Brexit Transition and Beyond

December 8th 2020

PUBLIC

THE BEST RUN **SAP**

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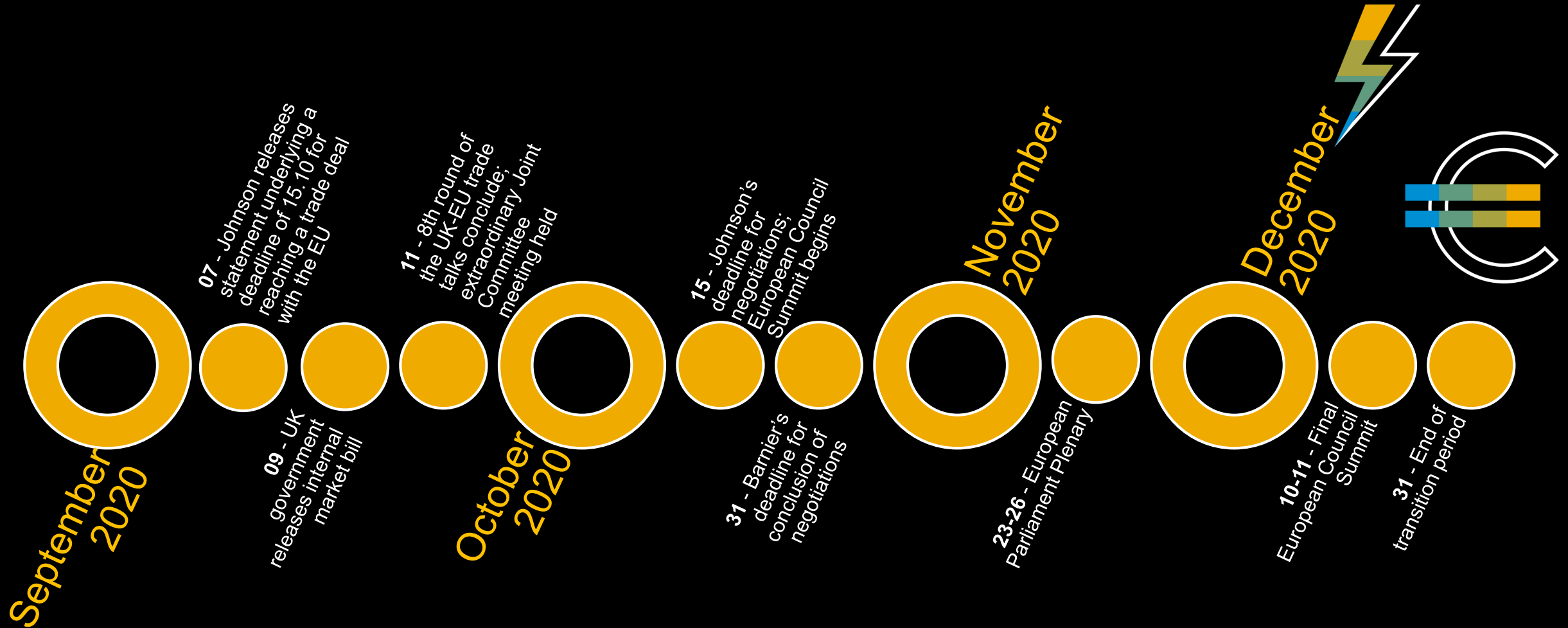
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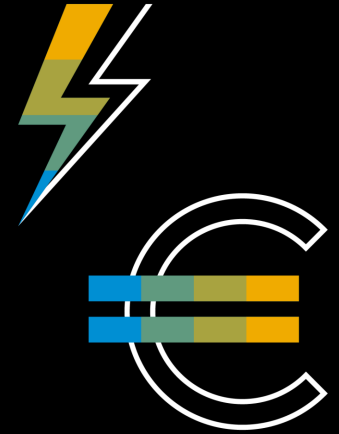
Guidelines for GTS

Introduction

BREXIT – Where are we?

Globalization Services

September 2020

07 - Johnson releases statement underlying a deadline of 15.10 for reaching a trade deal with the EU

09 - UK government releases internal market bill

October 2020

11 - 8th round of the UK-EU trade talks conclude; extraordinary Joint Committee meeting held

31 - Barnier's deadline for conclusion of negotiations

November 2020

15 - Johnson's deadline for negotiations; European Council Summit begins

23-26 - European Parliament Plenary

December 2020

10-11 - Final European Council Summit

31 - End of transition period

BREXIT – Impact on Customs & International Trade

UK becomes a 3rd country.

⇩

Deactivate the EU-flag for GB in country table T005 at 24:00 CET
at the last day of the transition period

BREXIT Latest Requirements

Where to go?

Look at the SAP ONE Support Launchpad

https://launchpad.support.sap.com/#/legalchangenotification

- See the list of upcoming legal changes
- Central SAP Note (2885225) across solutions and countries
- Further SAP Notes and Knowledge Based Articles will be published and referenced within the central note.
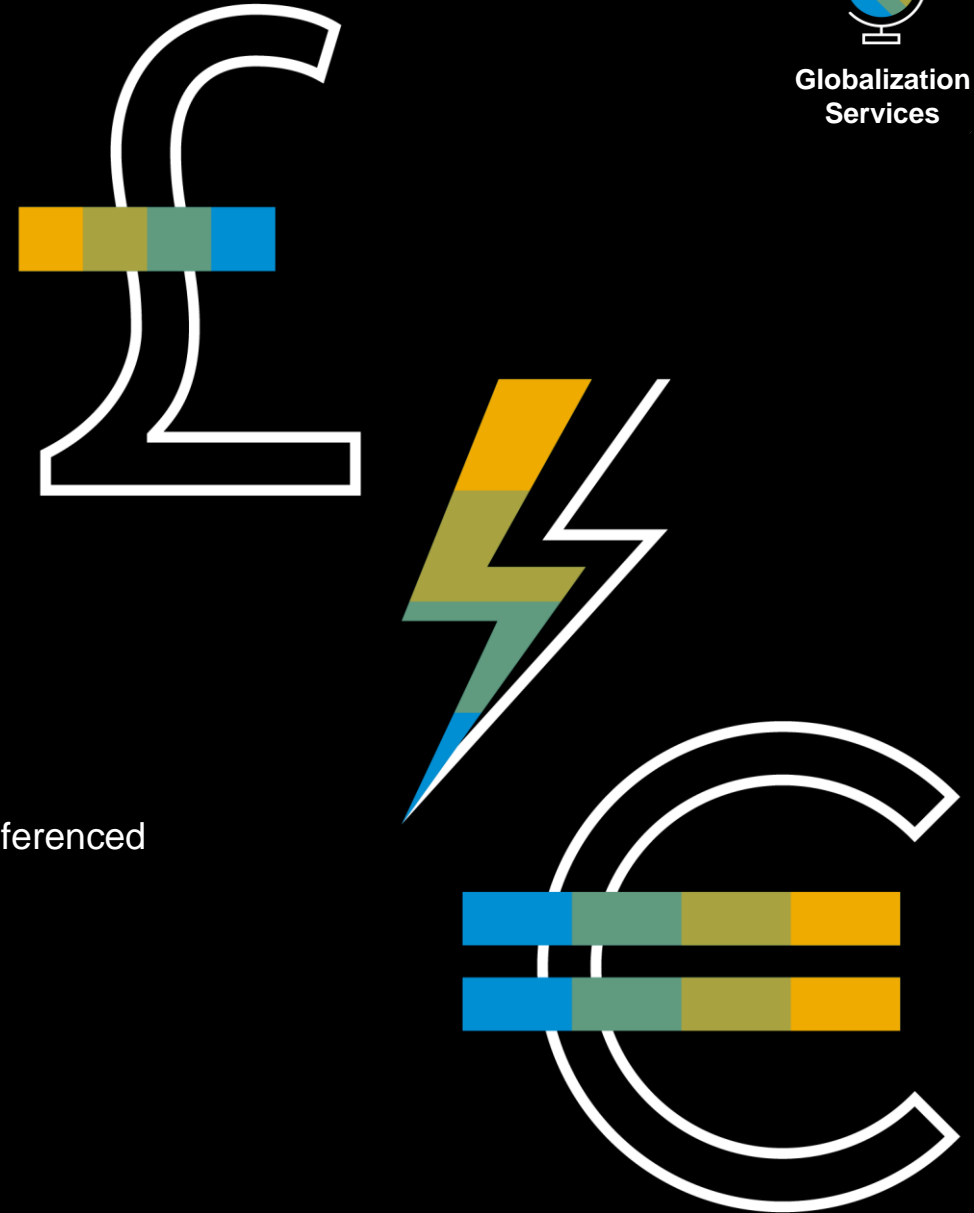
BREXIT Latest Requirements

UK Withdrawal from the European Union (Brexit)

Country/Region: **United Kingdom (GB)**
Component: **XX-CSC-GB**
Complexity:

Planned Delivery Date:
SAP Note: In Analysis

Company Status: **New**
Manual Activity:

BASIC   PREREQUISITE NOTES

Introduction

<

In a referendum held on June 23, 2016, the majority of people voted in favour of the United Kingdom leaving the European Union (EU, a union of 28 European member countries).

The subsequent process of withdrawal of the UK from the EU is commonly referred to as Brexit. The process of separation was started by the UK government invoking Article 50 of the Treaty on the European Union on March 29, 2017.

The details of the new relationship between the UK and the EU are currently under discussion and so are subject to complex negotiations. According to Article 50, the process of Brexit was scheduled to conclude at the end of March 2019. Following many changes to the political situation and two General Elections the UK have now left the EU and entered the 'Transition Period'

During the transition period the UK's trading relationship with the EU will remain the same.

If a trade deal is ready in time, the UK's new relationship with the EU can begin immediately after the transition. If not, the UK faces the prospect of having to trade with no agreement in force. This would mean checks and tariffs on UK goods travelling to the EU.

Changes resulting from Brexit, with potential impacts on SAP, can be expected in the areas of tax, reporting, employment rights and goods movement among many others. SAP recognizes these potential changes and is closely monitoring the situation and analyzing the impact for SAP customers and partners, primarily those using the current United Kingdom / Ireland localizations.

SAP will continue to monitor the governments negotiations and will deliver patches only for selected updates and releases at its own discretion, based on the business impact and the complexity of the implementation.

Updates that are to be supported related to Brexit will be notified using the [Announcement of Legal Changes Service|https://launchpad.support.sap.com/#/legalchangenotification] via the SAP Support Portal in the normal way.

Further updates will be shared under the "United Kingdom" option of the website for Globalization news and documents. For any further questions, please visit the SAP Support Portal.

2749671 - BREXIT: Guidelines in case of "no deal"

2546068 - GB_UK Withdrawal from the European Union (Brexit)"

2885225 - BREXIT: Through the Transition Period and Beyond "

BREXIT Central SAP Note 2885225

Knowledge Base ▾ | 2885225

2885225 - BREXIT: Through the Transition Period and Beyond

Version 1 from 28.01.2020 in English

Component: XX-CSC-GB	Category: Consulting	Corrections: 0
		Manual Activities: 0
Priority: Recommendations / Additional Info	Release Status: Released for Customer	Prerequisites: 0

SAP Note/KBA Number ⚬⚬

Description | Software Components | References ▾ | Attributes | Languages

Symptom

The UK triggered Article 50 of the Treaty of the European Union on 29 March 2017. As set out under that treaty, the UK had two years to negotiate a Withdrawal Agreement and framework for a future relationship with the EU.

The Withdrawal Bill was passed by the UK Parliament, has received Royal Ascent and became law on the 23rd January. On the 24th of January it was also ratified by the EU leaders. This means that Article 50 can no longer be revoked and the UK will leave the EU on 31st January 2020 with the withdrawal agreement.

But that will not be the end of the Brexit story.

The UK will enter a transition period until 31 December 2020.

The purpose of the transition period is to enable a new wave of UK-EU negotiations to take place. These talks will determine what the future relationship will eventually look like.

2885225 - BREXIT: Through the Transition Period and Beyond

Version 1 from 28.01.2020 in English

Description | Software Components | **References** ▾ | Attributes | Languages

This document refers to

Number	Title
2768412	Recommendations for Brexit in FI

This document is referenced by

Number	Title
2930447	SAP S/4HANA Cloud 2008: Release Information Note
2901936	SAP S/4HANA Cloud 2005: Release Information Note
2912027	SAP GTS: UK leaving the EU (Brexit) - recommendation for action for transitional period and time thereafter
2868297	SAP S/4HANA Cloud 2002: Release Information Note
2799915	SAP S/4HANA Cloud 1908: Release Information Note
2754659	Recommendations for an unregulated hard (no deal) Brexit in SD:
2954754	SAP S/4HANA Cloud 2011: Release Information Note

Setting a SAP Note as "Favourite"

BREXIT – Impact on VAT (1)

Key VAT considerations:

i.   Import VAT

ii.   EU VAT Simplifications no longer valid

iii.   Northern Ireland (NI) Protocol

iv.   Reporting and administrative requirements

BREXIT – Impact on VAT (2)

i. Import VAT

- UK Postponed Accounting for Import VAT

  - Available for all UK VAT registered companies importing goods into UK from 01.01.21

  - No payment of import VAT at the border

  - VAT can be accounted for on the VAT return

  - HMRC to provide downloadable online statements every month for the postponed import VAT

- EU postponed import VAT accounting:

  - Some EU countries operate postponed import VAT accounting, subject to meeting certain conditions.

  - Example: In Belgium a license "ET 14000" can be requested.

BREXIT – Impact on VAT (3)

ii.   EU VAT Simplifications no longer valid

Simplifications such as:

- Triangulation

- Supply and install

- Distance selling

- Consignment and call-off stock

that are currently enjoyed by GB businesses will not apply in respect of GB VAT
registration numbers as from 1st of January 2021

Globalization Services

BREXIT – Impact on VAT (4)

iii.   Northern Ireland (NI) Protocol

- NI = dual status within the EU VAT, Customs Union and Single Market
  - NI follows UK's VAT system as well as EU's VAT system
  - NI continues to enforce the EU's customs rules and follow its rules on product standards while the rest of the UK stops doing so

- Only valid for goods

- In place for 4 years as from 1st of January 2021

- For Northern Ireland new VAT identification numbers with prefix "XI" will be required.

BREXIT – Impact on VAT (5)

iv. Reporting and administrative requirements

Are fiscal representatives needed?

How to validate the VAT-numbers from NI businesses through the VIES?

What happens to Intrastat?

What happens to ESL reporting?

…

Guidelines from Finance perspective

BREXIT – Central FI note 2768412

BREXIT – VAT enable EU related transactions after end of transition phase

After the end of the transition period new EU transactions with the UK (with the exception of the Northern Ireland protocol) will not be possible anymore.

However, in many systems postings with EU related tax codes will have be recorded after the end of transition period as subsequent changes of tax base amounts (e.g. discounts, bonuses, price reductions, etc.) might occur even several months or even years after the end of transition period (e.g. yearly bonus settlements). Another case are payments on receivables which had previously been derecognized (e.g. insolvency cases).
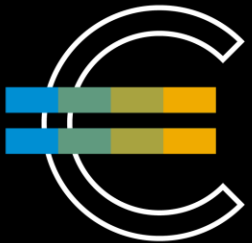
Therefore, we have to enable that postings with EU related tax codes are still possible even after the end of the transition period.

This also means that VAT identification numbers for UK (starting with GB) have to remain in the business partner/customer/vendor master data and company code master data for the time being (at least until the last EU related tax code posting has been posted).

For Northern Ireland new VAT identification numbers with prefix "XI" will be introduced.

BREXIT - **enabling** EU transactions after removing EU-Flag

The deactivation of EU-Flag for GB in country table T005 has some technical impact in FI:

In FI postings the EU relevant fields Reporting country, VAT registration number and EU triangulation only appear in EU company codes.

Amount	1.000,00	EUR	Amt.in loc.cur.	1.000,00
Tax Code	A6		Group curr.amnt	1.000,00
Negative pstng	☐		Glb.co.crcy amt	1.000,00
SCB Indicator			Supplying Cntry	
Customer			VAT Reg. No.	
Reporting cntry			EU triang. deal	☐

Furthermore registration numbers in master data can only be entered for EU countries.

SAP notes 2766031, 2770937, 2785653 enable that for GB company codes EU VAT fields still appear in posting transactions and GB VAT registration numbers can be maintained in master data.
You may deactivate this special treatment by implementing a BADI (in some months/years).
We do NOT recommend to do this in 2020/2021.

BREXIT – postponed Accounting in the UK

In order to simplify customs procedures the UK has introduced an new procedure "Postponed Accounting".

For information about configuration see SAP note 2996657.

Globalization Services

Northern Ireland protocol – master data changes

- New parameter in additional data for company code (table T001Z) planned*

Company Code		
Additional Data		

Additional Data

Par.type	Parameter type description	Parameter value
☐ XIVATN	XI VAT number	XI123456789

- New parameter/field for XI VAT number, stored separately from other VAT IDs*

  - Business partner:

GB6	Northern Ireland Protocol: VAT Reg. No.	XI123456789

  - Customer/vendor master:

Tax Number 6	XI123456789

    If field Tax Number 6 is not available for entry after you have implemented the relevant note*, please adjust customizing:
    IMG path: Financial Accounting (New) -> Accounts Receivable and Accounts Payable -> Customer Accounts/Vendor Accounts ->
    Master Data -> Preparations for Creating Customer/Vendor Master Data -> Define Account Groups with Screen Layout
    (Customers/Vendors): In General Data – Control: set radio button for „Tax Number 6" at least to „optional entry" for all relevant
    account groups.
    If the field still is not available for data entry please also check IMG activity: Define Screen Layout per Activity (Customers/Vendors).

Northern Ireland protocol – posting

In FI Transaction the system does not have the information to decide automatically about the right VAT Registration Number. We will enable all transactions in FI to allow the user to enter the VAT Registration Number for XI.

After the code changes are implemented, in FI Transactions like FB01 you have following changes:

- No default for "Reporting Country" anymore if the customer has a region in Northern Ireland

- No default for the "VAT Registration Number" anymore if the customer is located in Northern Ireland

- If the customer is located in Northern Ireland, the user needs to decide and fill the "Reporting Country"

    - If the user enters "XI", then the VAT Registration number starting with XI* is derived and posted.

    - If the user enters "GB", then the VAT Registration number starting with GB* is derived and posted.

- In case of CPD customers: If you enter Country "GB", the system will do the consistency checks for GB, but allows to enter a VAT Registration Number starting with "XI"

FI Transactions

- ## Some Examples

Derivation Logic in the Accounting Interface

- Current logic of the accounting interface:

    - In some cases a VAT registration number is derived in the accounting interface:

        - 1. the VAT registration number is not filled by the sender

        - 2. the document contains a customer item

        - 3. the document is not from SD (GLVOR = 'SD00')

- After the code changes are implemented

    - There is one more conditions for deriving a VAT Registration number in the accounting interface:

    - The customer must not be located in Northern Ireland

So in some exceptional cases it might be required to enter VAT Registration number in postprocessing.

Postings - postprocessing

- In cases when not VAT ID could be automatically determined the user can update the right VAT Registration number after the document is posted with the document change transaction FB02

- For mass changes a new report RF_VAT_REGNO_UPDATE will be provided:

EC Sales list programs: RFASLM00, RFASLD00 and RFASLD02

Example

EC Sales List (Belgium, Luxembourg)

Company code		to	
Document Number		to	
Fiscal Year		to	

General selections

Posting date		to	
Reference number		to	
Alternative local currency	☐ Translation date	07.12.2020	

Further selections

Reporting quarter /
Reporting Period /
◉ Posting Date Selection
○ Tax Reporting Date Selection
Tax Reporting Date to
Tax Country/Region
Output Tax Code to
VAT Registration No. to
Taxes on Sales/Purchases Group to
☑ Select Goods Delivery
☑ Select Service

Contract Accounting
☐ Data from Contract Accounting
RFC Destination
☐ Transfer Line Items

Lab Preview

Output control
☐ Base amount from tax items
☐ Line item display
☐ Separate list
☑ Read VAT Reg. No from Master
☑ Read XI VAT No
☑ Display XI VAT No
Quarter for Posting Date Selec /
Period for Posting Date Selec. /
⬀ Print parameter(message)
Contact person

According to Article 264 of EU VAT Directive subsequent changes in tax base amounts (e.g. payments with discount, bonuses, etc.) must be reported in EU sales list. This means that "GB" records must be reported in EU sales list even after the end of the transition period (likely negative amounts).

But we observe a contradictory communication by tax authorities in some countries that they do not want to have "GB" records in EU sales list after the end of the transition period. SAP note 2778393 provides a new select option for recapitulative statement so customers can remove these records by setting the selection to unequal "GB*".

The derivation logic for the VAR registration number changed for Northern Ireland protocol:
When you mark "Read VAT Reg. No from Master" the new parameter "Read XI VAT No" becomes relevant: It controls if the XI* VAT Registration number or the GB* VAT Registration number is used in the report

New Parameter "Display XI VAT No"
When you mark "Display XI VAT No", then the XI* VAT Registration Number from the Company Code Parameter "XIVATN" is used in the EC Sales list header to identify the tax payer.

BREXIT – Withholding tax

As the Parent Subsidiary Directive and the Interest and Royalties Directive will no longer be applicable after the end of the transition period some transactions might become relevant for withholding tax.

Therefore, please check your transactions with UK companies (dividends and interest or royalty payments for licenses in particular) in regards of withholding tax.

The treatment in detail might differ for each country as double taxation agreements between each country and the UK will become relevant. Ask your business partners for exception certificates early and apply exception certificates yourself if required.
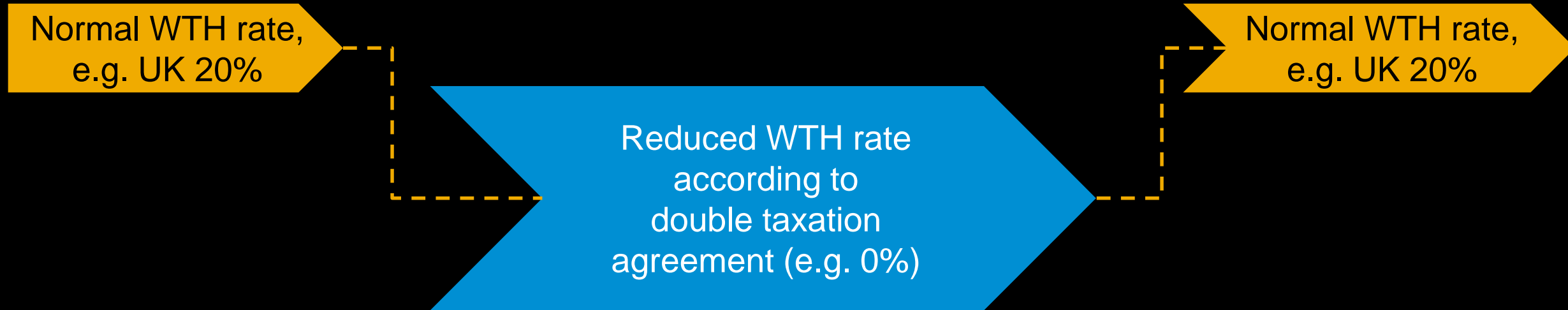
Changes in withholding tax treatment will become effective after the end of the transition period. Keep in mind that withholding tax in Europe is usually due at payment so it might be necessary to add withholding tax data in open items after 31.12.2020.

Withholding tax for licenses and excempt certificates

How exemption certificates influence withholding tax for licenses:

Normal WTH rate, e.g. UK 20%

Reduced WTH rate according to double taxation agreement (e.g. 0%)

Normal WTH rate, e.g. UK 20%

During the validity timeframe of the exemption certificate the lower withholding tax rate according to double taxation agreement applies.

It might even be zero (e.g. double taxation agreement Germany/UK) but you really need to check the details here.

Guidelines from Sales perspective
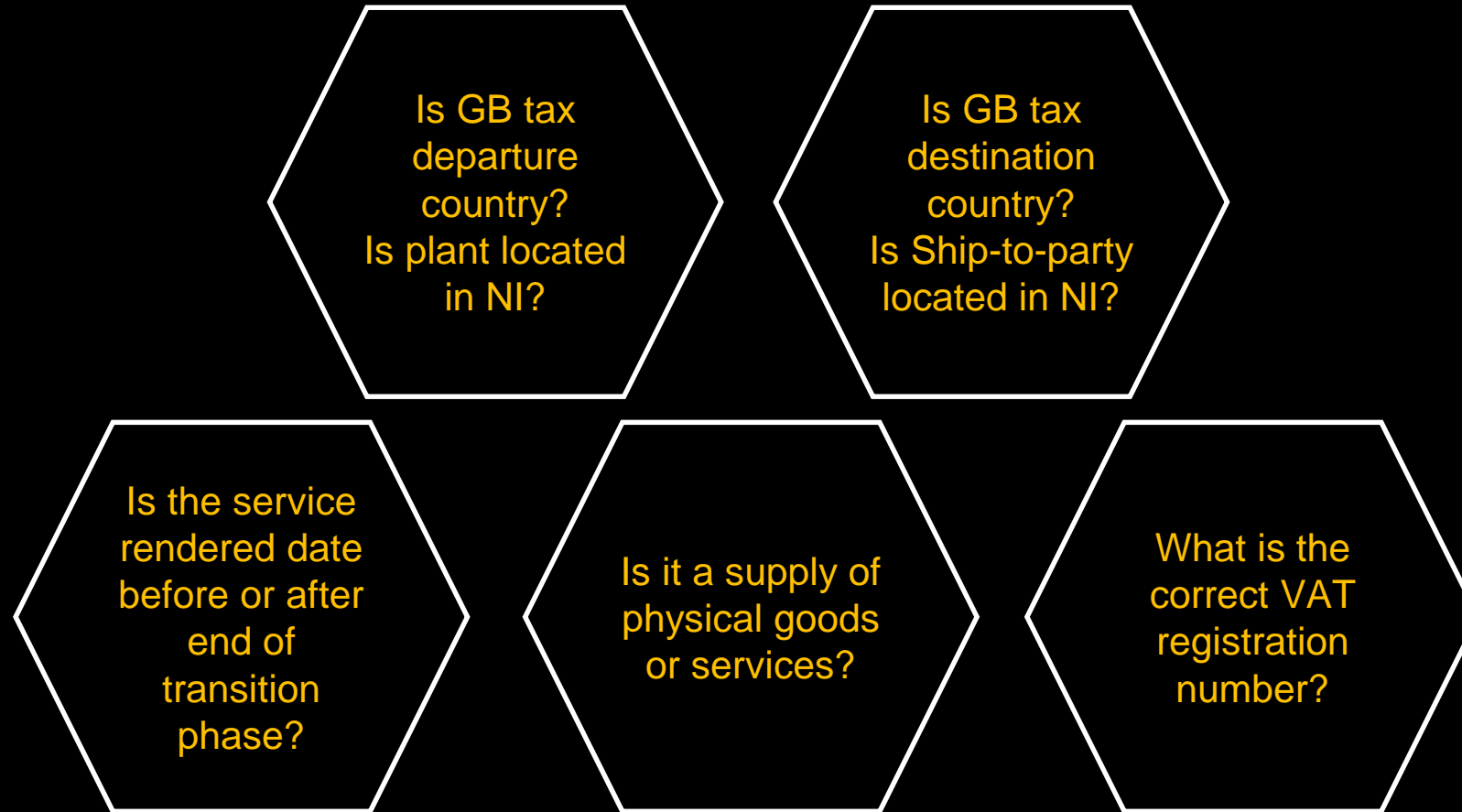
BREXIT – Taxes in Sales

Our Mission

Enable all Sales business processes to continue to run in a legally compliant manner:

- Locally - in the UK (region-based / Northern Ireland (NI) Protocol)

- Globally - between EU countries and the UK (region-based / Northern Ireland (NI) Protocol) as well as between non-EU counties and the UK

Key considerations for Taxes in Sales

- Parameters of Taxes in Sales

- Tax amount determination

BREXIT – Solution Approach for Parameters of Taxes in Sales

Is GB tax departure country?
Is plant located in NI?

Is GB tax destination country?
Is Ship-to-party located in NI?

Is the service rendered date before or after end of transition phase?

Is it a supply of physical goods or services?

What is the correct VAT registration number?

BREXIT – Solution Approach for Tax amount determination

- Identify Northern Ireland using region codes

- Distinguish between physical goods and services (services are not part of Northern Ireland Protocol)

- Classify Sales business process as relevant for domestic or export tax

- Identify Sales business process between EU and Northern Ireland as intra-community supply (depending on region, time, VAT registration number and product type)

- Use condition technique of pricing solution:
  - condition tables with region of plant and region of customer
  - access sequences
  - pricing requirement routines
  - conditions records

BREXIT – Suggested Preparations for Taxes in Sales

- Check SAP rollout activities (regularly updated), e.g. how-to guidance, implementation notes etc.

- Populate region code in master data records of customers located in Northern Ireland

- Populate region code in data of plants located in Northern Ireland

- Keep GB VAT registration number and add new XI VAT registration number in customer master data where needed

- Check of tax classification in material master record - different tax classifications are needed for physical goods and services

- Creation of necessary pricing requirements, condition tables, access sequences and condition records

Guidelines for GTS

BREXIT and Northern Ireland Protocol

● **Brexit**

  ○ Changes prepared, done and delivered for the past No-Deal deadlines

  ○ No substantial new changes, existing changes extended after the end of transition
     period

  ○ SAP GTS Central SAP Note (2912027)

> **SAP** 2912027 - SAP GTS: UK leaving the EU (Brexit) - recommendation for action for transition period and time thereafter

● **Northern Ireland Protocol**

  ○ New topic with new challenges

  ○ If no plant in Northern Ireland it has limited impact in SAP GTS

  ○ SAP GTS Central SAP Note (2998666)

> **SAP** 2998666 - SAP GTS: Withdrawal of the UK from the EU (Brexit) - recommended actions for the Northern Ireland Protocol

Customs Declarations under NIP

- **Movements between EU and Northern Ireland**
  - No Import or Export declaration required *
  - Country code XI for Northern Ireland if relevant

- **Movements from Great Britain to Northern Ireland**
  - Import declaration with UK CDS or
  - Import declaration with UK TSS   (temporary)

- **Movements from Northern Ireland to Great Britain**
  - Export declaration with UK CDS for limited scenarios (CPEI, CITES…)

- **Movements between Rest of the World and Northern Ireland**
  - Import or Export declaration with UK CHIEF or
  - Import or Export declaration with UK CDS

RoW

EU
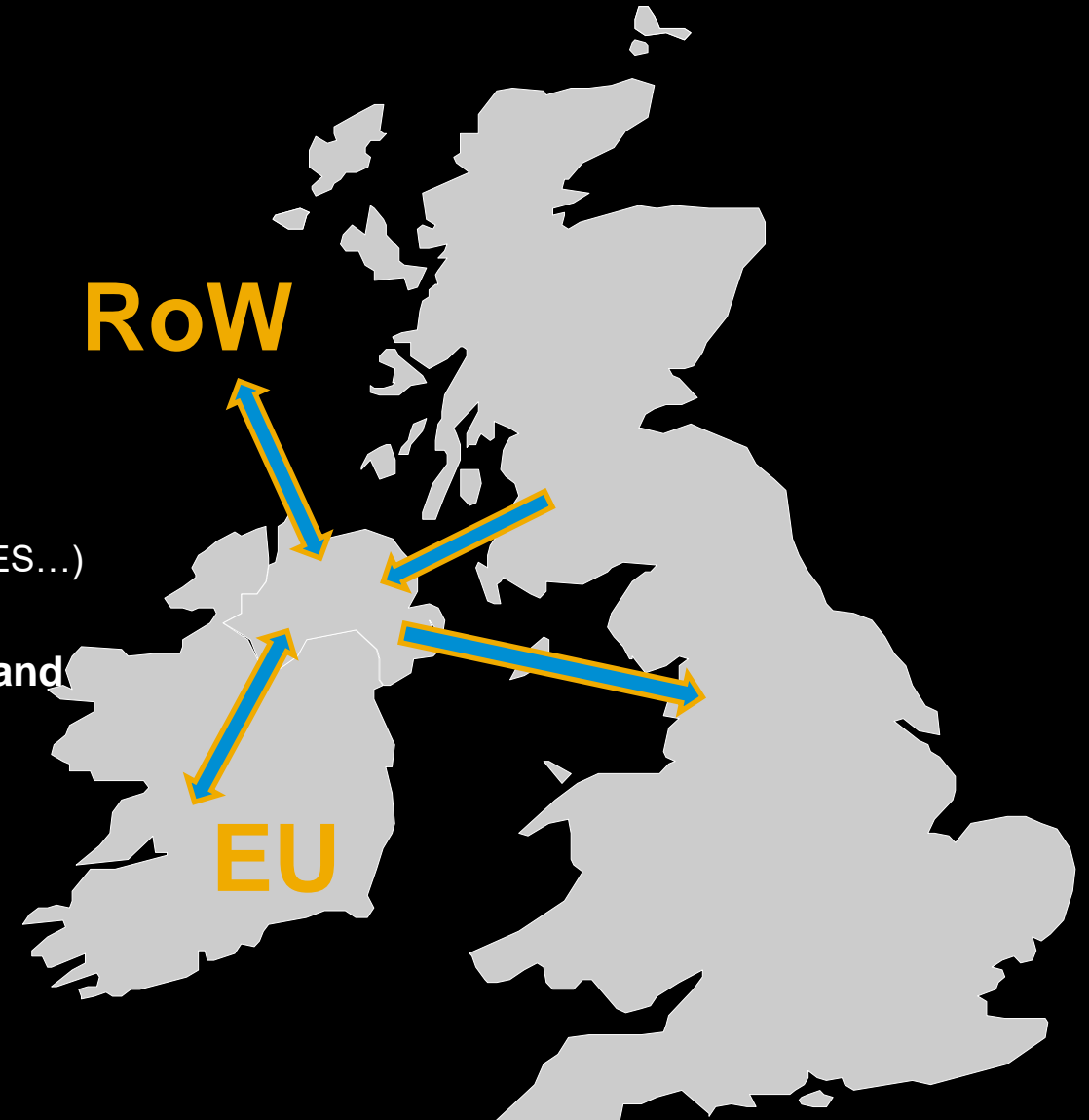
* Licenses still required based on German customs

EU Taric und UK Tariff

Introducing a new UK Tarif schema

With the EU-Exit UK is not going to use EU Tarif codes any longer. Therefore a new UK Tariff system was introduced. From 01.01.2021 these tariff codes will start to differ.

o   Existing classification may be copied to the new tariff schema as long as they are identical

o   Usage of reference schema to minimize classification efforts

o   For Import declarations to Northern Ireland materials have to classified for both tariff systems (UK & EU)

SAP 2766699 - UK leaving the EU (Brexit) – recommended actions for the classification and content upload areas

Intrastat Reporting

Globalization Services

- ● **Requirements for Intrastat reporting after the end of transition period under the Northern Ireland Protocol**
  - o Goods movements between the EU and Northern Ireland must be reported in EU countries and the UK
  - o Imports into Great Britain from the EU must be reported in the UK

- ● **Intrastat reporting in SAP GTS with feeder systems SAP S/4HANA and SAP ECC**
  - o SAP S/4HANA: SAP Notes 2753338, 2874323, 2875339, and 2976216 must be implemented before 1st of Jan 2021
  - o SAP ECC: SAP Notes 2753338, 2874323, and 2976216 must be implemented before 1st of Jan 2021
  - o SAP GTS: SAP note 2997204 must be implemented before importing data from feeder systems for Jan 2021

- ● **Intrastat reporting in SAP S/4HANA**
  - o SAP Notes 2753338, 2874323, 2875339, and 2976216 must be implemented before 1st of Jan 2021
  - o SAP Note 2997204 must be implemented before executing Intrastat selection reports for Jan 2021

- ● **Intrastat reporting in SAP ECC for AT, BE, CZ, DE, DK, ES, FI, FR, GB, GR, HU, IE, IT, LU, NL, PL, PT, SE, SK**
  - o SAP Notes 2753338, 2874323, and 2976216 must be implemented before 1st of Jan 2021
  - o SAP Notes for reporting XI and XU codes will be provided as soon as authorities of respective EU countries publish the related information. These SAP Notes must be implemented before creating Intrastat declaration files for Jan 2021.

Thank you.

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