

21 January 2021

## VAT Update

### What we know so far

Based on what we know so far about Brexit and the VAT implications, we've pulled together the key changes and shared them below. Due to the nature of the information, it's far more technical than most of the information we share with you. You should hopefully still be able to quickly find what you need. If you'd like some help navigating post-Brexit VAT, please **get in touch**.

### EC Sales lists

If you have previously produced EC sales lists, from 1 January 2021, you will no longer be required to do so.

### Distance selling (where you sell B2C and the consumer is based in the EU)

Distance selling is where a UK VAT registered company sells goods and delivers these to a non-registered customer in an EU country.

From 1 January 2021, the distance selling thresholds will no longer apply to UK companies. The company selling applies VAT at the zero rate and the customer will be liable to pay the import VAT and customs duty – possibly at the border.

Import One Stop Shop (IOSS) will be available to non-EU businesses from 1 July 2021, (UK businesses will need to register in an EU Member state to use this). This will mean:

- No import VAT or customs duty payable by the customer
- UK seller charges and collects VAT at the point of sale
- Declares and pays to appropriate member state via IOSS

### MOSS (VAT Mini One Stop Shop)

The UK is no longer a member of the EU Mini One-Stop-Shop (MOSS) single VAT return scheme. If you were previously part of EU MOSS, you will now have to:

- register in another EU state, as a non-Union business (Ireland is a popular choice with many businesses we're working with),
- continue to file your VAT declarations for EU e-service sales.

EU sellers into the UK have to now register in the UK with HMRC for the same declaration.

## EORI

From 1 January 2021, if a company is moving goods outside of the UK to any other country they will need to have applied for an EORI number. It can take up to one week to apply for this number so it is recommended that companies do this as soon as possible.

If you already have an EORI number, you need to check that this begins with the letters GB and if it doesn't, you will need to apply for a new one.

Use this link to [get an EORI number](#).

## Imports/Exports

- EU Sales are now simply termed as **Exports**
- EU Acquisitions are now **Imports**

**Imports** – will no longer have to pay VAT at the point of import, it will now be dealt with in the VAT return (postponed VAT accounting). This means:

- You do not need to be authorised to do this
- Goods imported must be for your use
- Applies to goods anywhere in the world – not just the EU

Some pointers:

- HMRC will provide a statement that you will need to include in the VAT return
- It's treated the same as reverse charge – Box 1 and Box 4 for the Import VAT
- We recommend you create new tax codes in Xero to track Imports/Exports
- Intrastat requirements have not changed for imports from the EU, but are not now required for exports to the EU.

## Reverse charge

The VAT codes 'Zero Rated EC Sales' and 'Zero Rated EC Expenses' will no longer be used and companies will not be able to reverse charge the VAT. Instead, all sales made to a company that is based in the EU will be sent as Zero Rated with no need to say that it is under the reverse charge rules and no responsibility on the customer to declare the VAT on their return. You will also not need to declare this on an EC Sales List.

Similarly, if a UK company buys a service from a company based in the EU they will not need to declare the VAT under the reverse VAT rules any longer and the service they receive will be Zero Rated.

### **Supply of services**

The place of supply rules does not change in relation to B2B and B2C supply of services.

### **Northern Ireland**

Northern Ireland is now in a special VAT and customs relationship with the EU. Whilst NI stays within the UK VAT area, it shadows EU rules, including zero-rating for VAT on supplies across the Irish border. The UK collects EU VAT due on imports into Ireland via Northern Ireland.