



Brexit: New VAT trading guidance between Great Britain and Northern Ireland

From 1 January 2021, as the Brexit transition period comes to an end, the EU VAT rules concerning the supply and movement of goods will not apply in Great Britain (GB) i.e. England, Wales and Scotland. However, they will still apply in Northern Ireland (NI), despite NI remaining part of the UK's VAT system.

Although this creates a difficult and unique situation for the UK government, HMRC have released guidance on how they envisage the new trading environment operating for VAT purposes. These changes are required to ensure VAT is correctly accounted for, as there is to be no border between NI and Ireland. The latter remaining an EU Member State.

HMRC have confirmed the following:

1. NI will remain part of the UK's VAT system and there will be no requirement for a new VAT registration for sales of goods in NI.
2. VAT will continue to be accounted for on all sales across the UK through a single UK VAT return i.e. goods sold between GB and NI. UK VAT will be charged by the supplier and recovered by the customer subject to normal rules, unless one of the normal exceptions apply, domestic reverse charge etc.

So what is changing?

- When moving goods from GB to NI, the business will need to account for VAT. This will be self-accounted for in the UK VAT return and the VAT recovered to extent the goods are used to make taxable supplies, which is similar to how acquisition tax on the intra EU purchase of goods currently operates, at the time of writing.
- However, businesses will not be required to self-account for VAT when goods are moving in the opposite direction to the above i.e. moving own goods from NI to Great Britain.
- Typically supplies of goods between members of a VAT group are disregarded for VAT, however where VAT group members move goods from GB to NI, VAT will now be due in the same way as when a business moves its own goods as set out above.
- If supplies of goods are made between members of a VAT group and those goods are located in NI at the time that they are supplied, these will only be disregarded if both members are established, or have a fixed establishment in NI.

How can we help?

If your business is to be impacted by any changes regarding VAT accounting, Brexit and the end of the transition period, please feel free to get in touch with Lubbock Fine's VAT Director, Jas Dhillon (jaspaldhillon@lubbockfine.co.uk), for further assistance.

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