the copy control by using price copy functionality G (copy pricing conditions unchanged and predetermine taxes), C (copy manual pricing elements and predetermine the others) or B (carry out new pricing).
- Used condition types for tax calculation (regularly condition type MWST) should be maintained with condition class taxes and condition type taxes to avoid problems with missing re-taxation
- Price date inside of tax condition should be maintained with value BLANK, which lead to determination based on service rendering date (FBUDA) to calculate the correct tax rates.

Relevant checks for taxation in SD area

- Checks of tax relevant business processes need to contain the following tax situations:
 - Check all deliveries of goods or services with tax destination country GB. Relevant for any automatic taxation are only documents based on a SD-invoice. The relevant documents can be selected based on existing entries in invoice header VBRK
 - with tax destination country (VBRK-LAND1) GB and
 - with tax departure country (VBRK-LANDTX) GB.
 - Based on a relevance check also processes without SD invoice origin might need to be validated. This can be any kind of FI-document such as fixed asset documents or any kind of invoice. Since there is no automatic tax determination in place the tax codes need to be changed/corrected manually.

Transaction based changes

Settings for tax codes EC / Non EC area

- For all departures where deliveries of goods or services with destination GB are in place it is needed to have non EC tax codes in place. For all further used tax codes the EC flag (T007A-EGRKZ) should be empty.
- For all processes with tax departure country GB only non EC relevant tax codes could be used after March the 29th. So in all tax codes relevant for GB the EC flag has to be empty.
- To detect the tax condition records which need to be changed it is possible to select the relevant condition records with condition display functionality (transaction VK13 – condition information).
- All EC tax codes assigned in tax calculation procedure TAXGB should not be used anymore. Based on the need to have the tax codes available for further documentations it is needed to keep them in the system.
- As GB will not be part of EC anymore all tax codes related to ESA / ESE (incoming tax for replenishments) handling needs to be outdated.

Transaction based changes

Changes for tax calculation with destination GB

- As for deliveries of goods and services from EC area to non EC area export taxation is needed.
- For all departures where deliveries to GB exist it is needed to check and possibly maintain the availability of tax codes for deliveries outside of EC.
- Change the tax combinations departure country XX / destination GB with a validity date starting from the 29th of March 2019.
- In all cases where the tax departure country is in a non EC country no changes in tax calculation are needed.

Transaction based changes

Changes for invoice printouts transferred to GB

- As for GB further on no European VAT registration numbers will be possible to store in partner master data field STCEG. This change is not needed based on implementing OSS note 2766031.
- Therefore the European VAT registration number has to be printed as the “new” tax number information on each invoice transferred to GB.
- Actually all invoices transferred from a EC member country to a different EC member country are marked with a legal information like “VAT-exempt according to art. 138 (1) Council Directive 2006/112/EC” need to be changed to an additional information about non EC deliveries like “VAT-exempt according to art. 146 Council Directive 2006/112/EC”.
- Printout changes need to be handled individually as the standard print forms do not contain the relevant information.

Transaction based changes

Changes of tax number handling for business partners in GB

- Actually the tax number of business partners (customer or vendor) located in GB is stored in the field VAT registration number (STCEG). It contains a prefix GB and follow up 12 digits number.
- The tax number will be valid after the 12th of March 2019 but should not be stored in the EU VAT registration number field anymore. To establish the further handling of GB tax numbers in STCEG OSS note 2766031 is needed to implement.
- The note activate a handling of tax numbers for GB in the same way as it is for EC27 members or GCC members in company code data, business partner and transactions
- Tax numbers for GB business partners are needed for invoice printouts.

Changes related to tax calculation with departure GB

- As for deliveries of goods and services from GB to EC area export taxation is needed further on.
- For all departures where deliveries from GB exist it is needed to check and possibly maintain the availability of tax codes for deliveries outside of EC (export taxation).
- Change the tax combinations departure country GB / destination XX (all EC countries) with a validity date starting from the 12th of March 2019.
- No changes in tax calculation needed in all cases where the tax destination country is a non EC country.

Transaction based changes

Changes for invoice printouts transferred from GB

- As for GB further on no European VAT registration numbers will be possible to store in setting tables T001 or T001N. It is needed to transfer the own tax number to a different field if note 2766031 is not implemented.
- Actually all invoices transferred from GB can contain a local law information about reason for tax exemption like “VAT-exempt according to art. 138 (1) Council Directive 2006/112/EC” for EC deliveries, but further on there is the need to inform a British law like “..... ‘.
- Printout changes need to be handled individually as the standard print forms do not contain the relevant information.

Transaction based changes

Changes of tax number handling for company codes in GB

- Actually the tax number of business partners (customer or vendor) located in GB is stored in the field VAT registration number (STCEG). It contains a prefix GB and follow up 12 digits number.
- The tax numbers will be valid after the 12th of March 2019, but should not be stored in the EU VAT registration number anymore. So it is needed to transfer it to tax number 1 (clarifying with SAP / also prefix handling)
- Tax numbers for GB company codes are needed for invoice printouts.

Transaction based changes

Changes for tax calculation with departure GB but in responsibility of EC country

- The condition type WIA1-3 cannot be used any longer for registrations in GB (in responsibility of EC area company).
- The condition type WIA1-3 cannot be used any longer for GB registrations in the EC area.
- Explanation WIA1-3:
 - WIA1: Input tax in departure country
The tax code of within the tax scheme of the departure country has to correspond to the tax code of the country or the company code. When transferring the SD document to FI the system determines the correct tax code by applying the country of the company code. Within the settings of the tax code the field „reporting country“ has to be marked (delivered country).
 - WIA2: Output tax of departure country
 - WIA3: Output tax of delivered country
- This business must be handled as export business from GB to any other country.

Transaction based changes

Changes for tax calculation with departure EC country to GB but in responsibility of EC country (registration in GB)

- The condition type WIA1-3 cannot be used any longer for registrations in GB (in responsibility of EC area company).
- The condition type WIA1-3 cannot be used any longer for GB registrations in the EC area.
- This business is to be considered as export business – just like any other business with third party countries.

Tax declaration Changes

Regular UK tax report - current descriptions

- The structure of the UK VAT Return consists currently of 9 boxes:
 - Box 1: VAT due on Sales and Other Outputs
 - Box 2: VAT due on Acquisitions from other Member States of the EU
 - Box 3: Total VAT Due (Sum of Boxes 1 and 2)
 - Box 4: VAT reclaimed on Purchases and Other Inputs (incl. Acquisitions from the EU)
 - Box 5: Net VAT to Pay to HMRC or Reclaim (Difference between Boxes 3 and 4)
 - Box 6: Total Value of Sales and All Other Outputs excluding any VAT
 - Box 7: Total Value of Purchases and All Other Inputs excluding any VAT
 - Box 8: Total Value of all Supplies of Goods and Related Costs, excluding any VAT, to other EU Member States
 - Box 9: Total Value of all Acquisitions of Goods and Related Costs, excluding any VAT, from other EU Member States

Tax declaration changes

Regular UK tax report – after Brexit

- The UK will introduce a ***Postponed Accounting for Import VAT on Goods*** in the event of a no-deal scenario
 - UK VAT registered companies won't have to pay Import VAT directly when the goods arrive.
 - Import VAT will be accounted on the UK VAT return and it can be claimed as deductible Input VAT on the same return – for EU as well as rest of the world imports.
- The structure and content of the UK VAT Return will change therefore:
 - Box 2, Box 8 and Box 9 will be renamed accordingly.
 - Import VAT due will be entered / added into Box 2 and in parallel also into Box 4.
 - The value of sales to EU member states will continue to be reported in Box 6.
 - The value of purchases from EU member states will now be added into Box 7.
 - The value of all exports to the EU and to the rest of the world will be reported in Box 8 (and also still in Box 6).
 - The value of all imports from the EU and from the rest of the world will be reported in Box 9 (and also still in Box 7).

Regular UK tax report – new descriptions after Brexit

- The structure of the UK VAT Return will still consist of 9 boxes, but with new descriptions partially:
 - Box 1: VAT due on Sales and Other Outputs
 - Box 2: **VAT due on Imports**
 - Box 3: Total VAT Due (Sum of Boxes 1 and 2)
 - Box 4: VAT reclaimed on Purchases and Other Inputs (**incl. Imports**)
 - Box 5: Net VAT to Pay to HMRC or Reclaim (Difference between Boxes 3 and 4)
 - Box 6: Total Value of Sales and All Other Outputs excluding any VAT
 - Box 7: Total Value of Purchases and All Other Inputs excluding any VAT
 - Box 8: Total Value of all **Exports of Goods**, excluding any VAT
 - Box 9: Total Value of all **Import of Goods**, excluding any VAT

Regular UK tax report – after Brexit

- In order to report the business with EU member states in the relevant boxes, one has to check the existing VAT codes and potentially new codes for the different rates of VAT related to imports have to be created.
- If one has already existing codes for import and export business with the rest of the world, there is no need for the creation of new VAT codes. The existing codes can also be used for the business with EU member states, as there will be no differentiation between EU and the rest of the world.
- The corresponding VAT codes have then to be used in the relevant tax conditions configuration related to EU member states
 - for Import taxation in e.g. purchase requisitions and purchase orders
 - for Export taxation in e.g. sales orders and billing documents

Recapitulative Statement (“Zusammenfassende Meldung”)

- The EC Sales List issued by UK companies will only be mandatory to be delivered until the Brexit gets in place and only the intra-community transactions of the corresponding month until the effective day of the Brexit have to be reported.
Afterwards this reporting requirement gets obsolete for UK companies and in addition the used VAT codes for sales to EU countries have also to be changed accordingly.
- The EC Sales List issued by the remaining EU countries does not change in general.
Intra-community transactions with the UK need to be included until the Brexit is effective and in addition the used VAT codes for transactions with the UK have to be changed afterwards accordingly to tax codes related to export to non-EU countries to prevent from being reported.

Making tax digital

- Making tax digital is a new requirement for GB related to an automatic tax data transfer via Application Programming interface (API) to GB government HMRC.
- It is mandatory for companies which are taxable in GB.
- Based on the situation that this is a new requirement the way how to implement this functionality is not overall the same. There is also a SAP solution – using Advanced Compliance Reporting (ACR) aaS – in place which is suitable.
- The used tax codes need to be assigned to the correct reporting boxes in the GB VAT report which will be export boxes later on.

Tax declaration changes

Making tax digital – location for data storage

- Based on the legal requirement it is needed to handle the VAT return process in a system outside of tax payers system.
- Based on the information provided from HMCR a server location in GB is preferred.
- In case of storing VAT return data outside of GB it is expected that there are similar data protection rules as existing in the EU – so EU is also possible.
- For other locations a reassurance related to data protection could be needed.
- The SAP solution – using ACR aaS – stores the data in the European SCP location.

Other legal reporting

- eFattura (Italy)
 - JPK or rather SAF-T (Poland) → Change of allocation from classifier to tax code.
 - Online Invoice Reporting Hungary (NAV)
 - SAF-T (Portugal)
 - SII (Spain)
- In general the change of the tax indicator will lead to the fact that the reporting will be still correct.
- The change of the partner master data – mostly the tax number – will also lead to correct reporting.

Reporting changes

Reporting changes

Changes about INTRASTAT creation

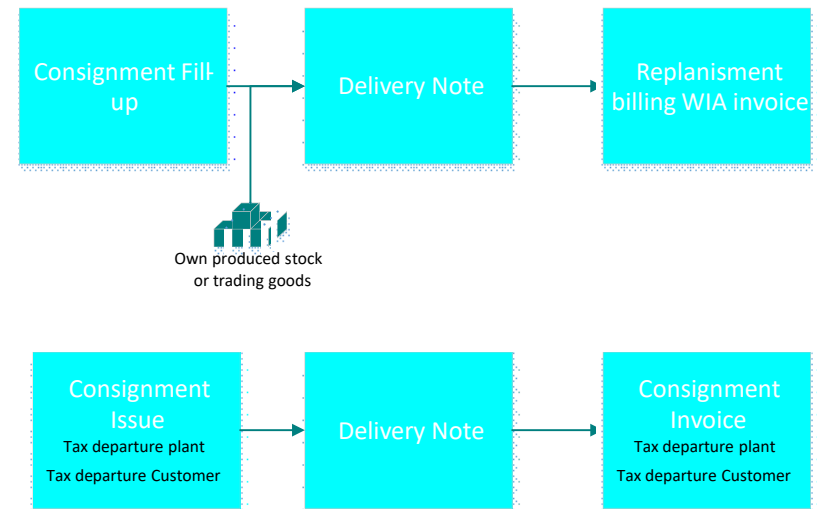
- The INTRASTAT declaration in the UK will remain for the return of March 2019 with the reporting of the relevant transactions until the 29th of March 2019 at 11pm GMT and it will become obsolete afterwards.
- The INTRASTAT declaration in the EU27 Member States does not change, except for the fact that transactions with the UK can only be reported until the 29th March of 2019 at 12pm CET.
- Based on the situation that INTRASTAT just checks the settings in T005 it is needed to activate additional programming as provided with OSS note 2753338.
- The INTRASTAT number of GB in T005 must not be deleted prior to reporting the last INTRASTAT declaration for March 2019.

Special legal situations and their changes

Special legal situations and their changes

Tax registration for consignment purposes

- In most cases where consignment warehouses in GB are used and been delivered by EC27 members a regular process without simplification rule is in place.
- Starting from the 29th of March 2019 there is no further need to create a intra-community displacement invoice (WIA-invoice).
- Material transferred to consignment after the 29th of March 2019 needs to be billed as non EC invoice with departure of sending plant instead of consignment customer location.
- When using invoice relevance flag J (relevant with EC-cross country deliveries in fill-up item types and plant abroad solution) the process change for new documents will be correct based on changed country settings.



Special tax situation

- Contract processing
- Plants abroad → Technically it is possible to consider your registration in GB as a plant abroad. You create corresponding tax codes in your domestic tax scheme with the reporting country GB. However we have to point out that the plant abroad functionality – delivered and supported by SAP – is not designed for third party countries but only for EC members.