Keeping up with Brexit for Asset and Wealth Managers

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Introduction

Welcome to our second edition of Keeping up with Brexit for Asset and Wealth Managers ('AWMs'). If you have not yet read our first edition, it is available here. We have again collated a number of articles focusing on a variety of political, tax and regulatory considerations which AWMs should be thinking about as they look to mitigate the risks of Brexit and the continued uncertainty.

We published this compendium on 15 March, at the end of a week of votes in Parliament which have done little to remove any concerns AWMs may have about a 'no deal' Brexit, either on 29 March or at the end of an extension period. It remains as important as ever that AWMs are ready for all eventualities, up to and including a 'no deal' exit from the European Union. This view is also shared by the UK fund industry trade body, the Investment Association, who have now told their members to implement their contingency plans.

1. FAQs for AWMs

In the next iteration of our FAQs, we summarise the week's political twists and turns, and assess their potential impact on AWMs' approach to the coming weeks and months.

Have you thought about the latest developments on Brexit and how these could impact your business?

2. Termination of existing agreements between UK managers and EU funds

Many UK managers are having to assess whether there has been, or will be, any UK taxable transfer of business or assets as a result of increasing their regulated EU presence. In this article we raise the importance of performing and documenting this analysis, and being prepared in the event that such a position is challenged.

Have you considered whether you have transferred a business, assets or intangible fixed assets, such as investment management agreements or distribution agreements? Have you performed a thorough analysis to support and document the position taken?

3. Member States' 'no deal' scenario preparations

Here we take a look at what EU member states are doing to minimise interruptions and disruptions to business for AWMs in a 'no deal' scenario, given the loss of passport rights and access to the single market for UK financial services firms and funds. We specifically look at the interim measures that are being considered by Luxembourg, Germany, the Netherlands, France, Italy and Finland.

Are you able to take advantage of any of these proposals and how will this impact on your 'no deal' planning and implementation?

4. The people impact of a 'no deal' Brexit

It is clear that Brexit will impact people who live and work across borders between the UK and the rest of Europe. This article covers the key immigration and social security implications for AWMs in respect of internationally mobile workers.

How will your business ensure business continuity for its internationally mobile workforce, whilst remaining compliant with major changes to the immigration, tax and social security landscape?

5. The VAT impact of Brexit for AWMs

In recent months HMRC has announced a number of updates to the VAT legislation to prepare for the numerous possible Brexit outcomes. Of these changes, some will have a direct impact on the AWM industry, particularly in the case of a 'no deal' Brexit. This article covers the key potential changes to the VAT landscape for asset and wealth managers depending on the outcome of Brexit.

Are you aware of how the VAT profile of your business may shift post-Brexit?

We hope that you find this newsletter helpful and, as always, your usual PwC contact, or one of our colleagues listed on the contacts page, will be more than happy to discuss the finer details of any topics that grab your attention.

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FAQs for Asset and Wealth Managers

On Tuesday 12 March, Theresa May's amended Withdrawal Agreement ('WA') was rejected by the House of Commons, albeit by a smaller margin of 149 than we saw in the first Meaningful Vote in January. In the subsequent two days, MPs voted to formalise the fact that;

- they do not support the UK leaving the EU without a withdrawal agreement and a framework for a future relationship on 29 March; and
- the Government should seek an extension of Article 50 from the EU.

Has this second round of votes altered the scenario for which AWMs should be planning?

In short, our advice is that AWMs continue to plan for all eventualities, including a 'no deal' Brexit. It is worth considering what, if anything, has significantly changed in terms of the likelihood of each eventuality, and how AWMs can best prepare for the various political outcomes, all of which remain on the table. Particularly worth underlining is the fact that, although Parliament has now formally agreed that it wishes to seek an extension of Article 50, this will only be possible if the EU27 unanimously approve this at the European Council meeting on Thursday 21 March. Until such time as both the UK and the EU27 have agreed and ratified either a deal or an extension, the default position will remain that the UK will leave the EU on 29 March without a transitional arrangement in place.

Despite the indicative vote on Wednesday 13 March, a further, legally binding vote would be required from Parliament in order for 'no deal' to be conclusively removed from the table or for the default leaving date of 29 March to be superseded. The legal default remains that the UK leaves the EU on 29 March, meaning a 'no deal' Brexit cannot be ruled out completely. Similarly, even if an extension is requested by the UK and agreed by the EU, a 'no deal' exit will remain the default position if no WA is ratified; the deadline for doing so will be extended, but the underlying risk of a 'no deal' will remain in place. AWMs cannot, therefore, become complacent, and must continue to engage their 'no deal' contingency plans.

How would an extension affect AWMs?

In terms of an extension, the impact on the AWM sector would depend on the terms and length of the extension, which will only become clear if and when this is agreed. At the moment, the most likely outcome seems to be that the EU will grant a short-term, technical extension to afford the UK Government the chance to negotiate minor amendments to the current WA, and for these to be agreed and ratified.

Nonetheless, the size of the Government's defeat in the Commons this week suggests that significant, legally binding amendments would be required for an amended WA to stand a chance of receiving parliamentary approval; comments from several top EU officials this week make this seem unlikely. An extension should therefore not spark material changes to the current contingency plans of AWMs as even with an extension, the risk of a 'no deal' would still be high.

What if the EU refuses to grant the UK an extension to Article 50?

Although this is unlikely, this would leave three options on the table with just over one week to go until 29 March:
A third Meaningful Vote on the WA could take place;
The UK could pass legislation to revoke Article 50; or
The UK would leave the EU without a deal in place on 29 March.

In the absence of a political breakthrough, AWMs in the UK and EU will not be able to rely on Article 50 being revoked, and will therefore need to engage their 'no deal' plans as a matter of urgency. Many officials and commentators have even suggested that a 'no deal' Brexit is yet more likely now, with the likelihood of a deal diminishing quickly, along with the time left to mitigate this.

What do AWMs need to prioritise in the ten days leading up to 29 March?

Our conversations with clients have indicated that AWMs are in one of three camps as far as Brexit planning is concerned, namely:

1. Those who have made no significant preparations
2. Those who have put temporary arrangements in place (often using third party management companies) to buy time while more permanent plans are formed
3. Those who have their Brexit response plans ready

Our assessment is that those in camp (1) need to take steps to move into camp (2), and those in camp (2) should review their temporary arrangements before 29 March. For some in camp (1), this would involve applying to enter the TPR or an equivalent programme in other EU/EEA jurisdictions such that they can continue to market EU funds in the UK or vice versa. For others, this could mean engaging with third party management companies to allow them to fulfil portfolio management delegation after 29 March. For those in camp (3), the focus is on continuing to monitor developments and activating response plans.

Whatever actions AWMs conclude are necessary between now and 29 March, this newsletter and its predecessor provide in depth insights into a number of the key issues at stake.

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Termination of existing agreements between UK managers and EU funds

As 29 March approaches, the risk of a 'no deal' Brexit is becoming a more likely scenario for which Asset and Wealth Managers ('AWMs') need to prepare.

Although recent ESMA and FCA statements have provided certainty that portfolio management can continue in the UK in a 'no deal' scenario, other regulated functions such as product structuring and capital raising may not be possible from the UK. The loss of such permissions is clearly a critical challenge for UK asset managers.

As a result, where a UK-based asset management business does not already have the required regulatory permissions or necessary functional framework in another EU member state, urgent restructuring may need to be implemented.

A key issue that UK asset managers are addressing in the context of their Brexit planning is identifying whether the creation of an EU domiciled regulated manager or indeed the enlargement of an existing EU structure, creates any UK taxable transfer of a business or assets.

The areas that many UK managers, as well as HMRC, have been considering are distribution agreements ('DAs') and investment management agreements ('IMAs'), which were originally entered into between a UK manager ('UK ManCo') and the fund or managed account (together, a 'Fund') are either; terminated, or novated to an EU distribution and/or management company ('EU ManCo') to retain the ability to manage or distribute such Funds in the EU post-Brexit. The revised arrangement will typically result in a new agreement being entered into between the Fund and EU ManCo. In addition, a new sub-advisory/management agreement between the EU ManCo and the UK ManCo will be put in place.

There has been much debate in the industry and between managers and industry bodies with HMRC, as to whether the termination of agreements between a Fund and UK ManCo or the novation of agreements from UK ManCo to EU ManCo, result in a taxable disposal for the UK ManCo.

We have been engaged over the last 12 months with HMRC on this Brexit tax issue. As a result of both our participation in industry working groups and our client meetings with HMRC Client Customer Managers ('CCMs'), it is clear that Funds and managers must be able to support their future tax return filing positions including performing functional analyses and considering exit charges under both the intangibles and capital gains regimes. This also needs to include accounting specialists, as the tax position on intangibles will often follow the accounting analysis.

It is therefore of the utmost importance that Fund boards and managers:

- document arguments on whether or not the termination of existing IMAs/DAs and the appointment of EU ManCo AIFM, would be considered a transfer of an asset for UK tax purposes and therefore potentially a taxable disposal; and
- make the assumption that HMRC may challenge that the change in contracting arrangements should be treated as a transfer of an asset, and set out arguments as to whether the IMAs can be regarded as having no or negligible value.

In order for Directors of Fund boards and UK managers to meet obligations to both investors and other stakeholders, a thorough tax analysis should be undertaken, which HMRC are likely to expect tax payers to provide, should they take an alternative view to that of the manager.

For those managers who have been appointed by EU investors under a segregated mandate contract, any movement of such contracts to an EU entity will also need to be analysed in line with the above.

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Member States' 'no deal' scenario preparations (1/2)

In the event of the UK potentially leaving the EU without an agreement, the UK would become a third country and UK financial services firms and funds would lose their passport rights and access to the single market for financial services in the EU. This is likely to cause interruptions and disruptions in the financial services markets.

To minimise such interruptions and disruptions, some Member States are going through the process of introducing interim measures or have made announcements that they intend to introduce measures to provide transitional relief in a 'no deal' scenario. This article looks at the interim measures that are being considered by Luxembourg, Germany, The Netherlands, France, Italy and Finland.

Luxembourg

The Luxembourg Government is preparing a draft bill of law to be invoked in the event of a 'no deal' scenario ('Lux Draft Bill'). It is currently going through appropriate consultations, with a goal of being passed by the Parliament prior to 29 March 2019 (the 'Brexit Day').

The Lux Draft Bill is designed to enable the Commission de Surveillance du Secteur Financier with sufficient powers as may be necessary to ensure a smooth transition from existing arrangements, which involve a provision of services from a UK entity to the eventual EU entity, in a way which remains consistent with EU directives and laws, but which also ensures minimal disruption to investors.

The Lux Draft Bill is likely to allow for certain grandfathering arrangements for management companies and fund boards whose Brexit contingency plans require more time to execute in the event of a 'no deal' Brexit.

Germany

The German Government adopted a draft bill on tax and other accompanying measures to be invoked in a 'no deal' scenario ('German Draft Bill'). The German Draft Bill provides for a temporary transitional EU passport regime for UK-based credit institutions and investment firms (together referred to as the 'Institutions') in Germany.

Under the bill, the German Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht, 'BaFin') is authorised to allow UK-based Institutions that conduct banking business and/or provide financial services through a branch or on cross-border basis in Germany to continue to provide fully or partially such services. This transitional EU passport regime could be granted only for a limited period of up to 21 months following Brexit Day.

The transitional regime only covers existing business and activities which are closely related to this business. According to the explanatory statement of the German Draft Bill, such close connection to contracts existing at the time of the withdrawal could be affirmed in certain cases, e.g. material changes of the contracts (lifecycle events), netting transactions, prolongations and exercise of options or conversion rights. Due to this limitation on the scope of the services covered, UK institutions operating under the EU passport regime cannot provide new regulated services to their German customers.

The Netherlands

The Dutch Minister of Finance, on 4 February 2019, published a decree providing a temporary exemption from the requirement to apply for a license for UK investment firms in a 'no deal' scenario. Pursuant to the exemption, UK investment firms will be able to continue to provide investment services to Dutch professional investors and eligible counterparties without the need for a license.

In order to rely on the exemption, a firm must provide the Financial Markets (Autoriteit Financiële Markten) ('AFM') with a notification including information on, inter alia, its regulated status in the UK.

It is envisaged the exemption will become effective upon the occurrence of a 'no deal' scenario and will stay in effect for a period of two years.

France

The French Minister of Economy and Finance has presented a government ordinance detailing measures to prepare for Brexit in the area of financial services (Ordinance of 6 February 2019). The ordinance includes seven measures that will come into force in the event of a 'no deal' Brexit and complements measures taken at EU level on the initiative of the European Commission.

One of measures, the sixth measure, introduces rules ensuring a facilitated transition in the management of collective investment managements that must respect investment ratios in European entities. UK securities will remain eligible, for a limited period, in collective investment managements distributed through share savings plans (PEAs in French law) and share savings plans dedicated to SMEs 'PEA-PME in French law', as well as for private equity which have to impose to exposure ratios to European companies.

Member States' 'no deal' scenario preparations (2/2)

Italy

The Italian Minister of Economics and Finance, on 24 January 2019, released a note announcing that some measures will be issued to guarantee the continuity of the activities of financial markets and intermediaries in case of a 'no deal' Brexit.

The measures have not been issued yet and will be published prior to a 'no deal' Brexit, in appropriate time to allow intermediaries to comply with the new regulatory framework.

All the measures will be drafted taking into account the legal and regulatory framework applicable to each sector (banking, financial, insurance), consistently with relevant EU provisions.

Finland

The Finnish Parliament has approved a proposal, which includes a new cross-border license for third country firms (i.e. investment firms and credit institutions) providing investment services in Finland. The amendments will enter into force shortly after the ratification by the President, but in any case before Brexit.

Based on the new provisions, third country firms (UK firms in the event of a 'no deal' Brexit) can provide investment services and activities together with ancillary services in Finland to professional clients and eligible counterparties without establishing a branch in Finland, if they obtain a new cross-border license from the Finnish Financial Supervisory Authority ('FIN-FSA'). The provision of investment services by a third country firm to non-professional clients and clients, who may be treated as professionals on request, will continue to require a branch.

The license application must be submitted by the third country firm to the FIN-FSA no later than on the withdrawal date of the third country. The third country firms may continue to provide services and products notified in the notification until the FIN-FSA has processed the license application.

These new Finnish provisions do not apply to UCITS and AIFs. Thus, UK firms and funds would become third country firms and funds and lose their existing EU passports.

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The people impact of a 'no deal' Brexit (1/3)

Across the Asset and Wealth Management sector, businesses are planning their post-Brexit operating models so that they can still continue to service clients in and out of the UK with the most appropriate products irrespective of situs. This planning has seen a lot of activity relocate in Ireland and Luxembourg in particular for the purposes of managing and distributing EU funds across Europe whilst still maintaining a strong footprint in the UK. Demand for talented sales and distribution executives has peaked and we are seeing a proliferation of new working arrangements in order to meet not just the regulators' and businesses' demands, but those of the people at the very heart of organisations.

Background

As things stand, the UK will be leaving the EU. The precise details of when, how and under what terms remain subjects of Parliamentary debate but it is clear that Brexit will impact people who live and work across borders between the UK and the rest of Europe.

Cross-border working arrangements have always brought about challenges in respect of income tax, payroll requirements, provision of employee benefits, taxation of deferred compensation, employer requirements to monitor travel, permanent establishment risks and so on. As a result of Brexit, however, two particular aspects of internationally mobile workers have been especially pertinent – immigration and social security.

Immigration has been a highly politicised subject throughout the Brexit campaign, so in this article we discuss how the immigration landscape is likely to look for those wanting to come into the UK from Europe in the future, as well as Brits looking to live or work in France, Germany, Ireland or Luxembourg in the future.

Social security has been less talked about during the Brexit debate but presents a large chunk of employment costs in most cases and given that the UK currently relies on EU regulations to prevent double social security charges in cross-border scenarios, the post-Brexit operation and administration of social security is important to get a handle on.

Immigration

Outbounds from the UK

In respect of business travel between the UK and Europe post-Brexit, we have now had confirmation that the remaining EU27 jurisdictions have agreed to mirror the treatment for UK nationals travelling into Europe and agreed visa free travel. This provision will apply for visitors of no more than 90 days in a 180 day period and also extends to business trips.

The announcement is welcome news for ad hoc business trips and will also help certain individuals who are operating on a fly in/fly out and commuter arrangement.

For stays exceeding 90 days in a 180 day period, organisations will still need to help individuals go through normal visa procedures in line with the respective territory's requirements, bearing in mind that this could extend to more than one territory based on the precise fact pattern. There would need to be an assessment of an individual's proposed activities as well as thinking about frequency and length of time in that country in order to determine what sort of visa or work permit is required.

UK nationals will be expected to ensure that they have at least 6 months left on their passports, and delays and disruptions are expected in the initial stages whilst all relevant authorities get used to the new operating guidelines.

It is worth noting that travel between the UK and Ireland is subject to the separate Common Travel Area arrangements which will remain the same after the UK leaves the EU so there will still be free movement between the UK and Ireland and no visa/work permit requirements for UK nationals working in Ireland.

The people impact of a 'no deal' Brexit (2/3)

The Government's current post-Brexit proposal on inbounds to the UK

On 19 December 2018, the UK Government released its White Paper on the future immigration system which it is intended will be implemented from January 2021 onwards. The White Paper tackled four key areas employers should be considering; 'Skilled Workers', 'Short Term Workers', Sponsor Duties and other visa categories.

Skilled workers

The UK Government has made a number of proposals to adapt the current system, supposedly taking effect from 1 January 2021.

These proposals include:

- removing the annual cap of 20,700 Tier 2 (General) route visas that is currently in place to allow more flexibility of movement;
- abolishing the need to undertake a Resident Labour Market Test before an individual can be sponsored to work in the UK, making it easier for employers to recruit through this method;
- making it possible for certain nationalities to switch from a visit-visa to a work-visa, again improving flexibility for employers and employees; and
- reducing the skill level for being sponsored for a work visa, allowing employers to hire lower skilled employees where necessary. It should be noted that from initial review of the white paper, it would appear that Intra Company Transfer migrants may still need to meet the current skills threshold.

The Migration Advisory Committee has made a recommendation that the UK Government should impose a salary threshold of £30,000 per year which the Government has taken on board. However, the Government remains clear that before any threshold is implemented, businesses and employers will be consulted in detail.

Short term workers

The UK Government has proposed a short term worker visa for all skill levels to allow businesses the opportunity to adapt to the end of free movement of EU nationals. This category of visa will be open for only a transitional period until more permanent terms have been agreed.

In the White Paper there were the following additional details:

- The visa will be restricted to certain nationalities only;
- individuals will be issued a visa with a maximum duration of 12 months;
- there will be a 12 month cooling off period before an individual is eligible for a further visa under the same scheme; and
- individuals cannot switch into other visa categories and will be unable to bring dependants to the UK.

Again it is important to note that the government plans to consult businesses and employers on how the scheme operates in practice before any implementation takes place.

Sponsor duties

The White Paper confirms that immigration compliance remains a key issue, but recognises that the current Sponsor Licence system will need to change.

Proposed changes include:

- introducing a light touch, risk based approach to sponsor duties;
- allowing umbrella groups to Sponsor work visas on behalf of members; and
- introducing a transactional approach to sponsorship for smaller employers that may not require a full Sponsor Licence.

What this means for employers

A number of the proposals will be welcomed by employers. There are a number of positive changes such as ending the requirement to undertake a Resident Labour Market Test, the removal of the Tier 2 (General) visa cap and the lowering of the skill level for a role to be eligible for sponsorship.

The Government has confirmed, as mentioned above, that it wishes to engage extensively with business on how the proposals will work in practice before publishing new rules. Employers should look to engage with the consultations in order to ensure that any concerns are heard and that their needs are met by the new system.

It should be noted that the changes will not take effect until January 2021 and therefore businesses will have the opportunity to prepare for the changes and engage in discussion with the Government.

The people impact of a 'no deal' Brexit (3/3)

Social security

We expect that existing social security A1 certificates will continue to be applicable either until the date of their expiry or until there is a material change to an individual's fact pattern.

Additionally, if there is a transitional period new social security A1 certificates will continue to be available under the same terms as currently. Please note however that recent experience has indicated that it is harder to get A1s for terms longer than 24 months whilst Brexit terms remain uncertain.

At the end of the transitional period, in the event of a 'no deal' Brexit, the social security position for internationally mobile workers between the UK and the rest of Europe is unclear, although we anticipate that pre-existing bilateral agreements will come back into force, many of which date to around the 1950s and 1960s. There has been some speculation that some jurisdictions may not recognise the underlying bilateral agreements and as such it will be important to stay close to negotiation developments. Additionally, as the terms vary widely between the agreements, there will be different impacts on benefits entitlements as well as cost of contributions depending on host location.

The UK/France and UK/Lux bilateral agreement covers only a six month initial term, with the possibility of a six month extension. The current agreement only covers UK and French/Lux nationals respectively. What this could mean for a third country national (e.g. Lux national resident in France, working at least partly in the UK), is that they will be subject to a 52 week continuing liability to NICs under domestic rules, as well as an obligation to pay into the French social security system. We would expect such double liabilities to be dealt with via agreement between the competent authorities on a case-by-case basis.

By way of comparison, the UK's bilateral agreement with Germany has a 12 month initial term with the possibility of a 12 month extension, and the agreement with Ireland covers a 36 month term. These agreements do not appear to be limited to nationals of the partnering countries so will have a broader applicability.

The existing European rules also include provisions for individuals who are working across more than one location, e.g. living in the UK, working in Ireland, France and Luxembourg. Once the EU regulations no longer apply to those in the UK, it is not clear how multi-state workers will be impacted because the bilateral agreements apply to only the two relevant authorities (i.e. home and host). Furthermore, once EU regulations no longer apply to UK employers, the operational and practical compliance requirements will need to be reviewed.

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The VAT impact of Brexit for AWMs

In recent months HMRC has announced a number of updates to the VAT legislation to prepare for the numerous possible Brexit outcomes. Of these changes, some will have a direct impact on the AWM industry, particularly in the case of a 'no deal' Brexit. This article covers the key potential changes to the VAT landscape for asset and wealth managers depending on the outcome of Brexit, although it should be noted that at the time of writing, significant uncertainty remains as to exactly how this will play out.

Legislative changes

HMRC has introduced a statutory instrument (SI 2019 No.43) to effect changes to the investment management exemption (Sch 9, Group 5, Item 9). These changes align the UK legislation with CJEU decisions which currently have direct effect in the UK, but would no longer have effect in the case of a 'no deal' Brexit.

Special investment funds

The first of the two changes implemented by this SI is to add 'a recognised pension fund' to the list of funds considered to be Special Investment Funds ('SIFs') for UK VAT purposes. The new legislation defines these pension funds in line with the decision in ATP, which in practice covers defined contribution pension schemes in the UK.

This change will have an impact on any managers providing services to defined contribution pension schemes, as exemption will become the compulsory treatment for management of such schemes. The drafting of the legislation may also capture certain non-UK pension schemes, and managers will need to take steps to ensure that those overseas pension schemes can be evaluated against the new tests set out in the legislation.

Property funds

A further provision of this statutory instrument removes the requirement for close ended funds to be 'wholly or mainly invested in securities' in order to qualify as special investment funds, the management of which is exempt. This follows the ruling in Fiscale Eenheid X, and means that funds such as property funds may now qualify as SIFs.

Whilst this exemption has been available to UK managers since the decision in Fiscale Eenheid X, as with the inclusion of recognised pension funds, the application of this exemption will be compulsory to the extent that it is included in UK legislation.

To the extent that exemption may begin to apply to services, this will affect both the requirement to charge VAT to customers, and also the ability of the supplier to recover VAT which it incurs.

Specified supplies order

Currently, the Specified Supplies Order ('SSO') enables taxpayers to recover input tax that is incurred in making certain supplies which would be exempt if provided within the UK, when those supplies are made to non-EU counterparties. Whilst this does not include investment management, it does cover other financial services such as transactions in securities. Two new statutory instruments have been introduced to account for both a 'no deal' Brexit scenario, and a scenario in which the UK leaves the EU with a deal.

No-deal Brexit

In the case of a 'no deal' Brexit, HMRC will implement SI 2019 No. 408. This will have the effect of changing the words 'Member States' to 'United Kingdom' in the SSO. In practice, this will means that where VAT recovery is currently available in respect of certain supplies made to counterparties outside the EU, in a no-deal scenario this will change to include those supplies made to counterparties outside of the UK. This will have the effect of increasing VAT recovery for those taxpayers making specified supplies where the place of supply is the EU.

UK leaves the EU with a deal

To the extent that the UK agrees an exit deal with the EU, HMRC will instead implement SI 2019 No. 175. This will have the effect of updating the wording of the SSO from 'the Member States' to 'the United Kingdom and member States'.

In other words, this SI will have the effect of maintaining the status quo, such that any supplies that fall within the SSO made to counterparties either in the EU, or in the UK, will not give rise to VAT recovery.

Summary of impacts

Consideration should be given to the extent that these changes may impact your business following Brexit. In particular, businesses should consider the extent to which VAT recovery may change as a result of the SSO amendment. Additionally, to the extent that managers currently provide investment management either to defined contribution pension schemes, overseas pension schemes, or close ended funds that invest in assets other than securities, careful consideration should be given as to whether the treatment of these services will change as a result of the statutory instruments noted above.

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