
VAT for businesses if there's no Brexit deal

What does it cover?

- It provides information on the VAT rules for goods and services traded between the UK and the EU
- Outlines the **potential impacts for businesses**
- It gives information to support contingency planning
- Provides a brief summary of **current VAT rules**
 - VAT is charged on most goods and services sold within the UK and the EU.
 - VAT is payable by businesses when they bring goods into the UK. There are different rules depending on whether the goods come from an EU or non-EU country.
 - goods that are exported by UK businesses to non-EU countries and EU businesses are zero-rated, meaning that UK VAT is not charged at the point of sale.
 - goods that are exported by UK businesses to EU consumers have either UK or EU VAT charged, subject to distance selling thresholds.
 - for services the 'place of supply' rules determine the country in which you need to charge and account for VAT.

What will happen?

- The current UK VAT system will remain in place after it leaves the EU
- VAT on UK domestic transactions will continue as they are now
- There will be changes to VAT rules and procedures applied to transactions in goods and services between the UK and EU Member States
- Current rules for imports and exports from/to non-EU countries will apply to EU movements meaning customs import/export declarations will be required for all goods entering and leaving the UK
- The government is to introduce postponed accounting for all import VAT payable (EU and non-EU) enabling businesses to account for import VAT on their VAT return
- VAT will be payable on all parcels sent to the UK by overseas businesses as Low Value Consignment Relief (LVCR) will no longer apply
- For parcels up to the value of £135, a new technology-based solution will collect VAT due from overseas businesses selling in the UK. VAT will be charged to the customer at the point of purchase
- Vehicles brought in from the EU will need to register with the DVLA Notification of Vehicle Arrival Procedures (NOVA) to ensure VAT is correctly accounted for on imported vehicles

- For UK businesses selling goods direct to EU consumers, distance selling arrangements will no longer apply and the EU will treat goods supplied from the UK as imports with import VAT and customs duties applied
- For UK businesses supplying goods to other EU businesses, zero-rating for VAT will apply subject to the current UK export rules relating to proof of export. EC sales lists will no longer apply
- The VAT rules regarding 'place of supply of services' will remain the same for UK businesses
- UK businesses using the VAT Mini One Stop Shop (MOSS) will no longer be able to use the UK portal
- UK businesses will still be able to claim VAT refunds from EU Member States but not via the EU VAT refund system
- The EU VAT Registration Number Validation system will still be available, the UK is developing its own system for UK VAT number validation
- The implications for supplies across the Irish border are yet to be determined, further information will be provided in due course

What will businesses have to do?

- Import/export declarations will be required for movement of goods between the UK and the EU
- Import/export records will need to be set up and maintained for movement of goods between the UK and the EU
- Overseas businesses selling goods in the UK will need to register with the HMRC digital Service to account for VAT due. The online service will be available for businesses to register in early 2019
- Watch for Government updates on the new Postponed Accounting system on the GOV.UK website
- For businesses importing vehicles from the EU, register on the DVLA online NOVA system
- Exporters to the EU should check with the relevant EU Member State regarding their import rules and processes that may apply to their goods
- Records will need to be maintained and documents provided as evidence that the goods have left the UK in order to support zero-rating of VAT
- UK businesses need to check whether they are required to register for VAT in any EU Member State where they sell their own goods. Thresholds for mandatory VAT registration vary between Member States
- Guidelines governing the place of supply of services can be found on the OECD website
- Use of the current UK Mini One Stop Shop (MOSS) portal for digital services will cease and businesses wishing to continue using it will need to register with the system in the relevant EU Member State. This can only be done after the UK leaves the EU
- UK businesses wanting to reclaim VAT charged in EU Member States will need to familiarise themselves with the VAT refund process for the relevant Member State concerned
- Businesses may want to sign up to email alerts issued by HMRCs VAT department via GOV.UK for all update to keep up to date with developments

For Brexit support, contact us:

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