



## MARTYN FIDDLER AVIATION

### ‘NO DEAL Brexit’: have you lined up your VAT planning?

The approval of a suspension of Parliament by British Prime Minister Boris Johnson on 28 August 2019 will be seen by many as the final step for the United Kingdom to leave the European Union on 31 October 2019 without a deal in place for future trade and customs relations.

So what does a ‘no deal Brexit’ mean for business aircraft flying into and within the EU?

Without a deal, the UK will leave the EU customs union and will no longer be part of the EU VAT system. Similarly, the EU will no longer be part of the UK’s customs area and VAT system; the result is two separate customs and tax areas.

#### Possible outcomes?

At the time of writing there is no agreement in place to determine what the status of goods (including business aircraft) imported into the EU before 31 October 2019 will be. This may result in:

**Grandfathering:** anything imported prior to Brexit will retain its free circulation status after Brexit

**Moment of Brexit status:** an aircraft’s physical location at the moment of Brexit will determine whether it is UK or EU imported (this is only applicable to aircraft already in free circulation)

**Temporary admission:** UK and Isle of Man registered aircraft which were previously unable to use TA are now able to use this option when operating points in the EU.

### Frequently Asked Questions

#### Do I need to import into each customs area?

If the aircraft regularly flies within the territories of the UK and EU (i.e. point to point within each territory), it is highly likely that the aircraft will need to be imported into each area. (If a grandfathering arrangement is agreed then dual importation will only become an issue for imports after 31 October 2019.)

#### Do I need two corporate structures for dual importation?

No. While multiple VAT registrations and company structures may be suitable for a pan-European corporation with offices throughout the world, most businesses would find this grossly complicated and expensive.

It is possible to import an aircraft into the EU without an EU corporate structure if the aircraft is used predominantly for the business of its corporate owner. This can be arranged as a “one off import” and there is only one importation process cost; no ongoing corporate structure is required.

After Brexit, this is a perfect solution if you already have a UK (or Isle of Man) aircraft ownership structure and don’t think that temporary admission when operating points within the EU would be suitable for the aircraft.

## How do I import twice?

It is already possible to import your aircraft through a number of different jurisdictions as required; for example a Swiss registered aircraft has to be imported into Switzerland and separately into the EU if operating in the EU.

The Isle of Man remains a popular jurisdiction for the importation of business aircraft. The Isle of Man shares a VAT system with the UK which provides relief for goods purchased as part of a corporate business. This allows for VAT relief on the purchase price of an aircraft in certain circumstances if it is bought and used as part of a business. However, if the UK leaves the EU, so does the Isle of Man.

Aircraft imported via the Isle of Man could lose their EU free circulation status. This would result in the requirement to use either temporary admission (perfect if aircraft only travels a few times a year to the EU and not point to point within the EU), or, require a full import of the aircraft back into the EU.

**Note:** if an aircraft flies frequently to and/or within the EU, temporary admission would not be suitable. Combining the current ownership structure with a one off import, or setting up a new corporate structure within the EU, would resolve dual importation.

### This all seems very expensive – do I have to do this?

Unfortunately a no-deal Brexit situation will impact aircraft owners, and the financial consequences of not resolving the aircraft's free circulation status could result in:

- Aircraft being grounded while the situation is assessed
- Payment of VAT on the value of the aircraft (ranging from 17-27%) being required before aircraft can travel further
- Penalty fine of up to 100% of VAT due for entry without import declaration

While the process of re-examining the import status of your aircraft is frustrating, it is better (and more cost efficient) than being found wanting by customs officers.

Martyn Fiddler Aviation has been working tirelessly to develop solutions that will provide our clients with the least frustration at having to re-examine their free circulation and import status. We can assist you review your current aircraft use to determine if additional action is required and provide one off importation, structured solutions and temporary admission depending on your circumstances.

Contact us without any obligation for a discussion regarding your particular circumstances.

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