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# ALLENSACCOUNTS

The UK will leave the European Union VAT Territory on 31 December 2020. After this date, Great Britain (England, Wales and Scotland) will not be subject to EU VAT legislation.

Please note that Northern Ireland will remain subject to EU VAT legislation in respect of transactions involving goods but not services.

Although a deal is still yet to be negotiated we thought it would be useful to summarise the top 10 issues that we are coming across in relation to VAT and Brexit. Please note that given the lack of a deal not everything is yet set in stone and there is still scope for change.

1. **EORI number.** All businesses presently moving goods between the UK and non-EU countries should already have an EORI number. From 1 January 2021 a business based in Great Britain will need an EORI number prefixed 'GB' to move goods between Great Britain and any other country, including the 27 countries left in the EU after the UK leaves (The EU27). Businesses moving goods into or out of Northern Ireland will also need an EORI number prefixed 'NI'. If you are intending on moving goods between Great Britain and the EU after 1 January 2021 and haven't already got a EORI number you should apply for one now. It can take up to a week to get one, and around 5-10 minutes to apply.

<https://www.gov.uk/eori>

2. **Import VAT** From 1 January 2021 import VAT will no longer be payable at the time

2. **Import VAT.** From 1 January 2021 import VAT will no longer be payable at the time of importation on goods arriving from both the EU27 and the rest of the world.

Instead, UK businesses will be required to account for the import VAT due on their VAT returns using a system called Postponed Accounting (very similar to a reverse charge). This will allow most businesses to pay and reclaim the import VAT on the same return i.e. no cash movement. Such treatment is optional (you can physically still pay the VAT if you want to) but will represent a significant cash flow help to businesses. C79 Import VAT certificates will no longer be required.

<https://www.gov.uk/guidance/check-when-you-can-account-for-import-vat-on-your-vat-return>

3. **£135 Rule.** As an exception to point (2) import consignments into the UK not exceeding £135 in value, typically 'parcels' sold Business to Customer (B2C), will not be subject to import VAT in the same way that other goods are. Rather, overseas suppliers (or the on-line market places they use to facilitate their sales) will be required to register for UK VAT and account for any VAT due to HMRC. Business to Business (B2B) sales of this sort can be dealt with by the UK customer quoting their UK VAT registration number to the supplier and self-accounting for any VAT as per point (2) above.

4. **Customs Declarations.** From 1 January 2021, a business will need to make customs declarations when it imports goods from the EU. These rules currently apply to importing goods from the rest of the world. A business can make the declarations themselves, but most businesses use an intermediary such as a courier, freight forwarder or customs agent.

<https://www.gov.uk/guidance/appoint-someone-to-deal-with-customs-on-your-behalf>

5. **Customs Duty and Duty Deferment Account.** Customs duty will be payable from 1 January 2021, at least in principle (it depends on the terms of any 'deal'), on imports into the UK under a new 'UK Global Tariff', as it is now on imports from the rest of the world. Traders who import goods regularly may benefit from having a Duty Deferment Account (DDA). This enables customs duty and import VAT to be paid once a month through Direct Debit instead of being paid on individual consignments. VAT registered traders can instead account for the import VAT on their VAT return using postponed VAT accounting, as detailed in point (2) above. In some cases intermediaries will allow traders to make use of the intermediaries'

deferment account.

<https://www.gov.uk/guidance/check-which-type-of-account-to-apply-for-to-defer-duty-payments-when-you-import-goods>

6. **EC Sales Lists.** Calendar-quarterly European Sales Lists for goods and services will not be required after 1 January 2021 for supplies by businesses in Great Britain to business customers in the EU27 countries, though they still be required for certain sales by businesses in Northern Ireland.
7. **Intrastat Declarations.** For larger importers and exporters, there will no longer be a requirement for monthly Intrastat declarations for goods exported from countries in Great Britain to the EU27, but they will still be required for imports from the EU27 countries for the duration of 2021.
8. **Export Proof.** There will no longer be any requirement to obtain and record on sales invoices a customer's VAT registration number for supplies of goods to EU27 customers. In practice HMRC previously took this as evidence of export and didn't generally ask for any more documentation. As a result obtaining 'proof of export' for such shipments from 1 January 2021 will become more important than it is now.
9. **Local Registrations.** Businesses based in Great Britain will no longer have access to EU simplification measures relating to supplies of goods or services, e.g. call off stock, triangulation, distance sales thresholds etc. As a result the likelihood of having to VAT register 'locally' in EU countries and, possibly having to appoint an overseas fiscal representative will increase.
10. **Cross Border Input Tax Claims.** The ability to make cross border input tax claims to tax jurisdictions in EU27 countries through the electronic portal will cease on 31 December 2020, though claims for input tax already incurred will be honoured up to 31 March 2021. Input VAT incurred going forward can still (hopefully) be

claimed, but the system for doing so will revert to being manual.

It is also worth mentioning that the completion narrative alongside boxes 8 and 9 of the UK VAT returns will be changed early in the New Year.

As always, if you require any further information regarding the above we will do our best to help.

The Team at Allens



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