

BREXIT Changes: VAT + Customs Duties



VAT + Customs Duties

The UK has agreed a free trade deal with the EU which will broadly allow the EU and UK to sell/purchase goods without custom duties.

The trade deal is however not strictly a tariff free agreement – it's a preferential tariff deal subject to complex rules of origin requirements. This means that many supply chains operating through the UK to the EU can still expect tariffs to apply.

This will be particularly relevant to certain sectors – particularly UK retailers and e-commerce sellers who may have higher tariff costs post Brexit unless they make changes to their supply chains.

Whilst the trade deal reduces the impact of Customs Duties in many cases, there are still a number of areas of VAT and Customs Duties which could lead to extra administration and tax liabilities.

Each business' transactions and supply chain are different and we have a team of VAT and Customs advisers who will be happy to help you with any queries you have.

Please feel free to contact Naveen Sahney (VAT & Custom Duties Manager) at nsahney@garbutt-elliott.co.uk or Alex Millar (Senior VAT Manager) at amillar@garbutt-elliott.co.uk

Goods

- **Origin Rules:** The free trade deal generally allows UK and EU business to trade without paying custom duties. However, if the goods being traded are not originated in the UK or EU, custom duties and any other duties will still be chargeable.
- **Moving goods to the UK from EU member states:** These are treated as imports from 1 January 2021. Import VAT will be due, and a customs declaration must be completed. Deferred custom declaration is available from 1 January 2021 until 30 June 2021.
- **EORI number:** An Economic Operators Registration and Identification (EORI) number that starts with GB is required to move goods into or out of Great Britain. An EORI number that starts with XI, or an EORI number issued by an EU country, is required to move goods into or out of Northern Ireland. Many businesses will require an EORI number that starts with GB and an EORI number that starts with XI due to the nature of the movements of goods that they are involved with.

- **Moving goods to EU member states:** From 1 January 2021, these sales are treated as exports which are zero-rated for VAT purposes. Export declarations are required. For certain goods businesses might need export licences and certificates. Depending on Incoterms, the UK business might be required to register for VAT and EORI in the EU country.
- **Movements of goods within the EU and holding stocks in the EU:** After leaving the EU, the UK cannot take advantage of the simplified EU procedures. Therefore, moving your own goods in the EU or holding stock in EU countries could lead to additional VAT registrations.
- **Distance sales to the UK:** if overseas sellers are selling goods to UK private individuals (B2C) and the consignment is less than £135, the business is required to register for UK VAT in order to account for VAT on those sales.
- **Distance sales to the UK via online marketplaces:** If an overseas seller is selling goods to private individuals (B2C) in the UK using an online market place (such as Amazon, eBay) and the consignment is less than £135, then the marketplace is the deemed seller. Marketplaces are required to account for any VAT due regardless of whether they are established in the UK.
- **Distance sales to EU consumers:** If a UK business is selling goods to private individuals in the EU (B2C), the UK business will be required to register in all those EU countries where private individual consumers are based and charge local VAT. Many businesses are considering ways to change their supply chain to prevent the need for multiple VAT registrations (for example by using an EU based distribution company to on-sell to EU consumers).
- **Trading with Northern Ireland:** Northern Ireland is effectively treated as a member of the EU, so EU VAT rules apply to goods moved to / from Northern Ireland to EU member states. Goods moved from Great Britain to Northern Ireland are exports and imports when goods move from Northern Ireland to Great Britain.
- **Intrastat:** Arrivals Intrastat are required for movements to the UK from member states during 2021.

Services

Businesses that supply services to EU resident individuals will be affected. For example:

- Businesses that supply tax return preparation services and many other professional services to individuals who are EU resident after 31 December 2020 will not be required to charge UK VAT on the fees.

- Businesses that supply services electronically, with little or no human involvement, to individuals who are EU resident, will be required to register for VAT where the customers live, or register for VAT in one EU country and use the VAT Mini One Stop Shop (MOSS) facility in that country. The VAT MOSS facility in the UK can only be used for sales that took place before 1 January 2021.

Other Areas

- **Postponed Import VAT Accounting (PIVA):** Rather than paying import VAT on importation and recovering it in your VAT return, UK businesses can use PIVA to account for import VAT due on goods imported into the UK, in their VAT return.
- **C79:** From 1 January 2021, HMRC will not issue forms C79 for monthly imports. A document explaining monthly imports will be uploaded to each business's HMRC portal to download to account for import VAT.
- **EU VAT refunds:** UK businesses will need to use the paper based 13 Directive refund system to recover VAT incurred in the EU.
- **VAT representatives:** UK resident businesses may need to appoint a tax representative to deal with VAT registrations in certain member states.