



Changes to import VAT from January 2021

If your business imports goods from outside the UK, you should be aware that from 1 January 2021, the UK Government is making changes to import VAT rules. This will coincide with the end of the Brexit transition period.

Which goods will be affected?

The new rules largely apply to consignments of goods arriving into Great Britain (England, Wales & Scotland) from outside the UK, with a value not exceeding £135.

This includes goods coming from both EU and non-EU countries. As far as Great Britain is concerned, there will be no distinction between the two at the end of the transition period.

Northern Ireland will, however, have a special status with regards to VAT, in order for it to continue frictionless trade with Ireland. For goods, it will remain part of the EU, so an alternative system will apply. The details are still being finalised by the UK Government at the time of writing.

What do the changes involve?

Imports of a value below £135

For these goods, the following changes will apply from 1 January 2021:

- There is to be no import VAT payable at the time of import for these types of goods
- The time VAT is due to be paid will move from the point of importation to the point of sale



- Online marketplaces involved in facilitating the sale will now be responsible for collecting and accounting for the VAT (in this scenario, the online marketplaces will become the deemed supplier, so the overseas supplier will not have to register and account for UK VAT)
- Goods sent from overseas and sold directly to UK consumers, without online marketplace involvement, will be required to register and account for the VAT to HMRC
- Where business to business sales are made to a UK VAT registered trader, if the business customer is VAT registered in the UK and provides its valid VAT registration number to the seller, the VAT will be accounted for by the customer by means of a reverse charge

To note there are different rules for excise goods and non-commercial transactions between private individuals.

Imports of a value above £135

For imports of goods by UK VAT registered businesses above £135, from 1 January 2021:

- Businesses can opt to use 'postponed VAT accounting' to account for import VAT on their VAT return for goods imported from anywhere in the world
- This is as opposed to having to pay VAT upfront and recover it later (assuming the VAT is fully recoverable)

There will be exclusions to this rule. Businesses will need to seek advice to determine if any apply to the specific goods they are importing.

Goods already in the UK at the point of sale and online marketplaces

Businesses established outside the UK, but that own goods in the UK that they sell to UK customers, are already liable for UK VAT and should already be VAT registered in the UK.

However, online marketplaces should note that in 2021 that they will be deemed to make the supply of the goods to the customer. This could mean the overseas suppliers may no longer be liable to be registered for UK VAT.

How can you plan for the end of the Brexit transition period?

As we approach the end of the transition period, you should be mapping out your business supply chains and considering EU VAT registrations.

In addition, you may also need to look into the following:

- Procedures to import and export goods from/to the UK/EU
- Using a customs agent to assist with declarations at the new UK/EU border
- EU simplifications that may no longer be available, for example, distant selling, triangulation, Mini One Stop Shop
- Obtaining an EORI number, which will be required to move goods into and out of the UK



This is not an exhaustive list. It's strongly recommended that you seek professional advice to ensure you are prepared for the changes.

How can we help?

At Lubbock Fine, we have spent the last four years supporting businesses to navigate the VAT implications of Brexit. You can read our recent [VAT and Brexit guide here](#).

If your business is impacted by these changes or you have any questions, please contact your usual Lubbock Fine adviser, or our VAT Director, Jas Dhillon (jaspaldhillon@lubbockfine.co.uk).

For information of users: This material is published for the information of clients. It provides only an overview of the regulations in force at the date of publication, and no action should be taken without consulting the detailed legislation or seeking professional advice. Therefore no responsibility for loss occasioned by any person acting or refraining from action as a result of the material can be accepted by the authors or the firm.

LubbockFine
Chartered Accountants



Paternoster House, 65 St Paul's Churchyard London EC4M 8AB

Tel:020 7490 7766 Fax: 020 7490 5102

www.lubbockfine.co.uk

Registered to carry on audit work and regulated for a range of investment business activities by the Institute of Chartered Accountants in England and Wales.

Updated August 2020