



BREXIT - VAT

GOODS (IMPORTS Part2)





BREXIT - VAT

Do not be distracted with media reports of “deals or no deals” or government uncertainty

Unless Brexit is cancelled, there are few uncertainties relating to VAT/custom duties

Trading with the EU will involve changes to the way businesses do business with the EU

There are few changes in relation to services

The majority of change and impact is with goods

So businesses can and should start to plan for leaving the EU from 31 December 2020

Of course, anything is possible and if an all encompassing deal is agreed, there may be some concessions in technical areas such as Northern Ireland border, import duty rates and maybe some relaxation of red tape, but equally, maybe not

Brexit has always been a business risk and all businesses should review their supply chain, and their customers with a Brexit magnifying glass to identify what, if any, pressure points exist which changes the risk aspects of the business





BREXIT - VAT

GOODS (IMPORTS)

This presentation is one of a series of presentations.

The topic for this presentation is **GOODS (IMPORTS)**.

The format is to reflect on the current, pre-Brexit, treatment of services and then compare with how the treatment will change post-Brexit.

This is a big topic, so will be split into separate presentations for imports, exports, customs duty, documentation and the future.

If there are any questions, then do please contact Jason Croke.



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Imports into UK - VAT Postponement

- If not seen Import 1 presentation, goods entering the UK post Brexit from EU/rest of the world will be subject to UK VAT
- Ordinarily that VAT must be paid to HMRC before the goods are released for onward delivery, the freight agent may pay this VAT on your behalf and charge an admin fee for this service
- From 01st January 2021 Import VAT can be accounted for via the UK VAT return
- Essentially same as reverse charge process. Treat as a purchase AND a sale
- Import DUTY is not included in this process (see later).





Imports into UK - VAT Postponement

- **Box 1** - Include the VAT due in this period on imports accounted for through postponed VAT accounting
- **Box 4** - Include the VAT reclaimed in this period on imports in the period
- **Box 7** - Include the total value of all imports of goods included on your online monthly statement, excluding any VAT, plus your usual UK purchases
- It is intended that taxpayers can access a monthly online import report via the HMRC website
- You may need to estimate the value of imports if the online report is not available – there is likely a time delay between imports occurring and databases being updated
- Any estimated import VAT can be adjusted on the next VAT return once HMRC's online report is updated.





Imports into UK – Import Duty

- If not seen Import 1 presentation, goods entering the UK post Brexit from EU/rest of the world will be subject to import duty (tariffs)
- Ordinarily that duty must be paid to HMRC before the goods are released for onward delivery, the freight agent may pay this duty on your behalf and charge an admin fee for this service
- From 01st January 2021 Import duty can be deferred for 6 months
- This means the goods will not be delayed at customs, the business must still pay this **deferred** duty within 6 months and file the appropriate forms in that time
- The aim is to reduce the impact of Brexit in terms of cashflow, procedures and delays at port.





Imports into UK – Import Duty

- After 6 months (01st July 2021) businesses will need to pay import duty at time goods arrive into the UK
- You can apply for a Deferment Account with HMRC, a Deferment Account allows goods to be released immediately and HMRC takes payment (via Direct Debit) 45 days later
- Free to set up with HMRC but requires a bank guarantee and your bank will charge a % for the guarantee facility, so not without a cost to you
- HMRC offer a guarantee free deferment account where the deferred amount is less than £10,000 but does require an excellent compliance/track record so not always available for new businesses
- A variation of a Deferment Account is one that only covers the duty element (and as VAT is dealt with via postponement then a duty only deferment may be of benefit). This is called a SIVA (Simplified Import VAT Account)
- What account is right for you depends on your unique circumstances.





Imports into UK – Documents

- If using a freight agent to manage the importation process, they will file the appropriate customs documents, update the HMRC customs system (CHIEF/CDS) and allow use of their deferment account – all for a fee
- Businesses can train their people and register to use the HMRC customs system and file their own customs paperwork, use their own deferment account and avoid the freight agent fees
- Entirely driven by time, resource of the business and also the volume and values of shipments involved:
 - One importation per month of £10,000 maybe easier to let freight agent manage
 - One importation a week of £50,000 maybe consider using in-house resourcesThese are just examples, seek formal advice/discuss with freight agent.





Imports into UK – Commodity Codes

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Imports into UK – Commodity Codes

- Businesses who buy goods from outside of the EU already aware of commodity codes, import duty, incoterms, deferment accounts and paperwork
- From January 2021 all businesses need to be aware of these aspects of international trade.





Imports into UK – Commodity Codes

subject to change

- Goods from EU or rest of the world, entering the UK will be subject to import duty/tariffs
- The UK has a new set of tariffs “UK tariffs” which will apply if there is a “No Deal” Brexit
- Every single item/good has a commodity code and the commodity code determines the import duty applied to the goods
- It is vital that commodity codes are correct as getting it wrong can be costly and risks profit margins and customer pricing if using wrong codes
- Link to the database is here www.gov.uk/guidance/uk-tariffs-from-1-january-2021





Imports into UK – Commodity Codes

subject to change

- Currently, a household dishwasher has an EU duty rate of 2.7% so importing a household dishwasher from a non-EU manufacturer would incur 2.7% duty on arriving into the UK
- An EU manufactured household dishwasher would be Nil as part of being an EU member
- Post Brexit, a household dishwasher will have a UK tariff of 0% so importing a household dishwasher from EU or rest of the world would incur no additional duty costs (plus the import VAT)
- This slide mentions household dishwasher, this is because a dishwasher not for household use has a duty rate of 1.7% currently and 0% post Brexit
- This is why care must be taken to get the right description for your product as currently there is a 1% difference between household and commercial!



Imports into UK – Commodity Codes

subject to change

Commodity	Description	Common External Tariff	UK Global Tariff
01012100	Pure-bred breeding horses	0.0%	0.0%
01012910	Horses for slaughter	0.0%	0.0%
01012990	Live horses (excl. for slaughter, pure-bred for breeding)	11.5%	10.0%
01013000	Live asses	7.7%	6.0%
01019000	Live mules and hinnies	10.9%	10.0%

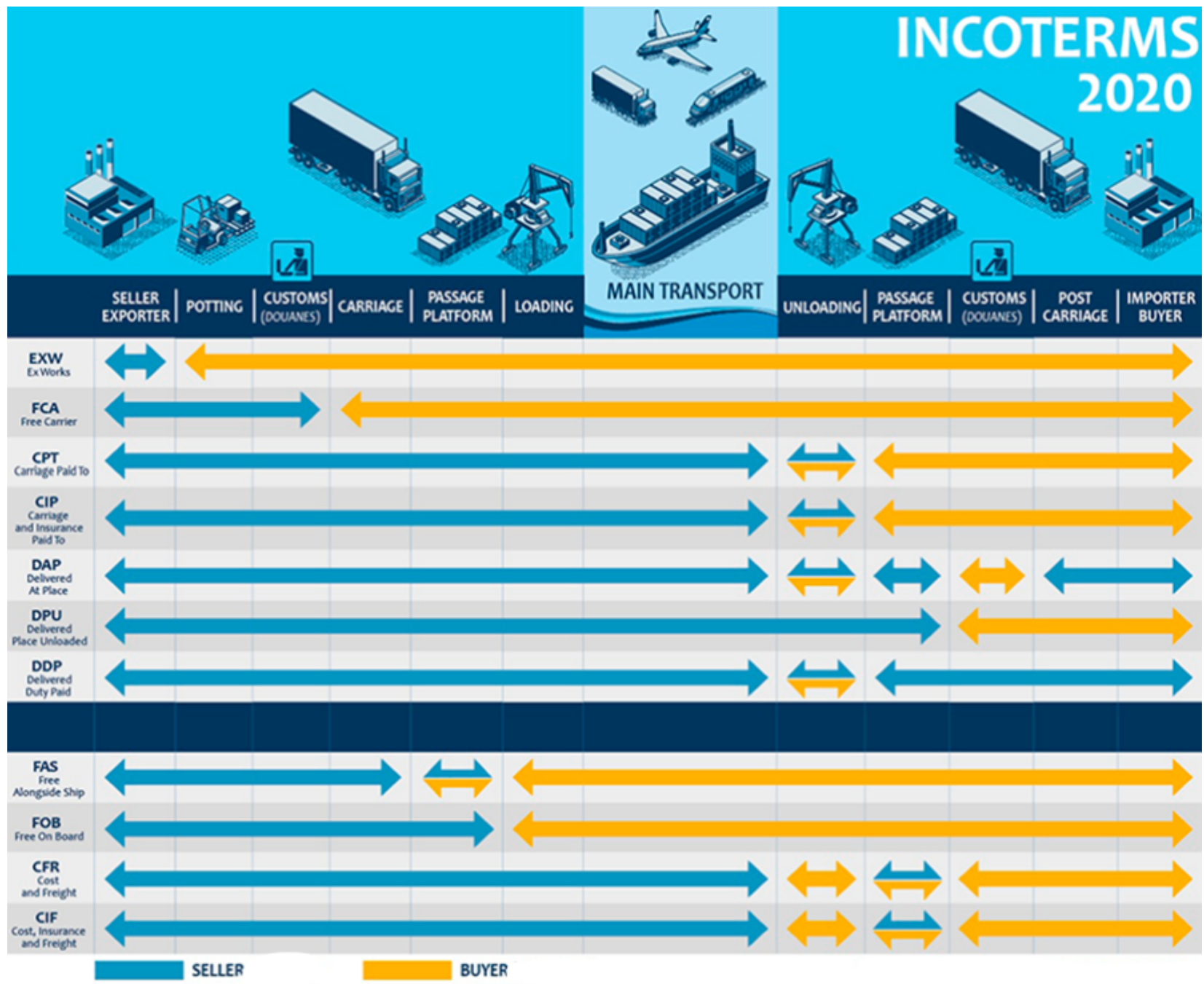




Imports into UK – INCOTERMS

- Incoterms are freight movement terms which identify who is responsible for each stage of the journey a good will make from leaving the factory to arriving at the customers door
- Did not need for EU trade, only for rest of world, but will be important from next year for all movement of goods to/from UK/EU
- Need to decide who is the importer, and what level of liability the importer is responsible for.







Imports into UK – Other Points

- From 1 April 2021, products of animal origin and plants will need health certificates and pre-notification entering the UK, EU likely require same
- From 1 July 2021, all goods entering the UK will be subject to full customs checks, full documentation and payments due at time of importation
- Movements of goods from mainland UK to Northern Ireland will not need export or import declarations (**may change**)
- Businesses moving goods from Great Britain to Northern Ireland will charge VAT and reclaim VAT on their UK VAT return (similar to reverse charge).





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