Exporting to GB & NI- VAT changes from 1 Jan 2021

Bonded Warehousekeepers Association (BWA) &
The Netherlands British Chambers of Commerce (NBCC)

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Customs

- The UK has introduced border controls following the end of the transition period in stages. This has started with some controls from 1 January 2021, and moving to full customs controls for all goods from 1 January 2022.
- Import declarations, Traders moving controlled goods (including excise goods) must complete a customs declaration and use the relevant customs procedures when they arrive at the place they enter into Great Britain.
- We will not be requiring carriers to submit standalone Entry Summary (ENS) declarations for Safety & Security until 1 January 2022.
- Border locations without existing control systems at the end of transition, including Roll on Roll off (RoRo) listed locations, are not required to control EU goods on the basis of declarations until 1 January 2022. This supports the flow of goods and minimises the chance of delays.
- Traders can use Customs Freight Simplified Procedures (CFSP) to import some excise goods such as alcohol and tobacco. All other excise goods are excluded from using CFSP.

Import declarations – January 2021 to January 2022

- Goods must be pre-lodged in advance of crossing if moving through a listed Roll On Roll Off (RoRo) port or a location (without existing systems, or use Common Transit Convention (CTC))

- To facilitate readiness, traders moving **non-controlled** goods to GB will be allowed to declare their goods by making an entry into their own records. Information on what is required as part of that record can be found in the Border Operating Model - 1.1.3

- Businesses can choose to make the declaration in their records for non-controlled goods and submit information to HMRC, via a supplementary declaration within 175 days of the date of import and pay the required duty via an approved duty deferment account.

- Traders moving **controlled goods** (e.g. excise goods) will need to make a frontier declaration. This declaration can be full, or a simplified declaration depending on the trader's authorisation.

Imports and acquisitions

From 1 Jan 2021

- Movements of goods from the EU to GB are imports (they are no longer acquisitions). Import VAT (not acquisition VAT) will be due.
- Acquisition VAT continues to be due on goods moved from the EU to NI.
- Postponed VAT accounting (PVA) is available to UK VAT registered traders who
  - import goods into GB from anywhere outside the UK, or
  - Import goods into NI from outside the UK and EU.
- PVA allows importers to account for and recover import VAT on the same VAT return, and is available permanently.
- Other existing means of paying import VAT are also available.
- Non-VAT registered traders pay import VAT when they make their customs declaration.
- Different rules apply to goods (excluding excise) in consignments valued at £135 or less.

Postponed VAT Accounting

- Postponed VAT Accounting (PVA) is available <u>now!</u>
- You do <u>not</u> need to enrol for PVA.
- When you use PVA, you do not have to pay any VAT due at the point of import. Instead, you account for and recover import VAT on the same VAT return, subject to the normal rules on input tax deduction.

Postponed VAT Accounting (2)

- PVA is selected on the customs declaration, and the trader's EORI (CHIEF users) or VAT Registration Number (CDS users) is entered.

- An online monthly statement is generated, which the trader is able to access and download. It contains the information the trader needs to complete their VAT return.

- Traders do not need to be authorised to use PVA but they must subscribe to CDS to access their online monthly postponed import VAT statements.

- To use PVA the imported goods must be for use in the trader's business.

- Non-established taxable persons (NETP) are entitled to use PVA. In order to import goods into the UK, a NETP needs to hold a UK EORI, and instruct an agent to make the customs declaration on its behalf.

Postponed VAT Accounting (3)

- PVA can be used when imported goods are removed into free circulation from a customs special procedure.

- PVA can be used when imported excise goods are released for home consumption. This includes when goods are released from an excise warehouse after being in duty suspense since the point of import.

- Use of PVA is normally optional. However, traders who import non-controlled goods into GB from the EU between 1 Jan and 31 December 2021 **must** use PVA and account for import VAT on their VAT Return if they either
  - delay their customs declaration or
  - use a simplified customs declaration (where authorised) to make a declaration in their own records.

PVA: Using someone to import goods on your behalf

- If you get a person or business to import goods on your behalf (such as a freight forwarder, customs agent, broker or fast parcel operator) you need to tell them how you want to account for import VAT on those imports, so they can complete the customs declaration.

- If you already have someone you should contact them to tell them if you want to use PVA to account for import VAT on your VAT Return. You should keep a written record of what is agreed.

PVA: Business/non-business imports

- You are able to use PVA to account for import VAT on your VAT return if you import goods which will be used for both business purposes and non-business purposes or if you don't know whether or not they will be used for business purposes at the time that you import them.

- You are not be able to use PVA to account for import VAT on your VAT return if you import goods which you know will be used solely for non-business purposes. When you complete your customs declaration you will instead have to select that you'll be making immediate payment or using a duty deferment account.

PVA: Completing the VAT Return

- There are changes to the way that the VAT return is completed because of PVA.
  - Box 1 – include VAT due on PVA imports
  - Box 4 – include VAT reclaimed on PVA imports
  - Box 7 – include total net value of imports

- The normal rules about what VAT can be reclaimed as input tax apply, and the trader's monthly statement contains the information they need.

- If the trader delays their supplementary declaration, to complete the boxes on their VAT return, they'll need to estimate the import VAT due from their records of imported goods.

- When the trader submits their delayed declaration, they must select that they're using PVA. Their next online monthly statement will show the amount of import VAT due on that declaration. They will then be able to adjust their estimate and account for any difference on the next VAT Return.

Accessing the PVA Statement

- Traders need to access CDS to view and download their monthly PVA statements.
- Traders that already have access to CDS will go straight from the start page, to their CDS financial dashboard where they can view and download their statements. Traders without access to CDS will be automatically directed to subscribe to CDS first.
- Signing up for CDS is straightforward and takes only a few minutes.
- The monthly PVA statements for January to March showing the total import VAT postponed for those months are available.
- Each member of a VAT group that imports goods will have their own EORI and should sign-up for CDS to access their statement. The representative group member will have to collate the statements to complete the VAT return.

ATWD: Accounting for import VAT on goods removed from excise warehouse

- PVA is available for all imported excise goods released from duty suspense on or after 1 January 2021.

- PVA statements are not generated where imported goods are removed from excise warehouse. The information used to make the ATWD declaration must therefore be retained to support completion of the VAT return and as evidence of input tax deduction.

- Alternatively, existing means of paying import VAT are still available. If you use them, the owner of the goods will get an import VAT certificate (C79) which should be retained as evidence of input tax deduction.

ATWD: Accounting for supply VAT or acquisition VAT on goods removed from excise warehouse

- There is no change in respect of home-produced goods and EU to NI acquisitions.

- Acquisition VAT is accountable by the owner/acquirer of goods from the EU (unless they are subject to a supply before removal from warehouse).

- Supply VAT is accountable by the final owner of goods where goods acquired from the EU are sold in warehouse.

- Supply VAT is accountable by the final owner of goods that are home-produced.

- For supply VAT, the owner receiving the final supply in warehouse will still receive a C79 certificate.

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ATWD: Accounting for VAT on goods removed from excise warehouse: Transitional arrangements

- Goods arriving in GB from the EU before 1 January 2021 in duty suspense, remain subject to acquisition VAT when they are removed from excise warehouse on or after 1 January 2021 (unless they were subject to a supply before removal from warehouse).

- Goods imported into GB or NI from outside the EU before 1 January 2021 in duty suspense will be able to use PVA when they are removed from excise warehouse on or after 1 January 2021.

Consignments valued at £135 or less

- Following the end of the transition period, overseas consignments of goods valued at £135 or less, sold to customers in the UK, have UK VAT charged at the point of sale.
- Goods located outside the UK and EU and sold directly to customers in Northern Ireland are subject to import VAT.
- Online marketplaces, where they are involved in facilitating the sale, are responsible for collecting and accounting for the VAT.
- For goods sent from overseas and sold directly to UK customers without marketplace involvement, the overseas seller is required to register and account for the VAT to HMRC.
- The £135 limit applies to the value of a total consignment that is imported, not the separate value of individual items that are in a consignment.
- Low Value Consignment Relief, which relieved import VAT on consignments of goods valued at £15 or less, has been removed.

Consignments valued at £135 or less (2)

- For business to consumer (B2C) supplies of goods into the UK in consignments valued at £135 or less, the seller, or the online marketplace where it facilitates the supply, is liable to register and account for UK VAT on their VAT return.

- For business to business (B2B) supplies where a VAT registered business customer provides its VAT registration number to the seller or online marketplace, the business customer is responsible for accounting for any VAT due on their VAT return, if the goods are supplied in:
  - Great Britain using a ‘reverse charge’ procedure
  - Northern Ireland, using Postponed VAT Accounting.

- In both cases, the business is able to recover the VAT as input tax on the same VAT Return subject to normal VAT recovery rules.

- These rules do not apply to consignments containing excise goods, or to non-commercial transactions between private individuals. Such goods are subject to the rules for consignments of goods valued above £135.

VAT under the Northern Ireland Protocol

GB-NI and NI-GB:
What remains the same? What has changed?

- For most transactions, where goods are sold between Great Britain and Northern Ireland, the seller of the goods will continue to charge its customers VAT and account for it on their VAT return. However, this VAT is now import VAT and subject to import VAT rules, including valuation. This means that VAT is calculated on the Customs value of the good, which includes incidental expenses and any customs/excise duties.
- Import VAT does not need to be paid at the point of arrival into GB or NI.
- The customer can reclaim input VAT, subject to the normal rules.
- Import VAT is now due where a business moves its own goods from Great Britain to Northern Ireland. However, the business may reclaim that VAT as input tax, subject to the normal rules.
- An Import VAT charge does not arise where a business moves its own goods from Northern Ireland to Great Britain, unless this is done as part of a sale or supply of the goods.

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GB-NI and NI-GB:
What remains the same? What has changed?

- There are some exceptions where seller liability does not apply:
  - Goods subject to domestic reverse charge rules (customer continues to account for VAT)
  - Goods declared into a special customs procedure (importer accounts for VAT when goods exit the procedure)
  - Goods subject to an Onward Supply procedure (VAT is accounted for in EU member state of destination as acquisition VAT)
  - Goods sold by a non-UK seller through an online marketplace (online marketplace is liable to account for the VAT).

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GB-NI and NI-GB: VAT Groups

- VAT groups can continue to include members established in Northern Ireland as well as members established in Great Britain.
- Intra-group transactions between UK members continue as before.
- However, there are a small number of exceptions:
  - Supplies between group members where the goods move from Great Britain to Northern Ireland should be accounted for in the same way as a movement of own goods (output VAT and input VAT entries on VAT return)
  - Supplies of goods in Northern Ireland between members where at least one member is not established in Northern Ireland then VAT applies – the representative member should account for this and can reclaim subject to the normal rules.

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GB-NI and NI-GB: Individuals & non-VAT registered businesses

- Goods moved or sent from Great Britain to Northern Ireland by non-VAT registered businesses or individuals incur import VAT, though in most cases the liability is reduced to zero. A credit is applied, valued at the amount of VAT that has been previously paid on the goods in Great Britain.
- However, where goods have not already had VAT charged on purchase, or if the value of the goods has significantly increased, the credit will not cover the full liability, and import VAT will be due.
- Individuals and non-VAT registered businesses carrying goods will need to use the relevant app to pay the import VAT.
- Individuals and non-VAT registered businesses sending goods will need to use a different solution, which HMRC will roll out later this year.

GB-NI and NI-GB: VAT Retail Export Scheme

- Goods moved or sent from Northern Ireland to Great Britain by individuals and non-VAT registered businesses do not incur import VAT unless subject to a VAT RES claim.
- VAT RES is technically available for NI retailers to GB visitors, although the retailer must collect the GB import VAT due on behalf of the customer and account for it on their VAT return.
- The retailer can only refund the supply VAT to the customer once the VAT407 form has been returned to them having been stamped by a Customs officer.
- The VAT refund and the import VAT should be the same amount and net off to £0. For this reason, retailers may decide not to offer VAT RES to visitors from GB.

EU-NI and NI-EU: What remains the same? What has changed?

- In line with the Northern Ireland (NI) Protocol, supplies of goods from Northern Ireland to the EU, and from the EU to Northern Ireland, will continue to follow intra-EU rules for VAT.
- This refers to where a good is dispatched from an address in Northern Ireland to an address in the EU, or vice versa - business establishment is not the determining factor.
- For example, a business established in London sending a good from its warehouse in Belfast to a customer in Dublin needs to account for this transaction as an intra-EU supply.
- The supply of services is not covered by the NI Protocol, however, the rules for the place of supply of services are broadly unchanged. Exceptions are:
  - Use and enjoyment rules
  - B2C supplies of professional, technical and intangible services
  - Tour operators margin scheme
  - Specified exempt finance and insurance services

EU-NI and NI-EU:
What remains the same? What has changed?

- Businesses moving goods NI-EU or EU-NI should continue to treat these as intra-EU.
- For Business-to-Consumer (B2C), distance selling rules apply:
  - For EU-NI transactions, once a business exceeds the distance selling threshold as it applies in NI (£70,000), they must register and account for UK VAT on their NI distance sales.
  - For NI-EU transactions, each EU member states will have their own distance selling threshold in line with the EU VAT Directive, which NI businesses should take account of when selling to EU consumers.
- For Business-to-Business (B2B) transactions, VAT registered customers should account for the VAT as acquisitions.
- Businesses that make supplies of goods from NI to the EU continue to be required to submit an EC Sales List. Supplies of services do not need to be reported on an EC Sales list as services are not covered by the NI Protocol.

EU-NI and NI-EU: XI VAT Prefix

- There is a new requirement for businesses carrying out transactions with the EU to use the ‘XI’ prefix when communicating with EU systems or EU businesses (i.e. invoices)
- This applies to VAT-registered businesses which:
  - Receive goods in Northern Ireland from VAT-registered EU businesses for business purposes; and/or
  - Sell or move goods from Northern Ireland to an EU member state; and/or
  - Sell goods that are located in Northern Ireland at the time of sale.
- HMRC have identified certain businesses that require the XI prefix. However, businesses can notify HMRC to request the prefix through submitting a G-form
- Businesses that have an XI prefix will continue to appear on VIES-on-the-web so that EU businesses can continue to check their VAT status and verify that they are trading under the NI Protocol

EU-NI and NI-EU: VAT refunds

- The EU VAT refund system is available to businesses:
  - with an establishment in Northern Ireland; and
  - who make supplies in or from Northern Ireland or EU intra-community acquisitions
- Businesses meeting those conditions can use the EU VAT refund system for VAT incurred in an EU member state for transactions for which the invoice covers **goods only**
- If a business doesn't meet these conditions or the VAT invoice covers a transaction in services, the EU 13th Directive process must be used
- Under this process, a claim must be made to the national tax authorities in the EU member state in which the VAT was incurred

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GB-EU via NI

Treatment of goods sold GB-EU via NI depends on where the goods are when the supply takes place.

If the goods are in GB:

- The seller should charge the customer VAT and account for it on its VAT return
- Customer recovers the VAT using EU VAT refund system or UK VAT return, if registered

If using a special procedure:

- Onward Supply procedure: import VAT due in the EU member state of destination, accounted for there as acquisition VAT
- Customs special procedure (e.g. transit): import VAT due where the goods exit the procedure
- The importer will tell the seller and provide the required references

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GB-EU via NI Example Journey

Scenario

A – Samir's London-based VAT registered business has sold goods to a customer in Dublin. The goods will be transported from London to Dublin via Belfast.

Goods are supplied (sold) to the ROI customer while they are kept at Samir's GB premises. Samir should charge UK VAT to their customer.

The UK VAT that Samir charges their customer is import VAT but should be accounted for via their UK VAT return in the same way as output VAT.

As the import VAT is accounted for via Samir's VAT return, no additional import VAT is payable as part of the customs process.

The good can move freely from NI into ROI.

The good arrives at the customer's address in Dublin. If used in the customer's business then they can recover the VAT paid using EU VAT refund system or, if registered, the UK VAT return.

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GB-EU via NI

If the goods are moved to NI before being supplied, two separate movements:

1. A movement of own goods GB to NI by the seller (output VAT and input VAT entries on VAT return)
2. Intra-community sale (either an acquisition and dispatch, or distance sale where customer is not VAT registered)

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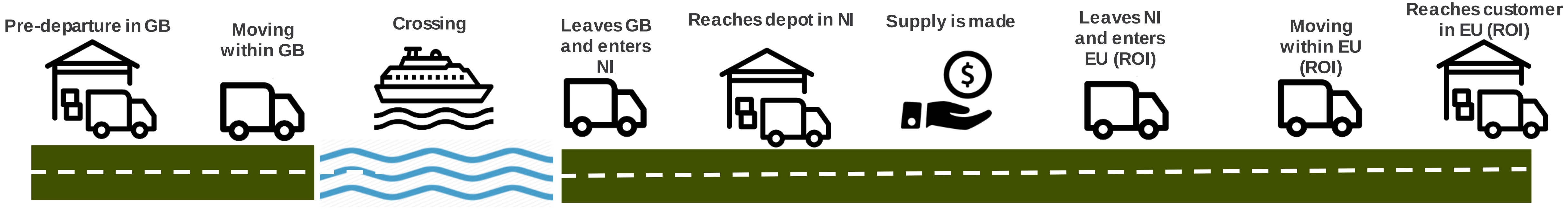
GB-EU via NI Example Journey

Scenario

B – Charlie’s London-based business has moved goods to Northern Ireland in preparation for selling to customers. The goods are transported from London to Belfast. Charlie then makes a sale from Belfast to a customer in Dublin.



Goods are moved from Charlie’s depot in GB to be stored in a depot in Belfast.

Charlie must account for movement of own goods to Northern Ireland via the VAT return, accounting for import VAT as if it were output VAT, and reclaiming input VAT subject to normal rules.

After arriving in the depot in Belfast, the goods are supplied to a customer in Dublin. This is accounted for as an intra-EU sale.

The good can move freely in ROI from NI.

The good arrives at the customer’s address in Dublin. The VAT is reclaimed via the customer's VAT return if VAT registered.

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EU-GB via NI:

- Where goods are sold EU to GB via NI, the EU business should charge the customer UK VAT and needs to be registered in order to account for the VAT on their UK VAT return
- The UK customer can reclaim the VAT as input tax, subject to the normal rules

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EU-GB via NI Example Journey

Scenario

C – Abdul's Dublin-based business has sold goods to a customer in London. The goods will be transported from Dublin to London via Northern Ireland.

Goods are supplied to the GB customer while they are held at ROI seller's premises. Abdul will need to be VAT registered in the UK and should collect UK import VAT at point of sale and account for it via the UK VAT return.

Goods are free to move from ROI to NI.

As the import VAT has already been accounted for by the seller, no additional import VAT is payable as part of the customs process.

Goods arrive at the customer's address in GB. The customer can recover this as input VAT via their UK VAT return, subject to normal rules.

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Guidance on GOV.UK (1)

- The latest iteration of the Border Operating Model (BOM) was published on the 11 March 2021 on gov.uk
- There are also step by step import and export guides available on gov.uk
- The haulier handbook is available. This is a Guidance for hauliers. Further updates have been scheduled for May/June 2021.

- HMRC has a 24/7 customer support model
- HMRC have extended its Customs and International Trading (CIT) helpline to 7 days a week, Monday to Friday 8am to 10pm, and 8am to 4pm at the weekends.
- Emergency out of hours cover for goods at the border is in place 24/7. For general enquires regarding import, export, international trade the HMRC Customs and International Trade Helpline number is: 0300 200 3700.

Guidance on GOV.UK (2)

- **Postponed VAT Accounting**

  www.gov.uk/guidance/check-when-you-can-account-for-import-vat-on-your-vat-return

  www.gov.uk/guidance/complete-your-vat-return-to-account-for-import-vat

  www.gov.uk/guidance/get-your-postponed-import-vat-statement

- **Importing goods not exceeding £135**

  www.gov.uk/guidance/vat-and-overseas-goods-sold-to-customers-in-the-uk-using-online-marketplaces

  www.gov.uk/guidance/vat-and-overseas-goods-sold-directly-to-customers-in-the-uk

Guidance on GOV.UK (3)

- **Paying VAT on imports from outside the UK to Great Britain and from outside the EU to Northern Ireland**:

  www.gov.uk/guidance/vat-imports-acquisitions-and-purchases-from-abroad

- **How to fill in and submit your VAT Return:**

  www.gov.uk/guidance/how-to-fill-in-and-submit-your-vat-return-vat-notice-70012

- **Value Added Tax EU Exit Transitional Provisions**

  www.gov.uk/guidance/value-added-tax-eu-exit-transitional-provisions

Guidance on GOV.UK (4)

- VAT Under the NI Protocol:
  - [Accounting for VAT on goods moving between Great Britain and Northern Ireland from 1 January 2021]
  - How VAT will apply for goods imported into Northern Ireland from outside the UK or EU
  - How VAT will apply to goods moving between Great Britain and Northern Ireland for individuals and non-VAT-registered businesses
  - Check if you're trading under the Northern Ireland protocol and what to do
  - How to claim a refund of VAT paid in an EU member state

- More detailed guidance is available here:
  - VAT and overseas goods sold directly to customers in the UK
  - VAT and overseas goods sold to customers in the UK using online marketplaces
  - Overseas businesses selling goods to Northern Ireland
  - VAT on movements of goods between Northern Ireland and the EU

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