

VAT FOR BUSINESSES IN THE EVENT OF NO BREXIT DEAL



On 23 August 2018 the UK Government published a number of technical notices to inform businesses of the consequences of the UK exiting the EU under a “no deal” scenario.

This briefing summarises the information provided in the VAT technical notice.

If there is no exit deal, the Government’s intention is to keep the VAT regime as close to the current arrangements as possible. However, it is inevitable that with a no deal scenario there will be specific changes to the UK VAT system and, in particular, the treatment of imports and exports.

The technical notice sets out the following positions:

Imports from the EU

UK businesses importing goods from the EU will have to adopt import procedures similar to the current procedures applying to imports from countries outside the EU. The fundamental change is that UK importers will have to account for import VAT and, where relevant, duty on goods imported from the EU.

Postponed accounting

To ease the administrative and cash flow burdens of having to charge VAT on EU sourced goods, the UK will introduce postponed accounting rules. Rather than paying HMRC the import VAT immediately (or soon after) the goods enter the UK, businesses will be able to account for import VAT on their VAT return. Postponed accounting will not simply be restricted to imports from the EU but it will extend to imports from non-EU countries.

Exports to private individuals

As currently is the case for exports to non-EU countries, export of goods to a private individual established in an EU member state will be zero-rated. However, UK goods entering the EU will be subject to duties and VAT in the importing EU member state.

Exports to EU businesses

Goods exported to the EU will continue to be zero-rated but there will be no requirement for the UK business to complete EC sales lists. However, imports into the EU will be subject to import duties and VAT in the EU country of importation.

UK businesses will still be required to retain evidence confirming that the goods

physically left the UK and businesses exporting from the UK to individual member states of the EU will need to consider the importing member state's rules for import VAT and the procedures for paying import VAT.

EU VAT registrations

UK businesses selling their own goods in the EU will continue to be required to register for VAT in the EU member state where the goods are located at the time of sale and account for local VAT.

Other import/export implications for trade with the EU in a no deal scenario

- Businesses trading with EU suppliers/customers will be required to register for an EORI (Economic Operator Registration and Identification) number.
- Contracts and International Terms and Conditions of services (INCOTERMS) should reflect importer/exporter status.
- Import/export declarations will increase and businesses should consider engaging a customs broker, freight forwarder or logistics provider. Businesses making their own declarations will need to ensure they have the appropriate software and authorisations from HMRC.
- Low Value Consignment Relief (LVCR) will be abolished. Currently, imported goods (parcels) valued at less than £15 are not assessed for import VAT. In a no deal scenario there will be no relief from import VAT on low value items.

Supply of services

The current place of supply of services rules follow the international standards set out by the OECD. Therefore, the current place of supply of services rules will broadly apply in the same way. However, businesses using the Mini One Stop Shop (MOSS) to sell digital services to non-business customers established in other EU member states will no longer be able to use the UK MOSS portal. Businesses wishing to continue to use the MOSS system would have to register for MOSS in an EU member state.

How can we help?

Our VAT specialists continue to monitor these developments. If you have any concerns or questions, please contact your usual R&H contact or one of those listed below.

Nigel Medhurst

Director

Direct Dial: (+44) 20 7842 2150

Email: nigel.medhurst@rawlinson-hunter.com

Catherine Thompson

Director

Direct Dial: (+44) 20 7842 2028

Email: catherine.thompson@rawlinson-hunter.com

Craig Davies

Partner

Direct Dial: (+44) 20 7842 2136

Email: craig.davies@rawlinson-hunter.com



Eighth Floor
6 New Street Square
New Fetter Lane
London EC4A 3AQ

And at

Q3, The Square
Randalls Way
Leatherhead
Surrey KT22 7TW

T +44 (0)20 7842 2000
F +44 (0)20 7842 2080

firstname.lastname@rawlinson-hunter.com
www.rawlinson-hunter.com

Partners

Chris Bliss FCA
Mark Harris FCA
David Barker CTA
Kulwam Nagra FCA
Paul Baker ACA
Sally Ousley CTA
Andrew Shilling FCA
Craig Davies FCA
Graeme Privett CTA
Chris Hawley ACA
Phil Collington CTA
Toby Crooks ACA
Michael Foster CTA
Paul Huggins ACA
Trevor Warmington CTA
Alex Temlett CA

Directors

Lynnette Bober FCA
Karen Doe
Lynne Hunt FCA
Gillian Lawrence ACA
Nigel Medhurst AIT
Al Nawrocki CTA
Mark Shaw
Catherine Thompson FCA
Tracy Underwood CTA

Consultants

Philip Prettejohn FCA
Ralph Stockwell FCA