



Post-Brexit VAT changes to imports and exports



with:

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Today we will cover

Introduction

Overview of background to webinar and introduction to the topics covered

Exports (GB)

Review of conditions which must be fulfilled in order for exports to be zero-rated for VAT purposes and consideration of the practical issues faced by exporters.

Imports (GB)

Review of when imports are subject to import VAT, the recoverability of that import VAT and consideration of the practical issues faced by importers.

Northern Ireland

Overview of the VAT treatment of goods moving into and out of Northern Ireland with particular focus on goods moving between Northern Ireland and Great Britain.

Introduction

- The UK left the European Union on 31 January 2020 and entered a transition period
- During the transition period very little changed in regards to the VAT and customs duty treatment of goods moving between the UK and the EU.
- During the transition period the UK and the EU negotiated a free trade deal and, to summarise:
- Great Britain - outside the EU single market and customs union;
 - Northern Ireland – for supplies of goods, inside the EU single market and customs union; and
 - Northern Ireland – for supplies of services, outside the single market with regards to services.

Export GB to EU

- Goods moved from GB to EU are exports, not intra-community movements.
- Treated in the same way as goods moved from the UK to non-EU destinations.
- Sales of goods are zero-rated provided that:
 - Evidence that the goods have been removed is obtained and retained; and
 - The goods are exported within set time limits.
- International movements of goods must be reported to border officials.
- Exported goods must be imported into the EU single market.

Export evidence

- In order to zero-rate exports, evidence which fulfils HMRC's requirements must be obtained and retained.
- Evidence threshold is higher than that which applied when considering the zero-rating of intra-EU supplies.
- Evidence requirements, including the relevant time limits for obtaining it, are set out in Notice 706, large parts of which have the force of law.
- A basket of evidence is needed, comprising:
 - Official evidence;
 - Commercial evidence;
 - Supplementary evidence.

Export evidence

- Official evidence:
 - Goods Departed Message (GDM) produced by the National Export System (NES).
- Commercial evidence:
 - Evidences the physical movement of the goods e.g. courier's consignment note, airway bills, certificate of shipment.
- Supplementary evidence:
 - Information from business records which proves that transaction took place, e.g. contract, customer order, invoice from freight company etc.

Export evidence

- Contents of the basket of evidence will depend upon the method of delivery. In total the basket must show:
 - the supplier;
 - the consignor where this is not the supplier;
 - the customer;
 - the goods (accurately described);
 - an accurate value;
 - the export destination; and
 - the mode of transport and route of the movement of the goods.
- Direct exports:
 - Export is under control of the supplier.
- Indirect exports:
 - Export under control of someone else.
 - Customer for an indirect export must be an overseas person who collects goods from supplier. Goods must not be delivered to a UK address.

Process of export

- In order to ship goods from GB to the EU, exporters must:
 - Confirm the commodity code and, in many cases, the origin of the goods;
 - Have an EORI number starting GB;
 - Decide how export declarations will be made:
 - Exports may be declared at the point of departure or at a designated export place located inland;
 - Reports declared via CHIEF or CDS;
 - Customs agents can handle this.
 - Confirm how goods will be imported on arrival at the EU.
- Carrier of the goods will in most cases be required to file an Entry Summary Declaration with the authorities at the destination before the goods arrive.

Import into the EU

- All goods entering the EU customs union must pass through EU customs control.
- GB exporters need to understand their supply chains. In particular;
 - Who will pay import VAT, who will act as importer of record, is the import VAT recoverable and should the supply chain be reorganised to ensure that import VAT is recoverable?
 - Is a customs agent needed to assist with import formalities?
- Tariff-free entry to the EU depends upon whether goods qualify for preference under the UK-EU trade deal. To qualify for preference, most goods must originate in the UK and evidence of this must be provided.
- Do the goods need to enter into a customs procedure, e.g. transit, inward processing relief, temporary import relief etc?

GB-EU reporting

- **EC Sales lists**
 - These are no longer required if goods are moved from GB to VAT-registered customers in the EU.
- **Intrastat**
 - No longer required for goods exported from GB to the EU;
 - Continue to be required for goods imported into GB from the EU until 31 December 2021.

EU-GB imports

- Goods entering GB from the EU must be presented to customs;
 - To be entered into free circulation import VAT and, possibly, duty must be paid;
 - To recover import VAT the importer must have the appropriate evidence.
- For the purposes of customs declarations:
 - Goods must be properly classified in the tariff. The commodity code is quoted on the declaration and this will provide additional information, e.g. licencing and duty rates.
 - If the goods qualify for preference under the UK-EU trade deal, the origin of the goods must be confirmed.
 - The goods must be properly valued.

Import entry

- Presentation to customs:
 - An import entry is required at this point, usually an SAD submitted to HMRC via CHIEF or CDS;
 - Importer of record is identified through use of their EORI number with a GB pre-fix;
 - Commodity code and value of goods for import purposes declared;
 - Import duty and import VAT must be paid at this point/arrangements to pay agreed;
 - The goods may be entered to a customs special procedure, e.g. warehousing, temporary importation etc.
- HMRC strongly recommends the use of a customs agent to clear goods through customs.
- Carrier may be required to file an entry summary declaration.

Importer of record

- Importer of record:
 - Person named on the import entry, usually identified from EORI number with GB pre-fix;
 - Receive the C79 import VAT certificate which is evidence needed to support import VAT recovery.
 - Element of choice over identity of importer of record but import VAT can only be recovered by the owner of the goods. Supply chains must be properly structured to avoid irrecoverable import VAT being incurred.
- If a customs agent is used to clear goods through customs, they must have correct information.

Payment of import taxes

- Payment of import VAT:
 - In cash at point of import;
 - Via VAT return (UK VAT registered importers can use postponed accounting to pay import VAT);
 - Via a deferment account.
- Payment of import duties:
 - In cash at point of import;
 - Paid via duty deferment account.
- Calculation of import taxes:
 - Duty – ad valorem duty based upon the value of the goods, including cost of transport and insurance to first destination in the UK;
 - VAT – 20% VAT rate applied to the customs value of the goods including the amount of duty due.

Postponed accounting

- Postponed accounting can be used if:
 - Goods are for use in the importer's business;
 - Importer's EORI number (starting GB) is quoted on the import declaration; and
 - The importer is UK VAT registered.
- Its use:
 - Does not require prior authorisation;
 - Is compulsory if deferred declarations are made;
 - Must be included on the import declaration.
- Import declarations can be:
 - **Standard** - full declaration filed at point of import;
 - **Simplified** - simplified declaration filed at import with full declaration no more than four working days later;
 - **Deferred** - simplified declaration filed at import with full declaration no more than six months later.

Postponed accounting

- When to account for import VAT:
 - Due in month of importation. A statement detailing each month's imports will be downloadable from HMRC's website. As statements will only be available online for six months, importers **MUST** download them for their records.
 - If goods are entered to a customs special procedure, it may be due when goods leave that special procedure.
- How to account for VAT:
 - Import VAT included in the **BOX 1** value on the return;
 - It is recovered as input tax via **BOX 4** on the return; and
 - Value of goods is included in **BOX 7**.
- Recoverable in Box 4 if proper evidence is held. Usually the C79 import VAT certificate.

Northern Ireland

- Trade between Northern Ireland, Great Britain and the EU operates under the Northern Ireland Protocol.
- The protocol is designed to prevent the creation of a hard border between Northern Ireland and the Republic of Ireland.
- In summary, in respect of:
 - Supplies of services Northern Ireland is part of the UK and is outside the EU;
 - Supplies of goods Northern Ireland is part of the UK customs union UNLESS the goods are 'at risk' of movement into the EU, in which case it is part of the EU single market and customs union.
- Consequently there is a customs border between Great Britain and Northern Ireland in respect of some movements of goods.

What does 'at risk' mean

- Whether goods in NI are part of the UK or EU customs union depends upon whether they are 'at risk' of movement into the EU.
- Goods are not 'at risk' if:
 - The EU tariff rate is zero – either because the standard duty rate is 0% or because they qualify for preference under the UK-EU trade deal; or
 - They were brought into Northern Ireland by a trader authorised under the UK Trader Scheme and they are for sale to, or final use by, UK consumers.
- Authorisation under the UK Trader Scheme is available on application. There is a process of provisional authorisation while the new arrangements are implemented.

NI exports to the EU

- Goods moving from NI to the EU:
 - The same rules apply to post 1 January 2021, transactions as applied before;
 - No customs controls between NI and the EU;
 - Sales to EU VAT-registered customers are zero-rated provided the customers' VAT number is quoted on the sales invoice and evidence of dispatch is retained;
 - Sales to non-registered customers are subject to the old distance selling rules;
 - EC Sales lists are required and Intrastat supplementary declarations may be required.
 - NI business uses XI prefix when quoting its VAT number.

NI imports from the EU

- Goods moving from the EU to NI:
 - No customs controls between the EU and NI.
 - Sales to UK VAT registered customers are zero-rated provided the customers' VAT number, with XI prefix, is quoted on the sales invoice and evidence of dispatch is retained;
 - NI customer self accounts for VAT on the purchase as it did before 1 January 2021.
 - Sales to non-registered NI customers are subject to the old distance selling rules;
 - Intrastat supplementary declarations may be required.

GB to NI movements

- Goods moving from GB to NI: VAT:
 - Sales of goods are subject to UK VAT in the normal way;
 - Exceptions for goods subject to customs special procedure, onward supply procedure and those sold by overseas retailer;
 - If a business moves its own goods from GB to NI acquisition VAT becomes due as though this were an intra-EU movement of own goods.
- Goods moving from GB to NI: Customs declarations
 - Declarations must be made;
 - EU customs duty is due unless:
 - Goods qualify for preference under the UK-EU trade deal;
 - The business is an authorised under the UK Trader scheme and goods are not 'at risk' of onward movement to the EU;
or
 - The business qualifies for a duty waiver.
- Carrier of the goods must file an Entry Summary Declaration.

NI to GB movements

- Goods moving from NI to GB: treated as domestic transactions within the same customs union.
- Sales of goods subject to VAT in the normal way and no acquisition VAT charge arises on movements of own goods.
- Customs declarations will not be required for the vast majority of goods moving from NI to GB. Exceptions to this rule include:
 - Goods moved from NI to GB via the Republic of Ireland; and
 - Goods entered into a customs procedure.

Non-EU imports to NI

- Goods entering Northern Ireland from outside the EU (except from Great Britain):
 - Subject to EU customs duty unless;
 - The importer is authorised under the UK Trader Scheme and the goods are not 'at risk' of onward movement to the EU, in which case UK customs duty is due.

Summary

Introduction

The end of the transition period has transformed trade in goods between GB and the EU and between GB and NI. Exporters and importers must familiarise themselves with many new rules.

Exports (GB)

Zero rating applies if supplier has evidence and goods are exported within time limits. Notice 706 contains details of evidence requirements. Goods must be imported into the EU.

Imports (GB)

Subject to import VAT, which in most cases is paid via the VAT return. Importers can only recover import VAT if they own the goods and have a C79 certificate. Customs duty applies unless goods qualify for preference under the UK-EU trade deal. Tariff contains additional information.

Northern Ireland

Remains part of the EU single market and customs union in some circumstances. Complex rules designed to ensure that goods cannot move duty free between GB and the EU if they travel via NI.



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