

# **Navigating You Through The VAT Complexities of 'Post Brexit Life'**

From 1 January 2021 the United Kingdom and the European Union have now agreed to implement unprecedented 100% tariff liberalisation. The Agreement establishes zero tariffs or quotas on trade between the UK and the EU, where goods meet the relevant rules of origin. This is the first time the EU has agreed a zero tariff zero quota deal with any other trading partner.

## Free Trade

When the deal was announced it hit the headlines as a free trade deal, which on first glance appears to allow the UK and the EU to trade freely without any tariffs being applied.

However, when looking at the detail, it isn't that simple. An important point, which hasn't necessarily been made clear so far, is that the preferential agreement is only applicable if the rules of origin are met. This is supported by a 52 page Trade and Cooperation Agreement (TCA) which you can access [here](#).

In summary, businesses selling goods need to provide a declaration as part of their commercial document, effectively certifying that the goods originate from within the UK / EU. Without this in place the preferential rates won't apply and instead Most Favoured Nation (MFN) rates may apply.

As you can imagine, there are different requirements depending on whether you are the importer or exporter in order to be able to qualify for preferential treatment. The conditions are extremely specific, and can vary substantially depending on the type of goods if they are subject to a process.

If you have made the decision to declare into your own records, allowing you to delay customs declarations, you can also delay any declarations for proof of origin. However, this extension is only for 6 months so any delay is only temporary. Furthermore, only the UK have given this extension, not the EU. Meaning; any import declarations required into the EU need to be made within the usual time scales.





## Key Points



Businesses with any sales or purchases between the UK and EU will be impacted by this and will need to ensure they are compliant with the rules of origin requirements.



If the goods do not originate from the EU or UK, then they cannot benefit from the preferential trade agreement – Most Favoured Nation (MFN) rates may apply.

## Import & Export Declarations

Businesses are now required to make import and export declarations for any goods that leave or enter the UK. This will apply to all sales irrespective of whether they are B2B or B2C.

There is still the ability to defer (and declare into your own records) until 30 June 2021. You must consider if you will make full declarations or apply to make simplified customs declarations after this date. If you wish to make simplified declarations you will need approval from HMRC, making sure you meet conditions such as having a duty deferment account in place.

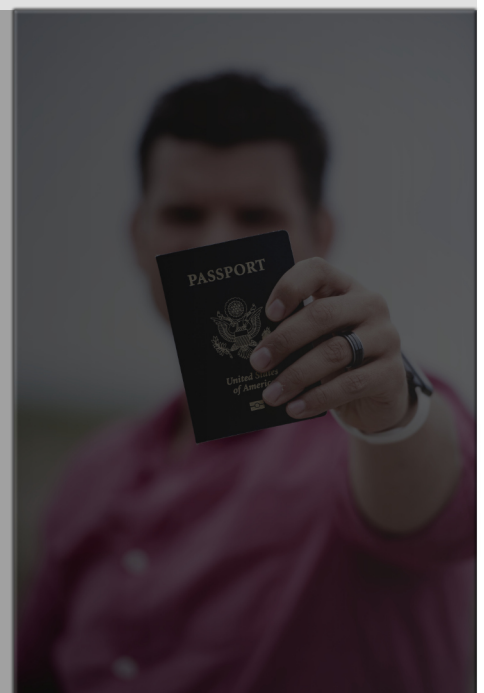
Businesses will still need to ensure how they will make the relevant declarations. Businesses should therefore consider the need to appoint a Customs Agent to do this, which may be via their Freight Forwarder.



Businesses should make sure they are able to make declarations and if declaring into their own records for the first 6 months, understand what information they need to hold.



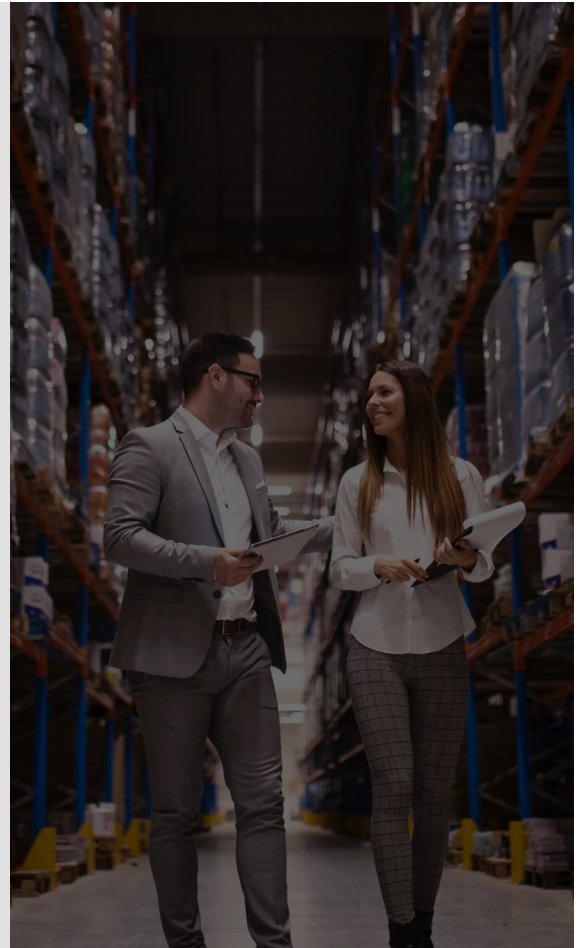
Businesses should consider whether they wish to make full declarations or apply to make simplified declarations.



## Incoterms

As all goods from the UK are now deemed exports, incoterms attached to the sale of goods into the EU becomes much more important – this determines who the importer into the EU is. Certain incoterms may create a requirement to register for VAT within the EU (possible within multiple member states) for both B2B and B2C. It is important for businesses to consider the incoterms set.

Should there be a requirement to register for VAT within the EU, businesses then have further considerations. These include whether they require an EU Economic Operators Registration and Identification number (EORI) and whether they are required to have a fiscal representative for their VAT obligations as well as indirect representation for Customs.



Businesses should consider the incoterms being set by customers and suppliers.



Businesses should consider any impact of holding EU registrations.

## Postponed VAT Accounting (PVA)

From 1 January 2021 businesses importing goods into the UK will be able to use PVA to account for import VAT rather than paying it at the border each time goods reach the UK. This will apply to goods coming from both the EU and outside the EU.

## Making Your Customs Declaration

When your customs agent / freight forwarder submits the Declaration, they will need to fill the method of payment Box 47e of the customs declaration, VAT code G which will indicate to Customs that you wish to postpone VAT and account the import VAT rather than pay on import.

This will link to your UK EORI also included on the Customs Declaration.

## Completing Your VAT Return

HMRC will issue monthly statements with the value of the imports made and the value of the VAT that has been postponed.

If businesses have not already done so, they will need to sign up via your government gateway to access the monthly postponed import VAT statement online. Access to the sign up page can be found [here](#). HMRC have confirmed that businesses will only be able to access a statement for 6 months from the date it is published – they should be downloaded regularly with an electronic copy kept to support the VAT records.

When entering the amounts on the VAT return:

- Enter the amount due in box 1 and reclaim this amount in box 4 (in line with your usual recovery method).
- Include the value of your imports in box 7 (excluding VAT).

Where a business has chosen to delay their import declaration by 6 months by declaring into their own records, they will need to estimate the value of the import VAT.

When the supplementary declaration is subsequently filed (after 30 June 2021), a business must select that they are postponing VAT accounting. This will then show on your monthly import statement. Businesses will need to compare this amount to the amount already declared and include any difference within their next VAT return.



Speak with your customs agent / freight forwarder to ensure they correctly complete the declaration to allow you to apply PVA.



Sign up to access your monthly statements and download these regularly. Make sure they are saved to support your VAT return workings.

# Supply Of Services

## B2B

Broadly, for services the rules haven't changed. For B2B supplies, providing they do not fall within any of the exceptions to the general rule, they are outside the scope of VAT. You are therefore still required to hold proof that your customer is in business.

You are no longer required to submit an EC Sales list.

## B2C

For B2C supplies, the rules are unchanged with UK VAT applicable under the general rule.






# Want to know more?

[Request a call back here.](#)

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