

# Brexit Alert: Postponed VAT Accounting and import VAT recovery from 1 January 2021

## Who should read this Brexit Alert?

This Brexit Alert is relevant for UK VAT registered businesses that import goods into the UK in consignments exceeding £135 in value.

## Introduction

On 1 January 2021, the UK government introduced postponed import VAT accounting (PVA) for all imports of goods (from EU and non-EU countries). It is recommended that businesses act now to take advantage of PVA wherever possible. Businesses using PVA must ensure they register to obtain the relevant evidence from HMRC to support the recovery of import VAT.

## What is postponed VAT accounting?

Under PVA, import VAT is not physically paid to HMRC at the UK border, but is instead accounted for on a business's VAT return. This provides an important cashflow benefit to UK VAT registered businesses, especially in relation to non-EU imports on which import VAT previously had to be paid. The import VAT is accounted for and reclaimed on the same VAT return which for most businesses results in a nil net balance, subject to the normal rules on VAT recovery.

It should be noted that customs duty is still payable if due.

## How does it work?

Businesses do not need to be authorised to use PVA. However, they must ensure their customs declarations are completed correctly to indicate that PVA is to be used.

An online monthly PVA statement is made available by HMRC on the Customs Declaration Service (CDS) to download. This statement replaces the C79.

It shows the total import VAT postponed for the previous month which should be included in the VAT return.

Businesses **must** download the statement each month and retain it in their records as evidence to support the recovery of import VAT. The statements will only be available online for six months.

## How do I access the monthly PVA statement?

Businesses must register with CDS in order to access the monthly PVA statements. This can be done [here](#).

To register for CDS businesses will need their:

- Government Gateway user ID and password
- Economic Operator Registration and Identification (EORI) number that starts with GB
- Unique Taxpayer Reference (UTR) - Note: Non-established taxable persons don't need a UTR to get access to CDS. They should follow the on-screen instructions to identify they are not UK-based
- address
- National Insurance number (if they are an individual or sole trader)
- the date they started their business.

Importers that already have access to CDS should go from the start page to their CDS financial dashboard where they can view and download their statements.

## Compulsory use of PVA

Until the end of June, businesses bringing non-controlled goods into GB from the EU must account for import VAT on their VAT Return if they choose to either:

- delay their customs declaration; or
- use a simplified customs declaration to make a declaration in their own records.

### **Non-UK businesses and PVA**

Businesses established outside the UK need to use a customs broker or agent to import goods on their behalf. If they wish to use PVA, the broker or agent must be instructed to indicate this on the customs declaration and the business's details should be entered as the consignee.

### **Businesses not using PVA**

Normal VAT and customs rules will apply for businesses not using PVA, meaning that import VAT will be chargeable at the border.

These businesses will continue to receive monthly C79 certificates which should be retained as evidence to support the recovery of import VAT on the VAT Return.

### **The importance of using the correct EORI**

It is essential that businesses use their own EORI on import declarations. Failure to do so will mean that the relevant import VAT will not appear on the monthly PVA statement or C79 certificate. As a result refunds of import VAT may be refused by HMRC. Duties and taxes invoices are not acceptable as evidence for import VAT recovery.

### **What businesses need to do**

To ensure they can benefit from PVA and continue to reclaim UK import VAT correctly businesses need to:

- inform whoever completes their customs declarations that PVA is to be used
- include their GB EORI and VAT number on customs declarations
- register for CDS to obtain the monthly PVA statements
- download the monthly PVA statements and retain them in the VAT records
- update the UK VAT return process to include the relevant entries for PVA.

**For further information and guidance about the new UK VAT rules for postponed import VAT accounting, please contact us on:**

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