

The VAT treatment of imports and exports is complicated owing to the fact that the VAT rules are applied to goods moving between different countries. In most cases, if the VAT treatment is wrong, HM Revenue & Customs (HMRC) will look to collect the tax from you, as you are within their jurisdiction and the overseas counterparty is not.

Here are some of the most frequent questions our clients ask us....

I'm looking to import various goods for my business. What do I have to pay at importation?

You will normally be charged import duty at a fixed percentage, depending on the classification of the goods, plus VAT. For some goods, you will also be charged excise duty and other less common duties.

How are the goods valued?

HMRC will usually use the invoice value, if one exists. Depending on the invoiced terms, this will usually include all shipping costs charged to you. Alternatively, they could use the trade values of identical or similar goods if necessary.

Do HMRC ever get the classification wrong?

It can and does happen. Duty rates can vary enormously and, because VAT is charged on the duty-inclusive value, an incorrect classification can result in too much duty and VAT being paid. Do not forget that whilst you can claim back the VAT as input tax, the duty is an absolute cost of the particular goods and will directly affect your profits.

We are specialists in indirect taxation and can advise you on the correct classifications of your goods, and also assist in minimising the value for import purposes.

Is it true that the VAT can be claimed as input tax?

Yes. Any VAT that you pay out at importation is a valid VAT cost that becomes input tax in the usual way.

Can the VAT still be claimed as input tax if I have not got a VAT invoice for the claim?

You will receive a Certificate for the VAT paid at importation, a form C79, around two weeks after the end of the month in which you imported the goods. This is your evidence for input tax and must be retained.

The VAT is still a heavy cashflow cost though. Can it be made any easier?

You can apply to HMRC for a deferment account, then the VAT due at importation is not collected from the account until the 15th of the month following the date of importation. Alternatively, if the size of your business warrants it, you could consider setting up a fiscal warehouse. In this scenario, no duty or VAT is paid until the goods leave the warehouse for subsequent sale.



Are exports as complicated as imports?

Generally, no. If you have the appropriate evidence that the goods have left the country, then your sale is zero-rated for VAT. HMRC will normally check export evidence carefully though, so you must make sure that it is in order, and can be easily cross-checked to the invoices and your VAT records.

Some of my retail sales are to overseas visitors. Do they count as exports?

There is a special scheme, the Retail Export Scheme, which you can use in certain circumstances. The customer pays VAT as normal and completes a form which you will need to provide. If the customer then gets this form officially stamped, authorising that the goods have left the country, and returns it to you, you can refund the VAT. This refund offsets your normal output tax payment. You must be careful that the forms are completed and stamped correctly, otherwise HMRC may disallow the VAT refund.

New rules require that the overseas person leaves the country for at least 12 months, so you may need to additionally check their visa position before refunding the VAT.

Are there any special rules for the EU?

Yes there are. In European VAT language, there are no imports and exports as we are now a single trading community. They are now called acquisitions and despatches, and there are no border controls or documentary checks to delay your shipments.

How do I pay import VAT then?

The VAT due on goods that you **acquire** in the UK from another EU member state must be accounted for on your own VAT return. This should be treated as input tax in a similar way to VAT due on imports from third countries.

What happens with despatches to other EU member states?

These can be zero-rated in a similar way to exports to third countries. You must still retain the shipping documents to demonstrate that the goods have left the UK, and you must also quote your customer's own VAT registration number on your sales invoice. If your customers in other EU member states are not registered for VAT in their own country, or any other EU member state, then you must charge UK VAT. There may also be implications for VAT registration in other member states, as their rules are often different to those in the UK.

Is there a lot of paperwork to fill out then?

Unfortunately, yes. Despite the emergence of a single trading community, the burden of administration and paperwork for businesses has increased. This can be particularly difficult if there are more than just two parties in your transaction, with the goods and invoices going in different directions.

Depending on various thresholds, you may have to complete various forms called EC Sales Lists or Supplementary Statistical Declarations, to show: the value of goods that you have despatched to or acquired from other EU member states; or the sales that you have made to each of your VAT registered customers in other member states. Completion of these forms is compulsory, and criminal penalties are attached to some if they are not submitted.

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