



# #BrexitForBusiness

## VAT ANALYSIS

01 December 2020



## BREXIT VAT ANALYSIS

### Introduction

The transitional period for the exit of the UK from the EU ends on 31st December 2020 (subject to negotiations between the UK and the EU).

The advice given in this guide relates to the VAT position at date of issue of this note and may be subject to revision. Links to HMRC Guidance are provided where appropriate.

Morgan Reach can assist with advice and support on UK VAT and supplies to EU customers (or vice versa) and we can also provide VAT registration and return filing services across the EU. For further information please contact Morgan Reach on

**0333 300 1887 or [info@morganreach.com](mailto:info@morganreach.com)**

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# EU EXPORTS

## Business-to-Business Exports

- From 1st January 2021, businesses need to make customs declarations when exporting goods to the EU (from Great Britain: England, Wales & Scotland but not including Northern Ireland).  
<https://www.gov.uk/prepare-to-export-from-great-britain-from-january-2021>
- A business can make the declarations itself, but can use a courier, freight forwarder or customs agent. <https://www.gov.uk/guidance/customs-declarations-for-goods-taken-out-of-the-eu?step-by-step-nav=1faad9b3-e5ef-47f6-a3ba-4715e7e4f263> <https://www.gov.uk/guidance/appoint-someone-to-deal-with-customs-on-your-behalf?step-by-step-nav=1faad9b3-e5ef-47f6-a3ba-4715e7e4f263>
- From 1st January 2021, the rules for exporting some types of goods will change in relation to:
  - export licences and/or certificates;
  - marking, labelling and marketing standards for food, plant seeds and manufactured goods;
  - alcohol, tobacco and certain oils.
- From 1st January 2021 businesses will need an EORI number that starts with GB to export goods from the UK.
- Exports of goods from the UK will be zero-rated for VAT.
- The EU business importing the goods will also need to prepare for 1st January 2021 (for the relevant Member State).
- The EU business importing the goods will have to make import customs declarations (for the relevant Member State).
- The EU business importing the goods may need a licence or certificate to import some types of goods (for the relevant Member State).

## EXPORTS CHECKLIST

- Obtain an EORI Number (GB)
- Engage a Customs Agent or Freight Forwarder or register for the National Export System for self-declarations
- Check the requirements for export licences and/or certificates; licences are required for exports re:- Animals, plants, food and agricultural products- Chemicals and waste- Controlled goods (military equipment and weapons)- Diamonds- Sanctions (goods subject to export sanctions)
- Check marking, labelling and marketing standards for food, plant seeds and manufactured goods including:
  - Product markings
  - Labelling standards
  - Marketing standards
- Check the rules for alcohol, tobacco and certain oils (export excise duty)
- Check the EU customer can make the necessary import declarations (in the relevant Member State)
- Check the EU customer has the necessary import licences or certificates (in the relevant Member State)
- An EC Sales List is no longer required• But Intrastat Supplementary Declarations are still required (re dispatches/exports of £250k m or more)
- Exports are reported in Box 6 of the VAT Return (but Box 8 is no longer used)

# HMRC EXPORT GUIDE

Prepare to export goods from Great Britain to the EU from 1 January 2021. The process for exporting goods to the EU will change. Businesses in England, Wales and Scotland need to complete the following actions to continue exporting to EU countries from 1 January 2021.

You can also read guidance on moving goods into, out of, or through Northern Ireland.

<https://www.gov.uk/guidance/moving-goods-into-out-of-or-through-northern-ireland-from-1-january-2021>

## **Step 1: Check if you should follow this step by step**

You should follow different guidance if you're sending goods by post

<https://www.gov.uk/government/publications/notice-143-a-guide-for-international-post-users/notice-143-a-guide-for-international-post-users?step-by-step-nav=1faad9b3-e5ef-47f6-a3ba-4715e7e4f263#exports>

exporting goods to countries outside the EU

<https://www.gov.uk/export-goods-outside-eu?step-by-step-nav=1faad9b3-e5ef-47f6-a3ba-4715e7e4f263>

## **Step 2: Find out how to declare goods from 1 January 2021**

From 1 January 2021, you'll need to make customs declarations when exporting goods to the EU.

These rules currently apply to exporting goods to the rest of the world, including Switzerland, Norway, Iceland and Liechtenstein. You can make the declarations yourself, but most businesses use a courier, freight forwarder or customs agent. Find out how to make customs declarations yourself

<https://www.gov.uk/guidance/customs-declarations-for-goods-taken-out-of-the-eu?step-by-step-nav=1faad9b3-e5ef-47f6-a3ba-4715e7e4f263>

Get someone to deal with customs for you

<https://www.gov.uk/guidance/appoint-someone-to-deal-with-customs-on-your-behalf?step-by-step-nav=1faad9b3-e5ef-47f6-a3ba-4715e7e4f263>

## **Check the new rules for your type of goods**

From 1 January 2021, the rules for exporting some types of goods will change. Check what export licences or certificates you need

<https://www.gov.uk/guidance/export-licences-and-certificates-from-1-january-2021?step-by-step-nav=1faad9b3-e5ef-47f6-a3ba-4715e7e4f263>

Check the marking, labelling and marketing standards for food, plant seeds and manufactured goods

<https://www.gov.uk/guidance/labelling-and-marketing-standards-from-1-january-2021?step-by-step-nav=1faad9b3-e5ef-47f6-a3ba-4715e7e4f263>

Check the rules for exporting alcohol, tobacco and certain oils

<https://www.gov.uk/guidance/exporting-excise-goods-to-the-eu-from-1-january-2021?step-by-step-nav=1faad9b3-e5ef-47f6-a3ba-4715e7e4f263>

**Step3:**Make sure you have an EORI number starting with GB

You need an EORI number that starts with GB to export goods from 1 January 2021.Get an EORI number

<https://www.gov.uk/eori?step-by-step-nav=1faad9b3-e5ef-47f6-a3ba-4715e7e4f263>.

**Step4:Find out if you can charge VAT at 0%,Hidethis section**

From 1 January 2021, you can charge customers VAT at 0% (known as 'zero rate') on most goods you export to the EU.Check if you can zero rate your goods for VAT

<https://www.gov.uk/guidance/vat-on-goods-exported-from-the-uk-notice-703?step-by-step-nav=1faad9b3-e5ef-47f6-a3ba-4715e7e4f263>.

**Step5:Check if the EU business you're exporting to is ready**

The EU business importing your goods will also need to prepare for 1 January 2021.Before sending the business your goods, check they can make the necessary import customs declarations. They'll also need a licence or certificate to import some types of goods.



## EU IMPORTS

### Business-to-Business Imports

- From 1st January 2021, businesses need to make customs declarations when importing goods from the EU (to Great Britain: England, Wales & Scotland but not including Northern Ireland).  
<https://www.gov.uk/prepare-to-import-to-great-britain-from-january-2021>
- A business can make the declarations itself, but can use a courier, freight forwarder or customs agent.
- Declarations are submitted electronically through Customs Handling of Import and Export Freight (CHIEF) system.
- From 1st January 2021, the rules for importing some types of goods will change in relation to:
  - export licences and/or certificates;
  - marking, labelling and marketing standards for food, plant seeds and manufactured goods;
  - alcohol, tobacco and certain oils.
- From 1st January 2021 businesses will need an EORI number that starts with GB to import goods.·  
Businesses will need to pay customs duties and VAT on all imports.
- In some situations, a business can delay making a declaration for up to 6 months after importing the goods.



## Postponed VAT Accounting

- From 1st January 2021, if a business is registered for VAT in the UK, it will be able to account for import VAT on its VAT Return for goods imported into Great Britain (England, Scotland and Wales) from anywhere outside the UK (not just from the EU).
- From 1st January 2021, if a business is registered for VAT in the UK, it will be able to account for import VAT on its VAT Return for goods imported into Northern Ireland from outside the UK or EU (see Northern Ireland)
- There will be no changes to the treatment of VAT or how it is accounted for for the movement of goods between Northern Ireland and the EU.
- Businesses do not need to be authorised to account for import VAT on the VAT Return.

## IMPORTS CHECKLIST

- Obtain an EORI Number (GB)
- Engage a Customs Agent or Freight Forwarder or register for the Customs Handling of Import and Export Freight (CHIEF) system for self-declarations
- Check the requirements for import licences and/or certificates; licences are required for imports of:
  - Animals, plants, food and agricultural products
  - Drugs, chemicals and waste
- An EC Sales List is no longer required
- But Intrastat Supplementary Declarations are still required (re arrivals/imports of £1.5m or more)
- Imports are reported in Boxes 1, 4 & 7 of the VAT Return (Boxes 2 & 9 are no longer used)



## HMRC EXPORT GUIDE

### Prepare to export goods from Great Britain to the EU from 1 January 2021

The process for exporting goods to the EU will change. Businesses in England, Wales and Scotland need to complete the following actions to continue exporting to EU countries from 1 January 2021. You can also read guidance on moving goods into, out of, or through Northern Ireland.

<https://www.gov.uk/guidance/moving-goods-into-out-of-or-through-northern-ireland-from-1-january-2021>

#### Step1:Check if you should follow this step by step

You should follow different guidance if you're sending goods by post

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exporting goods to countries outside the EU

<https://www.gov.uk/export-goods-outside-eu?step-by-step-nav=1faad9b3-e5ef-47f6-a3ba-4715e7e4f263>

#### Step2:Find out how to declare goods from 1 January 2021

From 1 January 2021, you'll need to make customs declarations when exporting goods to the EU.

These rules currently apply to exporting goods to the rest of the world, including Switzerland, Norway, Iceland and Liechtenstein. You can make the declarations yourself, but most businesses use a courier, freight forwarder or customs agent. Find out how to make customs declarations yourself

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#### Check the new rules for your type of goods

From 1 January 2021, the rules for exporting some types of goods will change.

Check what export licences or certificates you need

<https://www.gov.uk/guidance/export-licences-and-certificates-from-1-january-2021?step-by-step-nav=1faad9b3-e5ef-47f6-a3ba-4715e7e4f263>

Check the marking, labelling and marketing standards for food, plant seeds and manufactured goods

<https://www.gov.uk/guidance/labelling-and-marketing-standards-from-1-january-2021?step-by-step-nav=1faad9b3-e5ef-47f6-a3ba-4715e7e4f263>

Check the rules for exporting alcohol, tobacco and certain oils

<https://www.gov.uk/guidance/exporting-excise-goods-to-the-eu-from-1-january-2021?step-by-step-nav=1faad9b3-e5ef-47f6-a3ba-4715e7e4f263>

#### Step3:Make sure you have an EORI number starting with GB

You need an EORI number that starts with GB to export goods from 1 January 2021.

Get an EORI number

<https://www.gov.uk/eori?step-by-step-nav=1faad9b3-e5ef-47f6-a3ba-4715e7e4f263>

**Step4:Check the rate of tax and duty you'll need to pay**

**Step5:Check if you can make the importing process quicker**

importing goods from countries outside the EU

<https://www.gov.uk/import-goods-outside-eu?step-by-step-nav=1ddb4c89-1fe9-4ado-b561-c1b0158e6bc5>



## DISTANCE SELLING

From 1st January 2021 Distance Selling no longer applies to UK businesses.

Distance Selling is an EU provision in relation to B2C supplies of goods. If goods are sold directly to consumers in another Member State (i.e. sent from one Member State to another directly to the consumer) then that is a distance sale (different from warehousing goods in fulfilment centres in a Member State). Each Member State has a turnover threshold after which registration is required in the destination Member State (currently €35,000 or €100,000 or equivalent in national currency depending on the Member State). The EU E-Commerce Package to be introduced on 1st July 2021 will simplify registration and accounting procedures for EU Distance Selling but the current position remains that registration is required in any and every Member State where the threshold is exceeded.



From 1st January 2021 the basic position for UK businesses selling directly to consumers in the EU is that these sales will become exports, zero-rated in the UK but liable to VAT (and potentially duty) in the Member State of importation. If no action is taken by the UK business then the customer will be liable for any VAT or duty due and will have to pay the VAT and/or duty before the goods are released as imports. The situation will change after 6 months when the (Import) One-Stop Shop is introduced as part of the EU E-Commerce Package (if introduced as planned on 1st July 2021); then registration with OSS will be required for any business supplying goods directly to consumers from outside the EU (Non-Union OSS). For Non-Union OSS (i.e. for businesses not established within the EU) registration will only be required in one Member State and via (I) OSS they will be able to account for VAT due in all 27 Member States.

There are various options for UK businesses in the interim period; take no action as above; become the importer of record in any Member State where sales are made directly to consumers (VAT registration required in each Member State of importation); or, route all goods through a single Member State and distance sell within the EU from that Member State (VAT registration required in the Member State of importation and in any Member State where the Distance Selling threshold is exceeded).

UK businesses may benefit from Low Value Consignment Relief (although due to be abolished from 1st July 2021). This provides an import VAT exemption for goods at or below €22 originating from outside the EU being sold to EU consumers. If the UK business opts to become the importer of the record and pay the VAT and Duty at importation it would have to register for VAT in the relevant Member State but the import VAT could then be recovered (a valid EU EORI would also be required). Finally, all goods from the UK could be routed through a single Member State. The business would still have to register for VAT in the relevant Member State (and a valid EU EORI would also be required) but could use that Member State as the origin point for Distance Selling within the EU. Instead of being required to register in multiple states they could distance sell to other Member States from the Member State of importation and account for VAT under the Distance Selling rules via their VAT registration in the original Member State. However, these options will become redundant with the introduction of the EU E-Commerce Package.



## MARGIN SCHEME

From 1st January 2021 the Margin Scheme will only apply in the UK (but see Northern Ireland). It no longer applies for sales to the EU. A sale to the EU will be an export from the UK and may be zero-rated but it will be an import into the EU and raises the same issues as Distance Selling above for the business and for customers.



If no action is taken by the UK business then the customer will be liable for any VAT or duty due and will have to pay the VAT and/or duty before the goods are released as imports (on the full value of the supply). Alternatively, the UK business may take the steps above in relation to registration in the EU but import VAT or duty will be due not on the margin but on the full value of the goods and not on any margin.

## VAT MOSS

Digital services supplied to consumers within the EU are subject to VAT in the Member State of the customer.

The Mini One-Stop Shop (MOSS) is a simplified VAT registration which enables suppliers of digital services to account for VAT due on sales to consumers in every relevant Member State in a single MOSS Return.

Currently, UK businesses use Union MOSS (i.e. for businesses established within the EU). They register with HMRC and file their return via the Government Gateway. HMRC then transfers the tax collected to the relevant EU tax authority. Similarly, the various EU tax authorities transfer UK VAT they have collected from MOSS users in their Member State to HMRC.

Post-transition, UK businesses will have to register for Non-Union MOSS (i.e. for businesses not established within the EU) or register for VAT in every Member State where they have customers (the registration threshold for non-established businesses is nil). UK businesses may choose any Member State for Non-Union MOSS registration.

## EU E-COMMERCE PACKAGE

Technically, this is not part of Brexit but will affect UK businesses selling to EU consumers once the next phase is implemented (currently planned for 1st July 2021); not only in relation to goods but also B2C services provided from the UK and new rules for online platforms.

### **Planned in 2021:**

The extension of the MOSS and the special provisions concerning the obligations of electronic interfaces will enter into force on 1st July 2021 as IT systems need to be adapted or developed.

Businesses operating electronic interfaces such as marketplaces or platforms will, in certain situations, be deemed for VAT purposes to be the supplier of goods sold to customers in the EU by companies using the marketplace or platform. Consequently, they will have to collect and pay the VAT on these sales.

The MOSS concept will be extended and turned into an OSS (One-Stop Shop):

- The Non-Union scheme for supplies of digital services by taxable persons not established in the EU will be extended to all types of cross-border services to final consumers in the EU;
- The Union scheme for intra-EU supplies of digital services will be extended to all types of B2C services as well as to intra-EU distance sales of goods and certain domestic supplies facilitated by electronic interfaces. The extension to intra-EU distance sales of goods goes hand in hand with the abolition of the current distance sales threshold, in line with the commitment to apply the destination principle for VAT;
- An import scheme will be created covering distance sales of goods imported from third countries or territories to customers in the EU up to a value of €150.

When the import scheme is used the seller will charge and collect the VAT at the point of sale to EU customers and declare and pay that VAT globally to the Member State of identification in the OSS. These goods will then benefit from a VAT exemption upon importation, allowing quicker release at customs. The introduction of the import scheme goes hand in hand with the abolition of the current VAT exemption for goods in small consignment of a value of up to €22 (LVCR).

Where the import OSS is not used, a second simplification mechanism will be available for imports. Import VAT will be collected from customers by the customs declarant (e.g. postal operator, courier firm, customs agents) who will pay it to the customs authorities via a monthly payment.



## NORTHERN IRELAND

The Northern Ireland Protocol means that Northern Ireland maintains alignment with the EU VAT rules for goods, including on goods moving to, from and within Northern Ireland. However, Northern Ireland is, and will remain, part of the UK VAT system.

UK VAT rules related to transactions in services will apply across the whole of the UK. HMRC will continue to be responsible for the operation of VAT and collection of revenues in Northern Ireland.

Under the obligations in the Protocol, import VAT will be due on goods that enter Northern Ireland from Great Britain (England, Scotland and Wales). The same will also broadly apply to goods entering Great Britain from Northern Ireland.

### Registering for VAT

Northern Ireland is, and remains, part of the UK VAT system. There will be no requirement for a new VAT registration for sales of goods in Northern Ireland. If a business is already VAT registered the existing VAT registration will be unaffected and it will not need another VAT registration. It will continue to account for VAT on all sales across the UK through its single UK VAT return, which will contain the same boxes as now.

### VAT on goods sold between Great Britain and Northern Ireland

VAT will continue to be accounted as it is currently on goods sold between Great Britain and Northern Ireland. This means that the seller of the goods will continue to charge its customers VAT and should show this on its invoices. The VAT charged will be accounted for as output VAT on the VAT return in the same box as it is now. The seller will not be able to claim this back as input VAT. Where the customer receives an invoice from the seller showing that VAT has been charged, it may use this as evidence in order to reclaim the VAT as input VAT, subject to the normal rules.

However, there are a small number of exceptions to this where goods are:

- declared into a special customs procedure when they enter Northern Ireland or Great Britain  
<https://www.gov.uk/government/collections/pay-less-or-no-duty-on-goods-you-store-repair-process-or-temporarily-use#special-procedures>
- currently subject to domestic reverse charge rules including on sales of gold or gas and electricity to a VAT registered business  
<https://www.gov.uk/guidance/the-vat-domestic-reverse-charge-procedure-notice-735>  
<https://www.gov.uk/guidance/gold-acquisitions-imports-investments-and-vat-notice-70121#sect11>
- subject to an Onward Supply procedure  
<https://www.gov.uk/guidance/vat-relief-goods-imported-then-supplied-to-another-eu-country#onward-supply-relief>

sold by an overseas seller through an online marketplace

<https://www.gov.uk/government/publications/accounting-for-vat-on-goods-moving-between-great-britain-and-northern-ireland-from-1-january-2021/accounting-for-vat-when-importing-or-moving-goods-into-northern-ireland-from-outside-the-eu>



Where the movement of goods is declared into a special customs procedure, the customer or importer will be liable to account for the VAT. Importers will need to select how to pay or account for the VAT when discharging goods from the special procedure. If they are VAT registered, they will be able to use Postponed VAT Accounting to account for the VAT on their VAT return. Alternatively, like businesses that are not VAT registered, they can pay the VAT upfront, or use their duty deferment account.

Where goods are subject to domestic reverse charge rules, including on sales of gold or gas and electricity to a VAT registered business, the customer will continue to account for the VAT on these goods.

Where goods are sold between Great Britain and Northern Ireland by an overseas seller to a consumer through an online marketplace, the online marketplace will be liable to account for the VAT on these goods.

#### **VAT on goods sold from Great Britain, transported via Northern Ireland, to an EU member state**

This refers to goods transported via Northern Ireland to an EU Member State, for example the Republic of Ireland. Similar to accounting for a direct movement from Great Britain to Northern Ireland, the seller will be liable to account for the import VAT and zero-rating the goods on export to the EU. The VAT charged will be accounted for as output VAT on the UK VAT return by the seller. The seller will not be able to claim this back as input VAT.

There will be an exception to this rule where goods are declared into a special customs procedure or Onward Supply procedure when they enter Northern Ireland or before arriving at the first EU member state.

<https://www.gov.uk/government/collections/pay-less-or-no-duty-on-goods-you-store-repair-process-or-temporarily-use#special-procedures>

#### **VAT on goods sold to Great Britain from an EU member state via Northern Ireland**

This refers to goods transported via Northern Ireland from an EU Member State, for example the Republic of Ireland.

Where goods are sold and moved via Northern Ireland to Great Britain from a VAT-registered business in an EU Member State, including the Republic of Ireland, the seller will be liable to account for the import VAT to HMRC.

The EU business will have to register with HMRC and account for the VAT on a UK VAT Return. The UK customer will be able to reclaim the VAT as input VAT, subject to the normal rules.

#### **Businesses moving their own goods from Great Britain to Northern Ireland**

When a VAT registered business moves goods from Great Britain into Northern Ireland, VAT will be due. The business will need to account for VAT on the movement. This should be included as output VAT on the VAT Return.

Where the goods are being used for taxable sales, the VAT may also be reclaimed as input VAT on its UK VAT Return, subject to the normal rules.

Where a business uses the goods for exempt activities, or where the goods are put to a taxable use and also exempt use, it may be required to make an adjustment to its partial exemption calculations. <https://www.gov.uk/guidance/partial-exemption-vat-notice-706#section3>

### **Businesses moving their own goods from Northern Ireland to Great Britain**

A business will not be required to account for VAT when it moves its goods from Northern Ireland to Great Britain unless these goods have been subject to a sale or supply.

### **Sales of goods from Great Britain to Northern Ireland, and within Northern Ireland, by members of a UK VAT Group**

UK VAT groups will continue to operate largely as they do now. VAT groups will continue to be able to include members that are established in Northern Ireland as well as members that are established in Great Britain. However, there are a small number of changes to the way in which a VAT group will operate when they move goods from Great Britain to Northern Ireland, or where goods in Northern Ireland are sold between members.

Usually, supplies of goods between members of a VAT group are disregarded for VAT. This means that the group does not have to account for VAT on the supply. However, where goods are supplied by members of a VAT group, and those goods move from Great Britain to Northern Ireland, VAT will now be due in the same way as when a business moves its own goods.

<https://www.gov.uk/government/publications/accounting-for-vat-on-goods-moving-between-great-britain-and-northern-ireland-from-1-january-2021/accounting-for-vat-on-goods-moving-between-great-britain-and-northern-ireland-from-1-january-2021#businesses-moving-their-own-goods-from-great-britain-to-northern-ireland>

Where supplies of goods are made between members of a VAT group, and those goods are located in Northern Ireland at the time that they are supplied, these will only be disregarded if both members are established, or have a fixed establishment, in Northern Ireland. Where one or both members only have establishments in Great Britain, the disregard will not apply and VAT must be accounted for by the representative member. This VAT may be reclaimed subject to the normal rules.



## **VAT Retail Export Scheme**

The VAT Retail Export Scheme (RES) permits retailers to offer refunds of VAT on goods to visitors to the EU and Northern Ireland where they take those goods with them when they leave. Northern Ireland retailers, who use the scheme, will be able to continue to operate it in Northern Ireland, in much the same way as now. VAT RES will not be available to retailers in Great Britain.

The rules on operating the scheme are set out in Notice 704. It will also be necessary to obtain evidence showing the visitor's destination when leaving Northern Ireland.

<https://www.gov.uk/guidance/vat-retail-export-scheme-notice-704>

The scheme will be available for goods that are removed to Great Britain by visitors to the EU and Northern Ireland. However, additional conditions will apply for goods purchased in Northern Ireland and removed to Great Britain. Goods that have been subject to a VAT RES claim in Northern Ireland will not be subject to passengers' allowances and VAT will be due on their full value on entering Great Britain. Where visitors make purchases in Northern Ireland under the scheme, and remove the goods to Great Britain, the retailer will collect this import VAT before giving the refund of VAT and account for it on their VAT returns. Where the visitor leaves Northern Ireland, or the EU, for a country outside of the UK and EU, there will be no requirement to evidence any applicable taxes in that country.

Retailers will still need to also obtain an endorsed VAT407 claim form as they do now.

VAT will not be due on goods entering Great Britain from Northern Ireland if they have not been subject to a VAT RES claim.

## **Personal exports of vehicles from Northern Ireland to Great Britain**

Resident persons from outside the EU and Northern Ireland acting in a personal capacity can purchase and personally remove boats and motor vehicles from Northern Ireland free of VAT.

<https://www.gov.uk/guidance/sailaway-boats-supplied-for-export-outside-the-eu-notice-7032>

<https://www.gov.uk/guidance/personal-export-scheme-notice-707>

Visitors from Great Britain are eligible to make purchases under the scheme. Where a purchase is made then the Great Britain visitor is liable to pay the import VAT on the removal of the vehicle to Great Britain. Where visitors make purchases in Northern Ireland under the scheme, and remove the goods to Great Britain, the seller will collect this import VAT on the full value of the vehicle and account for it as output VAT. They can then zero-rate the sale.

Sellers in Great Britain will be able to offer either scheme to any non-UK resident subject to the same requirements as now.

## **Sales of goods on board ferries between Great Britain and Northern Ireland**

Goods sold on board ferries between Great Britain and Northern Ireland will continue to be taxed domestically in the same way as they are now. UK VAT will be due and this will be accounted for on the seller's UK VAT return.



Where goods are sold on journeys that visit Great Britain and Northern Ireland as part of a voyage to third countries, the supply will be treated as taking place outside the UK and so are outside the scope of UK VAT.

Where goods are sold on journeys between Northern Ireland and an EU Member State, these will be taxed in the place of departure, as now.

### **Adjustments to input VAT on businesses moving their own goods**

Businesses that move their own goods between Great Britain and Northern Ireland, will usually be able to recover the full amount of VAT incurred as if it had been a taxable supply.

Businesses that make some supplies that are exempt from VAT may not be able to recover all of the VAT on goods when they are purchased. Where a business moves goods from Great Britain to Northern Ireland, after not having reclaimed the associated input VAT in full, then there is a possibility that there will be irrecoverable input VAT incurred again on the same goods. To prevent this, businesses will be able to reattribute the previously unrecovered input VAT on the original purchase in Great Britain as if the goods had been used for a taxable purchase. This may be taken into account by businesses when making their annual adjustment.

HMRC will be introducing rules to prevent this from being used for avoidance purposes.

### **Intra-EU Simplifications**

Intra-EU rules and simplifications, such as triangulation, will not be available for movements of goods involving Great Britain.

Such simplifications will be available for movements of goods involving EU member states and Northern Ireland or where the intermediary is identified as moving goods in, from, or to, Northern Ireland in the course of its business.

### **Margin Scheme**

In line with EU rules, margin schemes involving goods, such as the second-hand margin schemes, will not usually apply for sales in Northern Ireland where the stock is purchased in Great Britain. The VAT on these sales will be subject to the normal rules and must be accounted for on the full value of the supply.

Margin schemes will remain available for sales of goods that are purchased in Northern Ireland or the EU, whether sold to customers in Northern Ireland, Great Britain or the EU. Margin schemes will remain available for sellers in Great Britain selling stock originally purchased in Northern Ireland or Great Britain.

### **Fiscal Warehouses**

A fiscal warehouse is a facility where certain goods can be traded VAT-free. Fiscal warehouses will continue to operate in both Great Britain and Northern Ireland and in most cases, transactions within, or between, UK warehouses will be able to continue to be treated as VAT-free.

However where goods are moved between a fiscal warehouse in Great Britain and a fiscal warehouse in Northern Ireland, this will not be treated as a VAT-free movement. The goods would have to exit the fiscal warehouse in Great Britain and be subject to the appropriate VAT, before entering the fiscal warehouse in Northern Ireland.

<https://www.gov.uk/guidance/fiscal-warehousing-and-vat-notice-7028>

## UK CONSUMERS

From 1st January 2021 new rules will apply to sales by overseas retailers to UK consumers.

Where goods are delivered to the UK consignments of no more than £135 in value will be subject to import VAT at the point of sale and the overseas retailer or, if used, online marketplace will be liable to account for this. Consignments exceeding £135 in value are subject to the normal rules at import, i.e. the overseas retailer will need to declare them to customs and pay import VAT and Duty, etc.

Where goods are already in the UK at the point of sale if the overseas retailer sells them directly to consumers they should already be registered for VAT and there will be no change to the existing rules on 31 December. If sales are made via an online marketplace it (i.e. the online platform) will be liable for the VAT due on the sales. The overseas retailer will be deemed to make a zero-rated sale to the online marketplace when the goods are sold, this will enable them to register for UK VAT and recover input tax incurred on their costs.

## VAT TOMS

Under the Tour Operators Margin Scheme businesses which buy in and resell travel services (e.g. accommodation and passenger transport etc) account for VAT using a margin scheme (thus tax only due on the margin but no input tax recovery).

Currently, VAT is due on the margin where the supply takes place within the EU and zero-rated outside the EU but from 1st January 2021 only supplies within the UK will be subject to VAT on the margin and all supplies outside the UK will be zero-rated.

HMRC Guidance states that after the transition period TOMS will still apply and that:

- UK tour operators should continue to apply the margin scheme calculation;
- the margin on UK supplies will be standard rated; and
- the margin on all non-UK supplies will be zero rated

However, subject to negotiation between the UK and the EU, there is a potential risk after the end of the transitional period that UK tour operators may be required to register in some or all of the Member States where they sell travel services (the HMRC Guidance is not necessarily aligned to that of individual Member States or the EU itself).

## EU VAT REFUNDS

EU businesses which incur VAT in another Member State are able to reclaim this VAT (subject to local rules). Claims are submitted, using an electronic refund system, to the businesses' local tax authority which reviews the claim and forwards it to the relevant member state to be processed.

UK businesses are entitled to reclaim VAT incurred in other Member States (subject to the local rules) until 31st December 2020. They will be able to use the electronic refund system to submit refund claims for this VAT to HMRC until 11pm on 31st March 2021. After this date access to the electronic system will be closed. Claims for VAT incurred in 2020 must be submitted by 30th September 2021. It will still be possible to submit claims after 31st March 2021 but the hard-copy forms for Non-EU claimants must be used.

Non-EU businesses incurring VAT in a Member State can submit refund claims (but subject to a reciprocal agreement with their Non-EU tax authority) but there is no electronic refund system and hard-copy forms are required (the process can be bureaucratic and protracted).

## TAX FREE SHOPPING

The Retail Export Scheme will cease on 31st December 2020 (except in Northern Ireland).

The VAT Retail Export Scheme allows Non-EU resident to receive a refund of VAT paid on goods exported to destinations outside the UK or EU. It allows retailers to zero-rate goods sold to entitled customers when they have the necessary evidence of export and have refunded the VAT to the customer.

It is a voluntary scheme and retailers do not have to operate it.

It will still be possible to zero-rate exports to individual customers but only where the goods are sent directly to the customer's address outside the UK, no longer where the customer is supplied the goods in-store.

# BREXIT VAT ANALYSIS

## 01 December 2020

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London - Birmingham - Manchester

