Brexit Alert: Postponed import VAT accounting

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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

The Brexit transition period expires on 31 December 2020. On 1 January 2021 the UK will leave the EU Single Market meaning goods arriving from the EU will be treated as imports (rather than acquisitions) with import VAT payable.

The government has announced that from 1 January 2021 postponed accounting for import VAT will apply to all imports of goods, including from the EU. This will provide an important cashflow benefit to UK VAT registered businesses. However it should be noted that customs duty will still be payable if due.

What is postponed VAT accounting?

Under postponed accounting import VAT is not physically paid to HMRC at the UK border, instead it is accounted for on the business's VAT return. It works in a similar way to the reverse charge mechanism, as the import VAT is accounted for and reclaimed on the same VAT return.

For most businesses this results in a nil net balance and a cashflow benefit. (Note: import VAT recovery will be subject to the normal rules on VAT recovery.)

How will it work?

An online monthly statement will be available from HMRC to download. It will show the total import VAT postponed for the previous month which should be included in the VAT return.

There will be changes to the way the VAT return is completed. The total import VAT postponed for the VAT return period should be included in Box 1 and Box 4 (subject to any input VAT restriction applicable to the business). The total value of all imports included on the monthly online statements (excluding any VAT) should be included in Box 7.

If goods have initially been declared into a customs special procedure, import VAT should be included on the VAT return when the declaration that releases those goods into free circulation has been submitted.

How do I apply for postponed VAT accounting?

VAT registered businesses do not need to be authorised to account for import VAT on their VAT return and can start doing so from 1 January 2021. Postponed import VAT accounting can be used if:

- the goods are imported for use in the business
- an EORI number, which starts 'GB' was included on the customs declaration
- the business's VAT registration number is included on the customs declaration
- the business is the owner of the goods.

When must postponed VAT accounting be used?

Businesses who choose under the UK's phased introduction of border controls to defer submitting supplementary declarations for up to 6 months ***must*** use postponed VAT accounting.

Import VAT must be accounted for on the VAT return based on the date that the goods were imported into the UK. Businesses will need to estimate the import VAT due from their records of imported goods.

When the deferred declaration is submitted the next online monthly statement will show the amount of import VAT due on that declaration. This should be used to adjust the earlier estimate and account for any difference on the next VAT return.

What happens if I don't use postponed VAT accounting?

UK VAT registered traders who don't use deferred declarations will not be compelled to use postponed VAT accounting. If a business chooses not to use postponed VAT accounting normal VAT and customs rules will apply, meaning that import VAT will be chargeable.

How will imports of goods in consignments not exceeding £135 be treated?

New rules will apply to the collection of VAT on imports of goods from outside the UK in consignments not exceeding £135 in value. See our Brexit Alert on ***New VAT rules for imports in consignments up to £135*** for further details.

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

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