

Brexit: VAT & Customs reporting implications for trading with the EU



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Please note:

- Microphones are muted
- The webinar is being recorded
- We will be issuing two post event surveys

For the Q&A session:

- **Please** use the questions/chat box and send to 'organisers and panellists'
- We will answer all questions at the end of the session

Our speakers



Sean Glancy
VAT partner
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Sean is UHY's VAT partner and works with a number of clients trading internationally. He is a Chartered Tax Advisor and was a Senior Officer in HM Customs & Excise before spending 18 years working in the Big Four.

Sean joined UHY in 2018 and leads many cross border projects. He has advised on cross border compliance issues for over 20 years with clients including global businesses with turnovers in excess of £3bn.



Barbara Scott
Customs specialist
Barbara@customs.co.uk

Barbara is the owner of Customs Associates Ltd, having worked as a customs adviser for 13 years as a consultant at Ernst & Young and Arthur Andersen.

Barbara works with a number of associates advising on customs systems, litigation and related matters. Her business, Customs Associates, has a network of customs and international trade advisers in most major trading countries. Barbara has a wealth of knowledge about customs and international trade and is the current Chair of the Customs Practitioners Group. Barbara is also the customs adviser to the UK Warehousing Association and the giftware and toy trade.



We will cover:

1. Background
2. Customs consequences
3. VAT consequences
4. Some solutions
5. Q&A
6. Information sources

Timeline

23 June 2016

Transitional
period

Trade and
Cooperation
Agreement 24
December 2020

1 January
2021

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‘Frictionless trade’ headlines

- 24 December – ‘Free Trade’ Agreement – no tariffs
- £900m in Tariffs not being collected
- £190k in fines
- Companies ‘advised’ to set up in the EU
- Customs point - inland
- Suspension of trade
- NI – second hand cars
- Regulatory issues
- Filled sandwiches!



Barbara Scott
Customs specialist
Customs Associates Limited

EU-UK Comprehensive Trade Agreement

- Customs declarations are still required
- Duty will still apply on goods traded between the UK and the EU unless the goods **originate** and comply with the rules of origin as set out in the agreement
- EU duty rates – TARIC
- UK duty rates – UK Global Tariff
- Special arrangements for trade between GB and Northern Ireland



Rules of origin

- Insufficient operations
 - Such as repacking, labelling, painting
 - Simple assembly
 - if neither special skills nor machines, apparatus or equipment especially produced or installed are needed
- Product Rules:
 - Tariff heading (occasionally tariff sub-heading)
 - Imported materials used must have changed tariff heading
 - Maximum value of non-originating materials used must not exceed xx% of the ex-works price

Rules of origin

- Claim at importation
 - Box 36 of the import declaration
 - Importer's knowledge
 - Origin statement from the exporter
 - Waiver (from the need to supply formal proof of origin) for small consignments. For import into the UK, this waiver applies to any goods valued under £1000.
- May make a claim to preference within 3 years of import



Rules of origin

- Origin statement
 - On a commercial document with the goods
 - Long term declaration
- For imports into the UK, if the consignment is over Euro 6,000, the supplier must be registered on the EU REX system
- Must keep records for four years
- Administrative Co-operation

Importing

- Deferred declarations for EU imports
- Entry in Declarant's Records
- Complete the declaration within 175 days using Customs Freight Simplified Procedure (CFSP)
- From 1st July the declaration must be made when or before the goods arrive, like imports from the rest of the world
- Duty Deferment Account
- Postponed Import VAT Accounting
- Other Free Trade Agreements

Exporting

- Deferred declarations for EU imports
- UK export declarations must be made when, or before, the goods leave the UK
- Commercial invoices required
- Origin statement
- Supplier's declaration
- EU import declaration
- Terms of trade with the customer

Northern Ireland

- Few declarations or checks on goods moving from NI to GB
- Declarations on goods moving from GB to NI
- Safety and Security declaration, Simplified declaration and Supplementary declaration
- Register for TSS www.gov.uk/guidance/trader-support-service
- Duty payable on goods of non-preferential origin moving from GB into NI unless they are deemed not to be at risk of moving to the EU
 - The NI trader is authorised under the UK Trader Scheme
 - Waiver of duties up to Euros 200,000 in 3 years
- Charge UK VAT as usual to customers in NI

Value Added Tax

- Goods
- Services
- Selling goods B2C



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Goods

- Basic rules
- Always consider where the goods are when title changes
- Domestic VAT
- EU VAT
- Importer of record
- EORI (Economic Operators Registration & Identification)

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Importer of record

- Incoterms - **may** indicate who is the IOR
 - DDP
 - DAP
- Likely to determine obligations but IOR is key



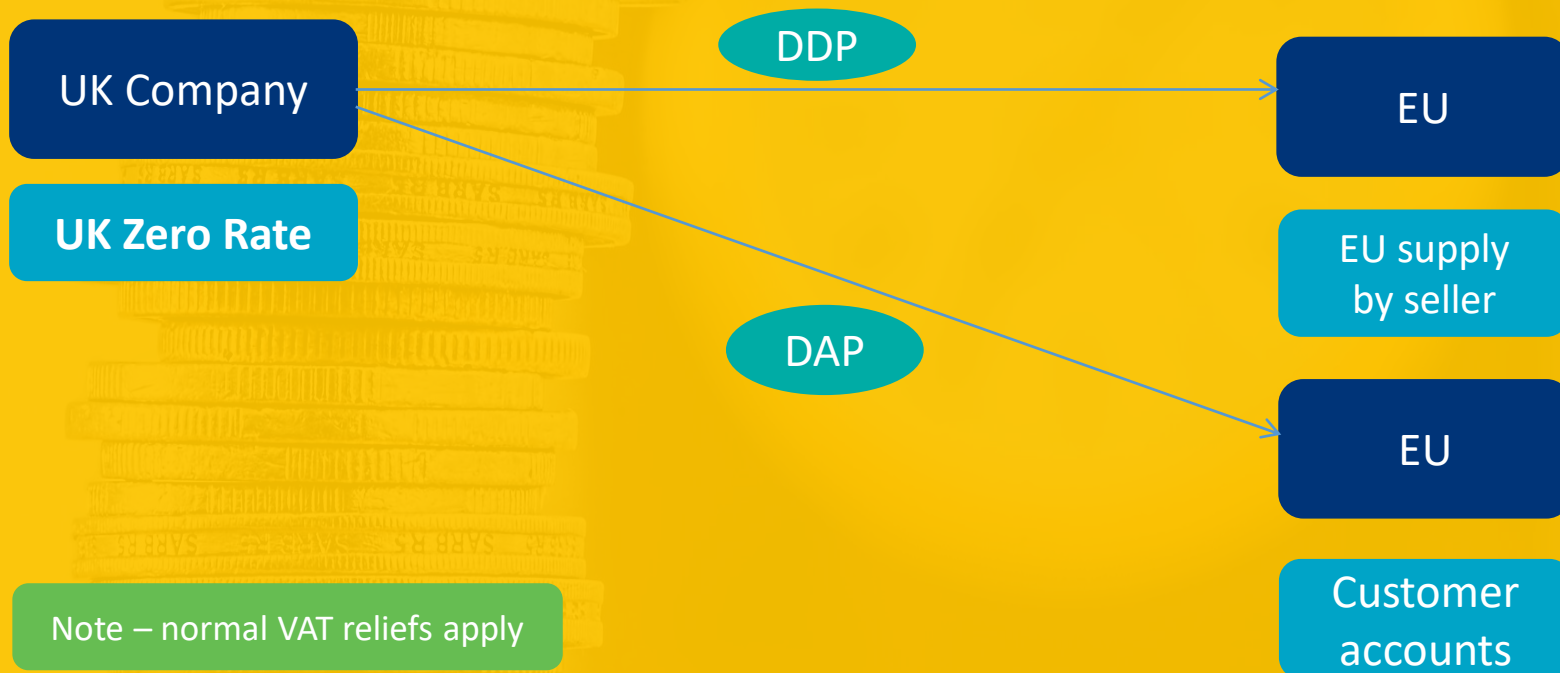
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A person wearing a light-colored, long-sleeved button-down shirt is sitting at a wooden desk. They are holding a pen in their right hand. On the desk in front of them are several documents, including one with a pie chart and another with a bar chart. The person is wearing a watch on their left wrist.

Value Added Tax

- Import VAT
 - Obligation to account
 - Desire to recover – entitlement to recovery
- Onward supply
 - Is a supply being made in another country?

Export of goods from the UK



A photograph of numerous incandescent lightbulbs hanging from above by thin wires. One bulb in the lower-left foreground is brightly lit, casting a warm glow, while all other bulbs in the background are unlit and appear as dark shapes against a dark blue background.

If making a supply in the EU

- Registration & compliance obligations
- Recover import VAT (**postponed VAT accounting?**)
- Fiscal representative

Some exceptions

- France
- Spain
- Belgium?



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Goods

- Distance selling
- Online market place rules
- Goods **below** £135 / 150 Euro value outside the UK
 - Where the goods are when sold
 - Nil threshold
 - Consider ROW - China etc



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Services

- Limited guidance
- Financial services
- Reverse charge – with some exceptions (e.g. land)
- Use & Enjoyment
- Anti avoidance provisions

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Other matters

- MOSS
- EU reclaims
- Regulatory and other non tax issues



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Solutions

- Government advice?
- Financial Services planning
- View of local administrations
- Supply chain
- Shippers
- Subsidiaries
- Customs warehouse
- Freeports

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Mitigation



Mitigation



Other matters

VAT system

- Role of the European Court of Justice
- Flexibility



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Summary

- Goods
- Importer of Record
- £135 rule
- Services – FS intermediary



Questions

We would now like to open the floor to any questions for our speakers, please add them to the questions box.

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Sources of information

Gov.uk – transition
Europa website
Advisors
UHY website - *Brexit*