

Brexit Alert: Moving goods under the Northern Ireland Protocol

Who should read this Brexit Alert?

This Brexit Alert is relevant for businesses established in Northern Ireland (NI) and all businesses that move goods into or out of NI.

Introduction

The UK's Brexit transition period expires on 31 December 2020. The UK consists of Great Britain (GB) and NI. On 1 January 2021 GB will leave the EU Single Market and Customs Union resulting in the introduction of a border with the EU. NI will remain part of the UK's VAT system and UK VAT rules relating to services will apply in NI. However, under the terms of the Northern Ireland Protocol (the Protocol), NI will maintain alignment with the EU VAT rules for goods, including on goods moving to, from and within NI.

What does this mean for movements of goods?

This means that movements of goods between NI and the EU will be treated as intra-EU transactions, and movements of goods between NI and GB will be treated as imports and exports. The table below summarises the VAT treatment of various scenarios involving the movement of goods.

Goods moving from/to	VAT treatment
GB to NI	Import in NI
NI to GB	Export in NI
NI to EU	Intra-EU transaction
EU to NI	Intra-EU transaction
GB to EU	Export in GB
EU to GB	Import in GB
Non-EU to NI	Import in NI
NI to non-EU	Export in NI

Under the Protocol import VAT will be due on goods that enter NI from GB and on goods that enter GB

from NI. Supplies of goods within NI will continue to be subject to UK VAT.

The UK Government has introduced procedures designed to minimise the impact on businesses of dealing with the new import VAT and customs requirements on movements of goods between GB and NI.

New EU VAT identification number

The European Commission has proposed the introduction of a new NI VAT identification number with the prefix XI so that intra-EU transactions in goods involving NI can be identified in the EU VAT system. This proposal is currently awaiting approval by the EU Member States.

New EORI number requirement

To move goods to or from NI from 1 January 2021 businesses will need an EORI number that starts with XI. To get an EORI number that starts with XI, UK businesses must already have an EORI number that starts with GB.

Accounting for VAT

There will be no requirement for a new VAT registration for sales of goods in NI. Businesses will continue to account for VAT on all sales across the UK through a single UK VAT return, which will contain the same boxes as now.

VAT on goods sold between GB and NI

VAT will continue to be accounted for as it currently is on goods sold between GB and NI. This means that the seller of the goods will continue to charge customers UK VAT and show this on its invoices. This VAT should be accounted for as output VAT on the VAT Return in the same box as it is now. The customer can use the invoice to recover the VAT

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charged, subject to normal rules on VAT recovery. There are a few exceptions to this when the customer/importer will account for the VAT on their UK VAT return. This applies to goods:

- declared into a special customs procedure when they enter NI or GB
- currently subject to domestic reverse charge rules
- subject to an Onward Supply procedure.

Businesses moving their own goods from GB to NI

In a change to the current position, from 1 January 2021 when a VAT registered business moves its own goods from GB into NI, VAT will be due. The business will need to account for VAT on the movement. This is to be included as output VAT on the VAT return.

Where the goods are used for taxable sales, the VAT may also be reclaimed as input VAT on its UK VAT return, subject to the normal rules.

Businesses that are partially exempt may not be able to recover all of the VAT on goods when they are purchased. Where a business subsequently moves those goods from GB to NI, there is a possibility that irrecoverable input VAT will be incurred again on the same goods. To prevent this, businesses will be able to reattribute the irrecoverable input VAT incurred on the original purchase in GB as if the goods had been used for a taxable purchase.

Businesses moving their own goods from NI to GB

A business will not be required to account for VAT on movements of goods from NI to GB unless the goods have been subject to a sale or supply to a customer.

Other situations

Specific VAT rules will apply in the following situations:

- sales of goods from GB to NI, and within NI, by members of a UK VAT group
- sales of goods on board ferries between GB and NI
- margin scheme supplies in NI involving goods purchased in GB.

Intra-EU simplifications

Intra-EU simplifications, e.g. distance selling and triangulation, will still be available for movements of goods involving the EU and NI.

Use of the EU One Stop Shop schemes

Businesses established in NI will be able to use the One Stop Shop (OSS) that will be available in NI for declaring and paying VAT due on intra-EU distance sales when the new EU e-commerce rules are introduced in July 2021.

The EU Import One Stop Shop (IOSS) to be introduced in July 2021 will also be available for imports into NI not exceeding EUR 150.

For further information on the July 2021 EU changes see our VAT Alert on the **New EU VAT rules on e-commerce**.

Intrastats and ECSLs

From 1 January 2021 intrastat declarations will still be required for the following movements of goods if a business has exceeded the relevant thresholds:

- Goods imported into GB from the EU until December 2021
- Goods imported into NI from the EU
- Goods exported from NI to the EU

NI intrastat declarations will be required for the lifetime of the Northern Ireland Protocol.

Intrastat declarations will not be required for goods exported from GB to the EU.

For further guidance on the VAT implications of the Northern Ireland Protocol please contact us on:

<http://www.rbcvat.com/> • +44 (0) 118 321 6823

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Customs declarations

Digital import declarations as well as safety and security declarations will be needed for goods moving from GB to NI. HMRC has set up a Trader Support Service that can be used to make these declarations.

What businesses need to do

Businesses that move goods in and out of NI need to ensure they understand the implications of the Protocol on their business.

Actions that need to be taken include:

- obtaining an XI EORI number
- ensure that the accounting system can separately identify movements of goods between GB and NI, and NI and the EU, and apply the correct VAT treatment
- ensure that ECSL and intrastat declarations are made where applicable
- ensure that the required digital import declarations are made for movements of goods from GB to NI
- monitor developments on the introduction of a NI VAT identification number for EU purposes.