

Brexit & Changes to VAT

Currently the UK is still in talks with the EU regarding free trade agreements so we are still not certain on all areas of Brexit, but we do know some areas noted below:

We have now left the EU and the changes for the VAT regime, customs union and the single market come into play from the 1st January 2021. We know that declarations will be required either side of the UK/EU borders.

Key facts:

There are a number of goods which have a higher duty tariff on them:

- Textiles
- Footwear
- Clothing
- Food products
- Cars
- TV's

Exports need to be declared in advance of delivery to the borders. Import VAT claims can only be available to the owner of the goods at import.

If goods are shipped to Northern Ireland and there is the risk of the goods being moved to the Republic of Ireland then there is potentially duty due to be paid.

Products moved into the UK then into the EU could currently result in multiple duties to pay, HMRC are currently looking into this and ways to help companies with this.

HMRC are looking at reducing the requirement of financial guarantees for the operation of customs warehousing and the use of duty deferment accounts.

Need to ensure they keep thorough record keeping and proof of the goods coming in and out of the UK.

There is a deferment declaration process being introduced for the first 6 months of 2021 meaning the goods can move through the border speedily but the declaration can be deferred.

Non established importers will need to be VAT registered where required and have an EORI number and need declarations to be made on their behalf. However, an agent must operate **'As an indirect representative with joint and several liability for the duty and VAT'**. The liability lives for 3 years so the agent will be taking on a risk for this. HMRC are currently looking into changing this.

1. Software

There is software out there that completes post declarations reviews to compare what they have in their software for processing to what has been declared with customs.

Thomson Reuters has plenty of software, tools to integrate with HMRC and other systems. Import/Export management, send information to the broker or self-filing information.

In order to assist with these transitions HMRC are introducing new IT systems to assist companies in this. One of which is for Goods vehicles services where HGV drivers can link declarations to their vehicle registrations.

The government are making grants available to part fund some of the software and implementations costs needed to comply with the declarations requirements.

2. Before Brexit comes into play

- Companies need to decide if they are going to self-file or appoint a broker on their behalf.
- Classify the goods (Commodity codes).
- Review the potential tariffs of the goods they import/export.
- Need to apply for the relevant GB/EU EORI numbers.
- Need to review sales/ purchase contracts, and identify who has the responsibility to declare, pay and therefore recover the duty.

3. Importing goods from outside the EU to the UK

- **Register your business for importing:**
 - Register for a GB EORI number.
 - Check if you need to register for VAT in the UK.
 - For companies who import regularly you can apply for simplified declaration procedures and for authorised economic operator status.
- Decide if going to deal with the customs and transport of goods yourself or hire a broker.
- Classify your goods – identify the right commodity code to classify your goods, telling you the rate of duty you need to pay and if you need an import licence.
- An import licence is not needed to import the majority of industrial goods, however, you may need an import licence or certificate if importing items like:
 - Plant or animal products
 - High risk food or feed
 - Medicines
 - Textiles
 - Chemicals
 - Firearms
- Applying for a licence - www.ilb.trade.gov.uk.
- Then you will receive an import Vat certificate (C79) which you can then claim back in your VAT return. You need to keep records of who owns the goods.

4. Importing goods from the EU to the UK

- If you import the following goods you may need a licence:
 - Animals, plants, food and agricultural products.
 - Drugs, chemicals and waste.
- Applying for a licence
www.ilb.trade.gov.uk.
- You must complete a customs declaration and use the relevant customs procedures when they arrive in GB. (Customs Freight Simplified Procedures can be used for Alcohol and Tobacco).
- Register for a GB EORI number.
- Check if you need to register for VAT in the UK.
- Pay customs duties and VAT on all imports.





5. Exporting goods from the UK to the EU

- Make customs declarations when exporting to EU.
- Check if you need a licence.
- Register for a GB EORI number.
- Check if you need to register for VAT in the UK.
- Zero rate VAT if:
 - Person suppliers or owns goods and exports to outside UK and EU.
 - Supplies to an overseas person who arranges to export out of UK or EU.
 - Installed outside the EU or UK.
 - Goods outside the EU temporary for exhibition or processing.
- Must hold valid proof of export.

6. Exporting outside the EU

- Check if you need a licence.
- Register for a GB EORI number.
- Check if you need to register in that country.
- Classify your goods – identify the right commodity code to classify your goods, telling you the rate of duty you need to.
- Keep full records of import/export

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