

HELP YOUR CLIENTS NAVIGATE THE RECENT BREXIT VAT CHANGES

The eleven-month Brexit transition period ended on 31 December 2020, at which point the UK left the EU VAT Territory and Customs Union. This infographic is designed to help accountants identify what help and support their clients in England, Wales and Scotland may need. Separate rules apply for businesses in Northern Ireland.

IS YOUR CLIENT TRADING IN GOODS?

Buying?

From EU	Imports - no longer treated as Acquisitions. See 'Imports' below.
From Northern Ireland	With some exceptions, treat as domestic transaction, subject to UK VAT.
From Rest of World	See 'Imports' below.

Selling?

To EU	Exports - Business to business sales no longer treated as dispatches, and consumer sales no longer subject to EU Distance Selling rules. See 'Exports' below.
To Northern Ireland	With some exceptions, treat as domestic transaction, subject to UK VAT.
To Rest of World	Exports, can be zero-rated if conditions met. See 'Exports' below.

Imports

From 1 January 2021, two new schemes apply to imports from all over the world: 'Postponed Accounting for Import VAT' allows importers to defer paying import VAT when the goods arrive in the UK. Instead the import VAT can be declared on the VAT return. For postal imports below £135 in value, the new 'Low Value Imports' scheme makes the online marketplace or overseas vendor responsible for charging VAT in the UK.

Exports

From 1 January 2021, sales to both business and non-business customers in the EU are exports. Exports can be zero-rated provided the goods are physically exported within three months of the time of supply, and export evidence is obtained within the same timeframe.

Statistical Declarations

From 1 January 2021, EC Sales Lists are no longer required from businesses in Great Britain. Intra-stat declarations are required for EU imports, but not for EU exports.

Customs

The UK/EU Trade & Co-Operation Agreement means that trade in goods between the UK and the EU is tariff and quota-free. Brexit will also affect tariffs on goods moving between the UK and the rest of the world. If a trade agreement does not exist between the UK and a particular country, the 'UK Global Tariff' will be used. Please see <https://www.gov.uk/guidance/tariffs-on-goods-imported-into-the-uk>

Customs Declarations

Those who have previously only traded with the EU need to familiarise themselves with the new customs declarations procedures required for imports and exports. Making customs declarations is a complex process requiring third-party software, so many importers and exporters use agents or freight forwarders.

IS YOUR CLIENT TRADING IN SERVICES?

The basic 'Place of Supply' rules

It's important to establish the place of supply of a service because it determines where the service is subject to VAT. There are general rules for services where the customer is in business (B2B) and where the customer is not in business (B2C).

If a B2B service is supplied, the general rule says the place of supply is where the customer belongs.

If a B2C service is supplied, the general rule says the place of supply is where the supplier belongs.

There are exceptions to these general rules. Some exceptions only apply to B2B services, some only apply to B2C services, and some apply to both types of service.

Buying?

From EU	No change - must still declare reverse charge if B2B general rule.
From Northern Ireland	No change - domestic transaction subject to UK VAT.
From Rest of World	No change - must still declare reverse charge if B2B general rule.

Selling?

To EU businesses	No major changes (but see 'Place of Supply Changes' below), still advise EU customer to make reverse charge if it's a B2B general rule service.
To EU consumers	Some changes to legislation expected for Exceptions to B2C general rule (see 'Place of Supply Changes' below). Also be aware of changes to VAT MOSS systems from 1 January 2021 (see 'VAT MOSS' below).
To Northern Ireland	No change - domestic transaction subject to UK VAT.
To Rest of World	No changes to rules.

Place of Supply Changes

For B2B services, one of the exceptions to the general rule is the 'Use & Enjoyment Override' that applies to digital services, amongst others. The legislation is expected to change to remove the distinction between non-UK and non-EU customers.

For B2C services, the exceptions to the general rule that only apply when the customer is 'non-EU', such as accountancy and legal services, will change to apply where the customer is 'non-UK' from 1 January 2021.

Changes to VAT MOSS

For UK suppliers of B2C digital, electronic and telecommunications services, which are taxable where the EU customer belongs, VAT MOSS enables them to report relevant sales in a single return to HMRC. From 1 January 2021, VAT MOSS users need to register with a non-EU VAT MOSS system in an EU member state of their choice. The Digital Services Threshold, (which was £8,818), is not available to UK suppliers of B2C digital services from 1 January 2021.

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