



## **UK VAT RULES FOR UK BUSINESSES FOR TRANSACTIONS WITH THE EU FROM 1 JANUARY 2021 ONWARDS – A SUMMARY OF THE BASIC RULES**

### **Goods**

#### **Imports**

- Goods imported from EU countries will now be subject to the same rules as imports from non-EU countries.
- Postponed accounting is being introduced, which means UK VAT registered businesses can account for import VAT on their VAT returns, rather than paying import VAT on or soon after the goods cross the UK border.
- Customs declaration and payment of any other duties are still needed; it is possible to set up a duty deferment account to settle monthly. This requires registration with HMRC, and businesses will need to provide a bank guarantee.
- VAT on imported goods with a value of up to £135 will be collected at the point of sale, not the point of importation.

#### **Exports**

- UK VAT registered businesses continue to zero rate sales of goods to EU businesses.
- The EU will treat imports from the UK in the same way as imports from other non-EU countries which means import VAT and any customs duty (tariffs) are due when the goods arrive in the EU. Businesses may be able to use the Common Transit Convention (CTC) to complete some customs procedures away from the border and defer import VAT and duty until the goods reach their final destination.
- The previous distance selling procedures are no longer available.
- The requirement to complete EC Sales Lists ends on 31 December 2020. Instead, UK businesses exporting goods to the EU will need to keep proof of export in the same way they already do for exports to non-EU countries.

#### **EORI (Economic Operator Registration and Identification) number**

- Businesses exporting or importing goods to or from the UK will need an EORI that starts with GB.

#### **Services**

- From 1 January 2021 the VAT treatment of services supplied to customers in the EU will be exactly the same as for non-EU customers. The basic rules are as follows:
  - B2B (Business to Business) services are treated as supplied where the customer belongs. This means services supplied to EU businesses from 1 January 2021 will be outside the scope of UK VAT.
  - B2C (Business to Consumer) services treated as supplied in the UK, so subject to UK VAT and no change to the present position, subject to
  - Specific B2C supplies treated as supplied where the customer belongs. These include advertising services, services of consultants, lawyers, accountants, data processing services, provision of information, banking, financial and insurance services, supply of staff and letting of goods on hire other than means of transport. As previously, VAT on these services is due in the EU state concerned, so UK businesses will need to consider the need to register there as previously.



- There are new rules for the supply of digital services by UK businesses to EU consumers from 1 January 2021. VAT needs to be charged at the rate where the customer is based. UK businesses can no longer use the UK VAT MOSS scheme but must register for the VAT MOSS non-union scheme in another EU country. It is understood many UK businesses are considering doing this in the Republic of Ireland. The previous annual threshold for cross border sales no longer applies. Digital services comprise radio and television broadcasting services, telecommunications services and electronically supplied services; more detailed examples are available on [www.gov.uk](http://www.gov.uk) "VAT rules for supplies of digital services to consumers".

### Northern Ireland

- Sales of goods by businesses in Great Britain to Northern Ireland will continue to be subject to the normal VAT rules as this is a transaction wholly within the UK.
- There are special rules for transactions exported by a business based in Great Britain to an EU country via Northern Ireland. More detailed guidance is on [www.gov.uk](http://www.gov.uk) "Accounting for VAT on goods moving between Great Britain and Northern Ireland from 1 January 2021".
- The Northern Ireland Protocol covers the following transactions:
  - Goods located in Northern Ireland at the time of sale,
  - Goods supplied B2B in Northern Ireland by EU VAT registered businesses, or
  - The sale or movement of goods from Northern Ireland to the EU
- UK VAT registered businesses which are a party to any of these transactions should tell HMRC.

### Recovery of EU VAT by UK businesses

- UK businesses will be able to claim refunds of EU VAT using the existing refund scheme for non-EU businesses, but will need to check the precise requirements in each EU country where they incur VAT.

**For more detail on any of these points please contact the partner dealing with your business's affairs. The information we are getting from informed sources is that the current situation for businesses exported and particularly importing goods from the EU is a total mess, with a myriad of different rules for different situations leading some commentators to suggest a no deal scenario would have provided more certainty. Issues include duty on goods imported into the UK subsequently transferred to another EU state, failures to correctly apply postponed accounting, warehousing etc. Both the VAT and particularly the customs duty rules are complex and it is important to take specialist advice as there is certainly not one rule that fits all.**

This newsletter is intended to give general guidance only and no liability can be accepted for any action taken based on the information given.

**If you think this information might be useful to a friend or colleague, please pass it on.**

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