

**BREXIT & VAT**

**A GUIDE FOR BUSINESSES TO VAT CHANGES WHEN**

# **TRADING WITH THE EU AFTER BREXIT**





# ... about this guide

1 January 2021. An innocuous date for some, but for UK businesses it marked a change in VAT rules for their dealings with EU businesses.

The UK no longer has to assume the Principal VAT Directive which controls all VAT regulations for EU Member States. The UK now has full control over its VAT policies and can set, amend or reduce VAT rates as it sees fit.

This change shouldn't make a big difference to UK businesses at the moment. Though future legislation may impact VAT rates in specific sectors.

For VAT registered businesses now is the time to review the new rules and procedures.

This guide provides a detailed overview of the new VAT rules in relation to both B2B and B2C, selling for goods and services. Though it's important to note that the rules are still being released and are likely to continue changing as time goes on and the reality of Brexit makes itself known.

UK businesses need to make sure that they're compliant with the rules, as they stand today. They also need to stay up-to-date with any further changes as they happen.



# TABLE OF CONTENTS

## **BUSINESS TO BUSINESS SUPPLIES (B2B)**

<i>Selling Services</i>	<b>4</b>
<i>Selling Goods</i>	<b>4</b>
<i>EU Exports</i>	<b>5</b>
<i>EU Imports</i>	<b>5</b>
<i>Handy exports checklist</i>	<b>6</b>
<i>Handy imports checklist</i>	<b>7</b>

## **BUSINESS TO CONSUMER SUPPLIES (B2C)**

<i>What is Distance Selling?</i>	<b>8</b>
<i>What does that mean for you?</i>	<b>8</b>
<i>Online Sales of Goods to Private Customers in the EU</i>	<b>9</b>

## **RESOURCES** **10**

## **FAQS** **11**

## **APPENDIX**

<i>How to Export Goods to the EU</i>	<b>12</b>
<i>How to Import Goods from the EU</i>	<b>12</b>

# Business to Business Supplies (B2B)

## Selling Services

In the wake of the UK leaving the EU on 1 January 2021 the largest number of changes to VAT affect the movement of goods. For the vast majority of B2B service sellers the biggest change is that services supplied to EU customers are no longer zero-rated and are now subject to reverse charge. This means that they are outside the scope of VAT and fall into line with services sold to the rest of the world.

If you supply services to the EU the first thing you need to establish is which country's rules apply. This is known as the 'place of supply'. But do you need to follow the rules from where the services come from or where they are consumed? If you need to follow VAT rules in the customer's Member State then you must check if you need to register for VAT and report taxes in that country.

For the majority, the General Rule applies and remains the same post-Brexit.

## What is the General Rule?

This applies to B2B services provided in the customer's resident country when that falls outside of the UK. In this instance the service is outside the scope of UK VAT so is zero-rated. Your non-UK customer then uses a 'reverse charge' showing the VAT in their return.

You're obligated to have evidence that your customer is resident outside of the UK - this can be a valid VAT or tax ID number from their country of residence.

This rule goes both ways i.e. if you are a recipient of services from an EU supplier then you will need to use a reverse charge.

## Selling Goods

There are two main changes since 1 January 2021 that have VAT implications you need to be aware of.

### 1. Intra-Community supplies (B2B) are no longer able to be zero-rated

UK companies will no longer be able to benefit from EU VAT laws that allowed them to zero-rate goods moving between Member States.

*...What does that mean for you?*

Import VAT is now charged whenever you receive goods from EU countries, as with the wider world. It will need to be paid during the customs declarations, though you do have the option to defer the payment or make use of the Postponed VAT scheme.

### 2. Distance Selling thresholds no longer apply.

Before Brexit, EU companies, including the UK, could charge their local VAT rates when selling to EU consumers as long as they were under a certain threshold.

*...What does that mean for you?*

If you are selling goods directly to EU consumers you may need to register for an EORI number that starts with GB. This takes around 10 minutes, you can do it online and in most cases you'll receive your number immediately. You may also need to register for VAT in the EU Member State.



## EU Exports

*...What's changed?*

From 1 January 2021, UK businesses (including England, Scotland and Wales but not Northern Ireland) need to make customs declarations when they export goods to the EU. You have the option to make the declarations yourself or you can use a freight forwarder, customers agent or courier.

Certain rules for exporting some goods have changed as of the 1 January 2021. These are in relation to:

- Export certificates and/or licences
- Marking, labelling and marketing standards for plant seeds, manufactured goods and food
- Tobacco, certain oils and alcohol

The UK business will need to have an EORI number starting with GB to export goods from the UK. Goods that are exported from the UK will be zero-rated for VAT.

It's important to make the EU business you're dealing with aware that when importing goods they will need to prepare for changes that came into effect on the 1 January 2021:

- They will need to make customs declarations for the relevant Member State
- They need to check if they require a licence or certificate to import the goods into the relevant Member State

*...See the Handy Exports Checklist on page 6*

## EU Imports

1 January 2021 saw a number of changes come into effect for UK businesses importing goods from the EU. Businesses need to make customs declarations when importing goods from the EU into Great Britain (England, Scotland and Wales but not Northern Ireland).

You can make the declaration yourself or, alternatively, you can engage a courier, customs agent or freight forwarder. All declarations are submitted electronically through the Customs Handling of Import and Export Freight (CHIEF) system.

Rules for the import of certain types of goods also changed as of the 1 January 2021. These are in relation to:

- Export certificates and/or licences
- Marketing, labelling and marketing standards for plant seeds, manufactured goods and food
- Tobacco, certain oils and alcohol

All UK businesses will need an EORI number starting with GB to enable them to import goods from the EU. The UK business will need to pay customs duties and VAT on all imports.

There are some situations where a business can delay their declaration for up to 6 months after they import their goods

*...See the Handy Imports Checklist on page 7*



# Handy Exports Checklist

We understand that there's a lot of information to take in so here's our quick checklist to work your way through

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Register for your EORI number (starting with GB)

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☐

Decide your method for processing self-declaration and either:

- Register for the National Export System or
  - Engage a Freight Forwarder or Customs Agent
- 

☐

Check which export licences and/or certificates are needed for your exports. Licences are required for exporting:

- Animals, plants, agricultural products and food
  - Chemicals and waste
  - Military equipment and weapons
  - Diamonds
  - Goods subject to export sanctions
- 

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

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If applicable, check the rules for tobacco, alcohol and certain oils (export excise duty).

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Check the EU customer (in the relevant Member State) can make the required import declarations.

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Check the EU customer (in the relevant Member State) has the required import certificates or licences.

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Points to remember:

- An EC Sales List is no longer necessary
- Intrastat Supplementary Declarations are still required
- Report exports in Box 6 of the VAT Return (Box 8 is no longer needed)





## Handy Imports Checklist

We've pulled everything you need to do, or check, into one place to make it simple for you to check you are compliant with all the changes to EU imports from 1 January 2021

☐

Register for your EORI number (starting with GB)

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☐

Decide your method for processing self-declaration and either:

- Register for the Customs Handling of Import and Export Freight (CHIEF), or
  - Engage a Freight Forwarder or Customs Agent
- 

☐

Check which export licences and/or certificates are needed. Licences are required for exporting:

- Animals, plants, agricultural products and food
  - Chemicals, drugs and waste
- 

☐

Points to remember

- An EC Sales List is no longer necessary
- Intrastat Supplementary Declarations are still required
- Report imports in Boxes 1, 4 and 7 of the VAT Return (Boxes 2 and 9 are no longer needed)

# Business to Consumer Supplies (B2C)

The key point to note is that from 1 January 2021 Distance Selling no longer applies to UK businesses.

## What is Distance Selling?

Distance Selling relates to the B2C supplies of goods. When goods are sold directly to a customer in another Member State than that is a distance sale. There's a turnover threshold in each Member State, after which the business needs to register in that location. On 1 July 2021 the EU E-Commerce Package will be introduced which will simplify the registration and accounting process for EU Distance Selling. Until that point the current approach remains that in every Member State where the threshold is exceeded, you will need to register.

## What does that mean for you?

From the 1 January 2021, any sales from UK businesses directly to EU consumers become exports which are zero-rated in the UK. They then become subject to local VAT, and potentially customs duty, in the Member State where the customer is located.

The customer will be responsible for paying the VAT and any duties due before the goods are released, unless the UK business takes action.

Part of the EU E-Commerce Package planned for the 1 July 2021 is a (Import) One-Stop Shop (OSS) which should simplify the process. UK businesses will register with the OSS if they are supplying goods directly to EU consumers. They will only have to be registered in one Member State and via the OSS VAT due in all 27 Member States will be accounted for.

It's important to note that the 1 July 2021 is the published date for the One-Stop Shop currently. There is a possibility that this date could change. It's best to keep an eye out for any updates or developments.



## Online Sales of Goods to Private Customers in the EU

Until the end of June 2021, goods sent to private customers in the EU from the UK will be zero-rated exports. They will have import VAT due on arrival in the EU member state they are being sent to. Any goods with a value under €150 (except tobacco, perfume and alcohol) and imported from a non-EU territory won't be liable to customs duty when they are delivered directly to an end consumer in the EU.

This leaves you with three options:

1. Manage the import process into the EU through your freight forwarder or express courier. They can manage the task and pay the import VAT (and customs duty if the value is more than €150) on the EU customer's behalf. You would then reimburse your agent for the payment. You would need to check with your courier if you require an EU EORI number. It's also worth noting that the EU import VAT isn't recoverable as an input tax.
2. You can leave the customer to liaise with their local Customs/tax authority to account for the import VAT and any customs duty. This can cause delays in the delivery of your goods and places the burden on your customer.
3. Registering for VAT in the member state of the customer and procuring an EU EORI number allows you to import into the EU. If you charge domestic VAT to the customer it then allows you, as a UK seller, to hold stock in the EU to fulfil orders throughout the EU. Until the end of June 2021, you can utilise the distance selling thresholds to hold stock in one EU member state and dispatch to private customers in all other EU member states.

Current UK customs export declarations for postage and parcels to non-EU countries will now apply to movements to the EU.

There are significant implications around VAT for businesses when trading with the EU post-Brexit. The full details of the rules and procedures are still being announced, and are subject to change.

If you still feel unclear about what changes directly impact your business and how to navigate them then it's best to seek professional advice.

We empower businesses to take control of the circumstances and succeed. If you need help doing this send us a message and we'll help you to understand what's relevant to your business.

# Resources

- [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](#)
- [Appoint someone to deal with customs on your behalf](#)





# FAQs

## **Do I need a VAT registration in the EU to carry on trading?**

You need to VAT register in each country if you do the following:

- Sell goods to the EU
- Use the VAT simplifications of triangulation, call-off stocks or distance selling

## **Do I need to appoint a fiscal representative when registering in the EU?**

Overseas businesses without a local representative are required to appoint one in seventeen EU countries.

## **Do I pay the import VAT when the goods arrive in the EU or does it fall on the customer?**

You need to check your delivery terms with your EU customers to see who it falls on to make the customs entry and pay import VAT and duty if applicable. Most EU countries have delayed accounting for import VAT. Germany, Italy, Slovakia and Cyprus don't have this.

## **Has anything changed if I sell via Amazon?**

If you use Fulfilment by Amazon (FBA) and sell to EU customers then you need to clear the goods into the EU and hold your goods there. This means that you'll need to register for VAT in the EU.

## **Do I have an EORI number?**

You need an EORI number that begins with GB to trade goods within the EU. Check your existing one and if needed apply online. It takes up to 10 minutes and you usually get your number immediately.

## **How do I choose the right tariff commodity code for my goods?**

Generally, the tariff code used in the EU is replicated in the UK tariff. There might be different customs duty rates for each code so it's worth double-checking.

## **Do I need to pay customs duty when moving good between the UK and the EU?**

Some goods now incur customs duty when moving them to and from the EU. If you're unsure, double-check on GOV.UK. Speak to your customer if they're liable to pay the duty to explain the change.

## **Will the EU recognise the UK's regulatory standards if I sell food, medicine or certain services to the EU?**

As it stands currently the UK has agreed that we will accept EU standards - with some additional documents needed at import into the UK. The EU hasn't agreed to a similar policy at the moment so watch this space.

# Appendix

These are step-by-step flow charts for importing and exporting goods between Great Britain and countries in the EU, as set out by HM Government.

*Gov.UK Last Updated 12 January 2021*



If you still feel unclear about what changes directly impact your business and how to navigate them then it's best to seek professional advice.

We empower businesses to take control of the circumstances and succeed. If you need help doing this send us a message and we'll help you to understand what's relevant to your business.

# Penney's Services

## **Bookkeeping**

Maintaining accurate books on accounts payable and receivable, daily financial entries and reconciliations, including monthly financial reporting, general ledger entries and payments and adjustments.

## **Payroll and CIS**

Assist with calculations and processing of salaries including payslips (weekly, fortnightly or monthly on Moneysoft, Xero or Sage online), RTI, CIS, Pension Contributions.

## **HMRC Self-Assessment**

Provide us with the paperwork and information we need and we will submit your self-assessment tax returns on your behalf, on time.

## **Credit Control**

Payments received on time by taking advantage of our credit control service.

## **Cash Flow Forecasts**

Budgets and cash flow forecasting will help you to be aware of all company financial commitments, in advance, so you are able to plan for capital expenditure, VAT payments, peaks and troughs in seasonal workload, income and corporation tax payments.





# Penney's Services

## **VAT Accountancy**

Preparing, checking and submitting VAT returns. Ensuring your claim complies with HMRC guidelines. Advice on alternative schemes available such as cash accounting and flat rate schemes.

## **Management Accounts**

Control and plan your business from a higher level by using our management accounting service. We will create reports that analyse achieved results against budgets, providing accounting ratio analysis measuring successful progress against goals.

## **Limited Company Year End Accounts**

Limited company accounts, get help to maximise your tax efficiency and get guidance on business plans.

## **Advisory Services**

Ad-hoc advice and support, basic software training and speaking to HMRC on your behalf.

## **Company Secretarial**

Administrative support for all Companies House tasks, including completion and filing of your Confirmation Statement, change of address, directorship changes, share capital/allocation amendments.

## **Registered Office**

Our address can be your Company Registered office, so we receive all your important documentation to ensure no vital filing deadlines are missed.

