

Importing Goods from the European Union

The existing rules for imports from non-EU countries now apply to imports from the EU, however there are some important changes. The government has introduced 'postponed accounting' for import VAT on goods brought into the UK with effect from 1 January 2021. This means that UK VAT registered businesses importing goods to the UK will be able to account for import VAT on their VAT return, rather than paying import VAT on or soon after the time that the goods arrive at the UK border.

This applies to imports from the EU and non-EU countries and will be a cash flow benefit to importers.

This applies to import VAT; however, customs declarations and the payment of any other duties will still be required. Customs duty will apply to some goods and excise duties will continue to apply to tobacco, alcohol, and certain energy products. Businesses can defer customs and excise duty payments and settle them monthly with a duty deferment account. To do this, businesses need to register with HMRC to open a duty deferment account. A business will be required to provide a bank guarantee.

Goods with a value of up to £135:

From 1 January 2021, VAT on imported goods with a value of up to £135 is collected at the point of sale not the point of importation. This means that UK supply VAT, rather than import VAT, will be due on these consignments.

Online marketplaces (OMPs) involved in facilitating the sale of imported goods, are responsible for collecting and accounting for the VAT, even when the goods are in the UK at the point of sale.

For goods sent from overseas and sold directly to UK consumers, the overseas seller is required to register and account for the VAT to HMRC. Overseas sellers also remain responsible for accounting for the VAT on goods in the UK when sold directly to UK consumers.

Business-to-business sales not exceeding £135 in value are also be subject to the new rules. However, where the business customer is VAT registered and provides its registration number to the seller, the VAT will be accounted for by the customer by means of a reverse charge.

The HMRC website contains lots of guidance and support (although it is something of an exercise to wade through). Below are some, hopefully helpful, links:

[Changes to VAT treatment of overseas goods sold to customers from 1 January 2021](#)

[Declaring goods brought into Great Britain from the EU from 1 January 2021](#)

[How to import and export goods between Great Britain and the EU from 1 January 2021](#)

[List of goods imported into Great Britain from the EU that are controlled](#)

[Check when you can account for import VAT on your VAT Return](#)

[Complete your VAT Return to account for import VAT](#)

[Apply to use simplified declarations for imports](#)

[Making an import declaration in your records](#)

[Making an import supplementary declaration](#)

Exporting Goods to the European Union

UK businesses (that are VAT registered) are still able to zero-rate sales of goods to EU businesses. These goods will be treated by EU member states in the same way as goods entering from other non-EU countries. This means import VAT and any customs duties (tariffs) are due when the goods arrive in the EU.

Businesses may be able to use the Common Transit Convention (CTC) to complete some customs procedures away from the border and defer import VAT and customs duties until goods reach their final destination. This may require a guarantee from the business to cover import VAT or customs duties while the goods are being moved. New procedures are being implemented to minimise the number of businesses that will be required to provide a guarantee.

Prior to the end of the transition period businesses that had a low value of sales (up to about £70,000 per annum) to other EU member states could benefit from the distance selling thresholds. Sales below the distance selling thresholds are subject to UK VAT unless the supplier has decided to register for VAT in the country of destination. **From 1 January 2021, this facility became no longer available**, but all such sales are zero rated exports.

UK VAT registered businesses no longer must complete an EC Sales List (aka Intrastats). Now, UK businesses that export zero-rated goods to EU businesses need to retain evidence that proves that the goods have left the UK. This is like the requirement for exports to non- EU countries. **One exception to the change is that businesses in Northern Ireland will still need to complete EC Sales Lists.**

HMRC's Guidance on exports of goods to the EU can be found on the link below:

https://www.gov.uk/government/publications/how-to-import-and-export-goods-between-great-britain-and-the-eu-from-1-january-2021?utm_source=31ea2a1b-cddb-42e6-bca5-f29e329021ea&utm_medium=email&utm_campaign=govuk-notifications&utm_content=immediate

Supplying Services to the European Union

The supply of services to customers in the EU from 1 January 2021 is treated the same as those to any customer outside the EU.

The VAT treatment will be covered by the VAT 'place of supply' rules. The rules continue to apply broadly as they did previously, but subject to some changes:

- For UK businesses supplying digital services to non-business customers in the EU, the 'place of supply' continues to be where the customer resides. VAT on those services is due in the EU member state in which the customer resides.
- For UK businesses supplying insurance and financial services, the input VAT deduction rules changed from 1 January 2021. These supplies were previously exempt, but are now outside the scope with recovery, thereby aligning with the existing rules for supplies of such services to customers outside the EU.

For more guidance and support in this area please see HMRC's website pages:

[Accounting for VAT on services between the UK and EU member states from 1 January 2021](#)

Supplying Digital Services

From the start of January all supplies of digital services to consumers in EU member states have been liable for VAT in the consumer's member state. The £8,818 annual threshold for cross borders sales of digital services to EU consumers no longer applies.

Organisations will have to charge VAT at the rate where the customer is based and declare those sales to the relevant EU member state.

UK businesses that had been using the UK VAT MOSS union scheme can continue to use the system but must register for the VAT MOSS non-union scheme in an EU member state.

For businesses wanting to continue using MOSS, they must register for the scheme by the 10th day of the month following their first sale after the UK leaves the EU. For example, register by 10 February 2021 if a sale is made in January 2021.

Alternatively, organisations can register in each EU Member State where they make sales. There is further information about registering for VAT in EU member states on the Europa Website:

[Official website of the European Union | European Union \(europa.eu\)](https://ec.europa.eu/economy_finance/)

Non-UK businesses that had previously used UK VAT MOSS non-union scheme will now need to register for the scheme in an EU member state.

Non-UK businesses need to declare sales of digital services to UK consumers by registering for VAT in the UK and declaring the sales via a UK VAT return.

To declare the VAT charge, businesses can register for VAT in each EU member state where sales are made or register for the VAT MOSS non-union scheme in an EU member state of their choice.

UK MOSS

The UK VAT Mini One Stop Shop (MOSS) is an online service that allows EU businesses that sell digital services to consumers in other EU member states to report and pay VAT via a single return and payment in their home member state.

From the start of 2021, businesses are no longer able to use the UK's MOSS scheme to report and pay VAT on sales of digital services to consumers in the EU. Businesses that sell digital services to consumers in the EU must register for the MOSS non-union scheme in one of the remaining 27 EU member states. Many UK businesses are considering doing so in Ireland (or have already done so).

To allow businesses to register for the VAT MOSS non-union scheme, they will have been automatically deregistered from the UK MOSS system with effect from 1 January 2021.

Businesses will still be able to access the system after deregistration to:

- submit a return for the final quarter of 2020 (the facility of submit returns will be withdrawn on 31 January 2021);
- view and amend previously submitted returns, with any amendments to these returns being made by 31 December or directly with the EU member state concerned and not via the MOSS system after this date; and
- update registration details until 31 December 2024.

There is more information on registering for the non-union MOSS scheme here:

[Register to MOSS | Taxation and customs union \(europa.eu\)](#)

HMRC have updated guidance on MOSS here:

[VAT on sales of digital services in the EU \(VAT MOSS\) - GOV.UK \(www.gov.uk\)](#)

For information on VAT on digital supplies there is guidance on Gov.uk here:

[VAT rules for supplies of digital services to consumers - GOV.UK \(www.gov.uk\)](#)

VAT Refunds from the European Union

Prior to the end of the transition period, a UK business could recover VAT incurred in other EU countries using an electronic system. That system is no longer available for UK businesses. UK businesses can still claim refunds of VAT from EU member states, but it will need to be done using the existing refund system for non-EU businesses.

The operation of refunds varies across EU countries, so businesses will need to check the precise requirements in each EU country where they incur VAT. More details are available here:

[How to claim a refund of VAT paid in an EU member state - GOV.UK \(www.gov.uk\)](#)

EU VAT Registration Number Validation Service

The EU VAT Registration Number Validation service allows businesses in the EU to check if a customer or supplier's VAT number is valid. UK businesses will be able to continue to use the EU VAT number validation service to check the validity of EU businesses, but UK VAT registrations will cease to be included. HMRC has developed a service to ensure that UK VAT numbers can continue to be validated.

Northern Ireland

There are some intricacies in respect of the supply to and purchase from Northern Ireland. Specific guidance is given in the following website pages:

[Tell HMRC if you sell goods in Northern Ireland or move goods between Northern Ireland and the EU - GOV.UK \(www.gov.uk\)](#)

[Moving goods into, out of, or through Northern Ireland - GOV.UK \(www.gov.uk\)](#)

[Changes to accounting for VAT for Northern Ireland and Great Britain from 1 January 2021 - GOV.UK \(www.gov.uk\)](#)

[Check if you're trading under the Northern Ireland protocol and what to do - GOV.UK \(www.gov.uk\)](#)

[Accounting for VAT on goods moving between Great Britain and Northern Ireland from 1 January - GOV.UK \(www.gov.uk\)](#)

[VAT and overseas goods sold to customers in the UK using online marketplaces - GOV.UK \(www.gov.uk\)](#)

[VAT and overseas goods sold directly to customers in the UK - GOV.UK \(www.gov.uk\)](#)

[How VAT will apply for goods imported into Northern Ireland from outside the UK or EU - GOV.UK \(www.gov.uk\)](#)

The above is a summary of changes to VAT following Brexit compiled from Gov.uk and the ICAEW. If you have a particular set of circumstances which are complicated and it is unclear which approach to follow we recommend seeking expert advice. Please note, the above links will direct you to third party website(s). The FD Centre is not responsible for the content of third party websites.