

Make sure you're in the know when it comes to changes to EU VAT

A number of practical VAT and duty issues have emerged which were not wholly obvious in the lead-up to Brexit. Hopefully, sharing some of them here will assist our clients' decision-making with over coming months.



Since 1 January, the VAT landscape when dealing with EU member states has changed dramatically and all businesses should ensure they understand the new rules, especially as they can differ from country to country within the EU.

VAT refund process

To submit a VAT refund claim, several EU member states (including Spain, Italy and France) now require UK businesses to appoint a fiscal representative, which can make the process expensive.

In light of this, businesses incurring a lot of VAT in the EU may want to rethink their VAT strategy. They may need to build in an extended timescale for getting refunds or simply budget on the basis that they won't be able to recover VAT, which could push up costs by 20%.

Other options include partnering with an existing EU-based business or setting up a company VAT registration in the EU (Ireland and the Netherlands have proved popular choices so far).

From July 2021, UK suppliers of low-value goods (less than €150) to online consumers across the EU must register for a new scheme to account for applicable EU VAT. Customers will pay VAT at the point of sale based on their place of residence, so websites and

accounting systems will have to be able to cope with multiple VAT rates applying to the sale of their goods. Northern Ireland (NI) businesses are subject to different rules.

Duty deferment accounts

Despite early misunderstanding of new post-Brexit arrangements, UK duty deferment accounts are not required for importing goods into Great Britain (GB) from the EU.

Firstly, most GB- and EU-origin goods are exempt from customs duty. In addition, GB VAT-registered businesses importing to GB can use the newly introduced postponed import VAT accounting to deal with any import VAT due on imported goods.

This removes the requirement to pay VAT to GB Customs at the border – instead the importing business accounts for the import VAT on its VAT return calculation.

The duty exemption applies only if the appropriate rules of origin are met. Goods must therefore not only be produced in the EU but also consist of a majority of raw materials that originate in the EU or GB to benefit from the zero-tariff rate.

For example, if a GB company imports goods into GB from China and then sells on to customers in the EU, there will be two instances

where customs duty will apply. GB businesses should therefore consider customs simplification procedures such as customs warehousing in GB or having a base somewhere in the EU to limit customs duty costs on non-EU origin goods.

Northern Ireland

The Northern Ireland Protocol means the way VAT is reported on goods supplied between NI and GB will broadly continue to apply as it did before, so VAT should be charged as if they are domestic UK supplies.

However, the supply of goods between mainland GB and NI (and vice versa) is seen as export and import for VAT purposes. Therefore, mainland GB businesses will need a GB EORI number and NI businesses will need an XI EORI number to import or export goods between the GB mainland and NI. This number must be quoted in the import customs declaration to ensure that any import VAT can be recovered.

EU VAT rules apply to goods moved to or from Northern Ireland to EU member states.

For more help on VAT and customs, email Nancy Cruickshanks at CruickshanksN@shipleys.com



Brexit grants available for SMEs

Businesses could get a grant of up to £2,000 to help with training or professional advice, thanks to the UK Government's SME Brexit Support Fund.

Qualifying UK businesses – with up to 500 employees and no more than £100 million annual turnover – can use the grant for training on:

- how to complete customs declarations
- how to manage customs processes and use customs software and systems
- safety and security declaration requirements
- specific import- and export-related aspects including VAT, excise and rules of origin.

PricewaterhouseCoopers is administering the grants on behalf of HMRC and applications will close on 30 June 2021 or earlier if all funding is allocated before this date. Apply online at: <https://tinyurl.com/wxayt892>

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