

# Brexit Alert: New UK VAT rules for imports in consignments up to £135



## Who should read this Brexit Alert?

This Brexit Alert is relevant for all businesses that import goods into the UK in consignments not exceeding £135 in value.

## What is changing?

The transition period with the EU ends on 31 December 2020. From 1 January 2021 the following changes will apply to goods entering the UK:

- EU distance selling rules will no longer apply in the UK;
- low value consignment relief, which currently exempts consignments of goods up to £15 from import VAT, will be abolished; and,
- the collection of VAT on imports of goods from outside the UK in consignments not exceeding £135 in value will move from the point of importation to the point of sale.

## How will the VAT be collected on B2C sales?

For business to consumer (B2C) direct sellers this means a new UK VAT registration obligation will arise for sales of goods that are outside the UK at the time of sale and imported in consignments valued below the £135 threshold.

Therefore, B2C direct sellers will need to:

- register for VAT in the UK (if not already registered); and,
- charge UK VAT on sales to GB customers at the point of sale.

## How is the £135 threshold determined?

The starting point is to consider whether the selling price of the goods exceeds £135, excl. VAT. The value is based on the 'intrinsic value' of the goods, i.e. the price of the goods, excluding:

- transport and insurance costs, unless they are included in the price and not separately indicated on the invoice; and,
- any other taxes and charges.

The £135 threshold applies to the value of the consignment, not to each individual item within the consignment. To determine the correct VAT treatment it is important to know whether goods will be packaged and sent singularly to the customer or as part of a consignment with other goods.

## How are B2C sales above £135 treated?

If the total value of a consignment is over £135 then normal VAT and customs rules will apply, meaning that import VAT will be chargeable and UK VAT is not chargeable at the point of sale.

Therefore, it is very important that the customs declarant has the relevant information regarding consignment value and the VAT treatment of the goods in order that they are dealt with correctly at the UK border.

### **Business to business (B2B) sales**

In the case of B2B sales of goods imported in consignments not exceeding £135, if the customer provides its UK VAT registration number to the seller the responsibility to account for VAT will switch to the business customer, who will account for UK VAT by means of a reverse charge procedure. The seller must include a reference to 'reverse charge' on the invoice, e.g. 'reverse charge: customer to account for VAT to HMRC'.

If the business customer is not VAT registered or does not provide the seller with a valid UK VAT registration number, the seller should treat the supply as a B2C sale and account for UK VAT.

### **Compliance obligations**

Customs declarations will be required under the new rules and border checks will take place. VAT invoicing obligations will apply. The seller should provide the customer with a VAT invoice at the point of sale.

### **Sales via online marketplaces**

Please note that different rules apply to sales of goods made via online marketplaces.

See our Brexit Alert on [New VAT rules for goods sold via online marketplaces](#) for further details.

### **Postponed import VAT accounting**

UK VAT registered businesses that import goods into the UK in consignments exceeding £135 in value will be able to use postponed import VAT accounting from 1 January 2021.

See our Brexit Alert on [Postponed import VAT accounting](#) for further details.

**For further information and guidance about the new UK VAT rules for imports not exceeding £135, please contact us on:**

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