

VAT Brexit Guide for Business

Introduction

As you may already be aware many VAT registered businesses have been receiving letters from HMRC recommending that an EORI number should be applied for in preparation for Brexit.

In the current climate, subject to further votes, a no-deal Brexit outcome still remains a possibility and regardless of what and when any current rules may change we recommend that all businesses involved with the movement of goods, should apply for an EORI number as soon as possible.

What you do need to do: -

- Apply for an EORI number now, which takes 2-3 days
- Apply for Transitional Simplified Procedures, a quick, same day process
- Communicate with your current agent or get one
- Take advantage of Postponed accounting for import VAT

What is an EORI number?

An EORI number is required to move goods in and out of the EU, it allows HMRC to identify the trader and collect the appropriate Duty. Each member state issues an EORI number which may be used in numerous member states. Without an EORI, you may incur increased costs or delays at the border.

In practical terms, an EORI number is requested by freight forwarders to clear goods through Customs. You may ask your agent to pay import VAT/Duty on your behalf however you must ensure they use your VAT number. Currently, an import VAT certificate ("C79") is issued to the business during the month following importation and this is used as evidence to reclaim VAT on a return – the freight forwarder's charge and any invoice it might issue cannot be used to reclaim VAT.

Although VAT registered businesses have received the letters from HMRC, if any business not registered for VAT starts importing or exporting then an EORI number is still necessary to link to that business for payment of VAT and duty.

Registration is a relatively straightforward process and can be done online via [HMRC's website](#).

For businesses that are registered for VAT in the UK, the EORI number is simply the prefix 'GB', followed by the VAT registration number with '000' at the end to make up the 12-digit number. For example: GB 123 4567 89 000.

For unregistered businesses, it will be a series of digits usually starting with a '0'.

If you think you already have an EORI number, you can check by visiting the [European Commission's website](#) and entering the number.

Irrespective of what happens on the 12 April, we would recommend registering for an EORI number.

What is Transitional Simplified Procedures (TSP) and how do I benefit?

On 4 February 2019 HMRC introduced TSP to help prevent delays and to ease additional burdens for business. Once registered for TSP, businesses can file simplified frontier declarations (reduced dataset) and delay payment of Duties. Generally, this gives business an extended period of up to 30 days to submit full Customs declarations for their movements and clear any Duty payment liability. This facility would be available for most goods declared to free circulation, exclusive of some controlled products. Initially, HMRC announced that TSP would apply to roll on/roll off imports moving through specific ports such as Dover and the Channel Tunnel.

Within the past few weeks HMRC have extended this arrangement to all ports, if the UK leaves the EU without a deal. In addition, full Customs declarations and payment of Duty will not be required until 4 October 2019 for all entries submitted up to 30 September 2019. After this date normal practice will resume where subsequent full supplementary declarations will be required by the fourth working day of each month. This will give business more time to prepare for changes by making the appropriate procedural and staff adjustments in-house, to meet new obligations.

More information on how to apply for a TSP can be found [here](#).

Please note, there may be an increase in agent charges as a result of additional administration required to reconcile TSP declarations.

Current EU VAT reporting

Businesses that buy and sell or transfer goods between the UK and other EU member states, will be familiar with the completion of additional boxes on the VAT returns, specifically:

- Box 2 – to declare VAT on the acquisition of goods into the UK.
- Box 4 – to reclaim VAT if appropriate
- Box 8 – to declare the net value of goods sent from the UK to business customers in other EU Member States.
- Box 9 – to declare the net value of goods received from EU business suppliers.

In addition to this, there may be the requirement to complete EU compliance declarations, including:

- EC Sales lists – to report the value and the VAT number of the

customer receiving goods from the UK.

- Intrastat – to declare the type of goods plus volume/weight being moved to/from the UK.

Businesses that import or export goods will also be aware of the Customs clearance requirements, including the payment of VAT and possibly duty on goods being imported into the UK.

Postponed accounting for Import VAT

Currently EU acquisitions allows VAT registered businesses to self-account for VAT under reverse charge, and therefore no VAT payment is incurred under the current procedure.

Following a no-deal outcome, EU acquisitions become imports and therefore subject to payment of import VAT and Customs Duty. Postponed accounting for VAT will enable a VAT registered business to self-account for VAT, a concept similar to reverse charge.

Currently non-EU imports allows business to pay import VAT/Duty at point of entry into the EU. Owning a Duty deferment account and being approved for SIVA, business can delay payment until the 15th day of the following month. In absence of these accounts, business must pay Import VAT up front and recover this through the C79 procedure.

Following a no-deal outcome, VAT registered businesses can self-account for import VAT on their VAT return under postponed accounting for VAT. If a business does not choose to do this, they may be at a significant cash-flow disadvantage.

Any goods in transit from the EU before 11pm 12 April 2019 must be treated as acquisitions and VAT must be accounted for on the return for the period in which the acquisition occurs. If goods have been brought into the UK under Customs Simplified Freight Procedures (CFSP), you will not be able to account for import VAT on your VAT return if your frontier declaration has been completed before 11pm 12 April 2019.

Completing a VAT return

In a no-deal scenario, a monthly statement will be generated which you should retain in your records. It will indicate total import VAT postponed in the previous month and when to include it on your VAT return. There will be changes to the way you complete the boxes on your VAT return.

- Box 2 – to declare VAT on imports accounted for on your VAT return
- Box 4 – to declare VAT reclaimed in this period on purchases and other inputs (including imports)
- Box 8 – to declare the total value of all exports, excluding any VAT
- Box 9 – to declare the total value of all imports, excluding any VAT

The following import VAT statements will be released from CHIEF/CDS:

- A C79 import VAT certificate for imports made up to 10.59pm on 12 April 2019
- A monthly import VAT statement for imports made from 11pm on 12 April 2019

Further information will be made available at a later date.

You must communicate your intention to use postponed accounting for VAT with your agent. They must declare your VAT and EORI number and have your authorisation to account for import VAT on your VAT return.

Postponed accounting for VAT will not be introduced for parcel consignments valued up to and including £135, which do not contain excise goods and are Customs-declared for release to free circulation.

Duty-suspended Excise goods

If the UK leaves the EU without a deal on 12 April 2019, or another date yet to be agreed, excise goods moved between the UK and the EU will be treated in the same way as those currently moved between the UK and the rest of the world. The Excise Movement Control System (EMCS) will remain for movements within the UK but will no longer be available for duty-suspended movements between the UK and the EU.

More information about importing and exporting excise goods in a no-deal scenario can be found [here](#).

In summary we would advise business to secure their EORI number as soon as possible in advance of a potential no-deal outcome, and most business will benefit from registering for TSP which is a simple and quick procedure that can be actioned online.

If you would like further information or assistance in relation to your business please contact [Allan Bird](#), our International Trade specialist.

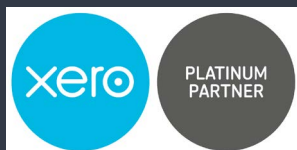


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