



VAT - BREXIT UPDATES

VAT ON IMPORTS FROM 1 JANUARY 2021

As the UK prepares to leave the EU, HMRC has announced that from 1 January 2021, goods imported by UK VAT registered businesses from the EU, as well as third countries, will be able to account for import VAT on their VAT return. This will give importers a cash flow benefit as import VAT will not have to be paid immediately to clear the goods through Customs.

Import VAT can be accounted for on the importer's VAT return if:

- The goods imported are for use in the importer's business;
- The importer's EORI number, which starts with "GB", is entered on the customs declaration;
- The importer's VAT registration number is declared on the customs declaration.

This procedure is known as "Postponed VAT Accounting".

Completing the VAT Return

UK importers will be able to access an online monthly statement which they can download and keep for their records. This statement will show the total import VAT postponed for the previous month which should be included on the VAT return. Owing to postponed VAT accounting, there will be changes to the way UK importers complete boxes on their VAT returns:

Box 1: Include the VAT due on imports

Box 4: Include the import VAT claimed

(Where a UK importer has no restriction on VAT recovery, this will result in a neutral import VAT position as import VAT declared in Box 4 will equal the import VAT declared in Box 1)

Box 7: Include the total value of all imports of goods included on the online monthly statement, excluding VAT.

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PROPOSED VAT RULES FOR NORTHERN IRELAND WITH EFFECT FROM 1 JANUARY 2021

The European Commission (“EC”) has recently published proposed changes to the EU VAT rules in preparation for the end of the transitional period with the UK.

The proposal introduces a special identification number for businesses in Northern Ireland, so that EU VAT provisions can be applied to goods traded in Northern Ireland. In effect, when the transitional period expires on 31 December 2020, goods sold and transported from Northern Ireland to the EU (and vice versa) will be treated as if they were cross-border supplies of goods within the EU.

The proposed provisions do not apply to services in Northern Ireland. Services will be treated as subject to UK VAT rules.

The EC acknowledges that the changes to the VAT Directive will require some IT adjustment. Therefore, the EC is encouraging all member states to agree to the proposal so that it can be implemented before the end of the transitional period.

Our VAT team would be pleased to discuss your business and provide a view on your VAT efficiency. For an initial consultation to see whether there is a need to consider your VAT affairs in more detail, please contact your usual Rawlinson & Hunter Partner or one of the following:

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The Rawlinson & Hunter VAT & Customs consultancy advises on domestic and international transactions. We regard VAT as a key tax for many of our clients, which is why our service in this area is led by highly experienced and senior members of the tax team with a proven track record of negotiation success on a range of VAT and customs matters. Our aim is to provide commercially realistic advice and practical solutions to your VAT and customs problems. We believe that VAT and customs duty should be an important part of the wider tax planning for most businesses.

This publication and all other recent Rawlinson & Hunter LLP updates, including technical support on COVID-19 related initiatives, please see the technical updates section on our website [here](#).

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