

5 Brexit VAT Facts Confirmed



Fact 1

Postponed VAT Accounting (PVA) can be used for goods imported into GB from anywhere in the world and not just the EU

HMRC's guidance has made it very clear that the VAT rules for EU and non-EU supplies are now the same. For example, an import of goods from Germany into GB is treated the same as an import from America. A VAT registered importer can elect for PVA on each arrival of goods in order to defer the payment of VAT to HMRC and account for it instead on their next VAT return with a reverse charge calculation. The importer must have a GB EORI number in place before the goods arrive.

Fact 2

If a business sells goods which go from GB to a private individual in the EU, they will always be zero-rated for UK VAT purposes.

A shipment of goods from GB to any country outside the UK is an export for VAT purposes, and therefore zero-rated. The exporter should keep proof of shipment, plus commercial documentation, to support the zero-rating.

The goods will be subject to import VAT when they arrive in the EU, and possibly customs duty as well if they were originally manufactured outside the EU, known as the rules of origin. Changes being introduced by the EU from 1 July 2021 should make it easier for a GB business to sell goods into the EU where the shipment value is 150 Euros or less, with the introduction of the Import One Stop Shop (IOSS) scheme.

Fact 3

If a GB business buys and sells goods in an EU country, it will need to register for VAT in that country.

Imagine that a GB business has the chance to make a quick profit on some goods it has purchased in Ireland. The Irish supplier has charged £20,000 plus 23% Irish VAT. The goods never leave Ireland and are sold on to another Irish business for £30,000.

In this situation, the GB business is making taxable supplies in Ireland and should register for Irish VAT. This is because a zero-registration threshold applies to an overseas business making sales in an EU country. However, VAT should not be a cost to any party, assuming the final buyer is VAT registered and able to claim input tax. The GB business will claim input tax on the £20,000 purchase price on its Irish VAT return, and sell on for £30,000 plus 23% Irish VAT. It has made a healthy £10,000 profit on the deal.



Fact 4

Northern Ireland is effectively treated as an EU member as far as trading in goods is concerned.

It has been a big challenge for VAT advisers to refer to ‘GB’ when it comes to post-Brexit VAT issues for goods and ‘UK’ when it comes to services. Goods moved from GB to NI are subject to customs declarations and possibly duty if they are ‘at risk’ of being sold onto the EU, ie, mainly linked to the open border between Northern Ireland and Ireland. There is an imaginary customs border between GB and NI somewhere in the Irish Sea.

EU VAT rules apply to goods moved to or from Northern Ireland to EU member states. A GB business that regularly ships goods to NI should use the TSS (Trader Support Service) for help with customs declarations and other paperwork.

Fact 5

If a UK business sells electronic services into the EU, to any non-business customer, it must charge the customer the VAT rate that applies in their country.

An electronic service is one that involves ‘minimal human intervention’ and is ‘heavily reliant on the Internet’ for its delivery. An easy example is the sale of downloaded software. Until 31 December 2020, a UK business could carry on charging UK VAT for their electronic B2C sales to EU customers, if total annual sales were less 10,000 Euros (£8,818). But this de-minimis threshold ended when we left the EU – a zero threshold now applies. A UK business must register with for the non-Union MOSS scheme in an EU country of its choice, so it can charge and declare the VAT collected on electronic sales made in the different EU states.

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