Brexit: government advice for business on ‘no-deal’ VAT, Customs and Excise

General Features **Indirect Tax**

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The government has published technical notices covering indirect taxes as part of its contingency planning for March 2019, should the UK exit the EU with no withdrawal agreement in place. Many issues could still be relevant for potential future ‘deal’ scenarios.

Businesses and advisers involved with importing and exporting goods would be affected, and government advice is to familiarise themselves with the changes. Many businesses are already taking steps to minimise potential disruption and to be in a position to comply with anticipated obligations.

The government emphasises that it expects to finalise a withdrawal agreement with the EU, meaning that a transitional period would be in place; deferring the majority of changes referenced in the technical notices. However, depending on the shape of any future deal, some or many of these changes are potentially required in the future.

What do we know about VAT?

The VAT notice confirms the government’s aim to keep VAT procedures for goods and services closely aligned to current rules, where possible. However, free circulation of goods would end and import and export rules would apply.

Import VAT would be accounted for via the VAT return (postponed accounting) relieving businesses of a significant cash flow impact. This is a welcome decision and something that the CIOT has been urging the government to adopt. It is important to note that this change would apply to all imports, including imports from non-EU

countries.

There are also changes to the VAT treatment for parcels being sent to the UK (abolition of the low value consignment relief) with a proposed technological solution for overseas businesses to pay UK import VAT for parcels valued up to £135. This raises questions about the readiness of such technology and its enforcement.

Other issues to be aware of include securing VAT free exports, importing obligations in the EU27, VAT recovery for certain financial and insurance services and changes to the way UK businesses can claim international VAT refunds. Registration for the non-union Mini One Stop Shop (MOSS) has a tight 10-day deadline.

Crucially, the uncertainty surrounding the movement of goods involving Northern Ireland remains, which has wider ramifications for the conclusion of the withdrawal agreement.

What do we know about Customs?

The rules that currently apply to imports and exports with third countries will also be applied to goods moving to and from the EU. Businesses will need to be familiar with the obligations that underpin Customs import and export declarations and duty payments, including:

- Obtaining an Economic Operator Registration and Identification (EORI) number.
- International Terms and Conditions of Service (INCOTERMS) reflecting the import/export transaction.
- Submission of import/export declarations (customs agent or freight forwarder required?).
- Classification and valuation of goods for customs declarations.
- Payment of Import VAT and duty.
- Import/export licences may be required for certain goods.

Much of this list could also be relevant to a future deal, for example a Regional Trade Agreement with the EU in respect of a Free Trade Area. It may be that duty amounts are relieved but import and export declarations and processes could remain.

The government advises consideration of customs procedures, which allow businesses to delay or relieve the payment of customs duty until goods are ready to be released into free circulation, such as warehousing, inward processing relief,

temporary admission and authorised use. However, whilst these procedures will continue to operate in the EU27, the availability of such procedures for movements into the UK from the EU27 is uncertain in the event of no deal.

What do we know about Excise?

The government states that the Excise Movement Control System (EMCS) would no longer be used to control suspended movements of excise goods between the EU and the UK. However, it would continue to be used within the UK, including movements to and from UK ports, airports and the Channel tunnel. This means that immediately on importation to the UK, those goods will have to be placed into UK excise duty suspension, otherwise duty will become payable.

Conclusion

The notices highlight a number of steps that businesses importing or exporting should take and raises the potential for seeking professional advice. The CIOT would like to see additional assistance from HMRC including online guidance and telephone access to experienced staff. This will be especially important for small-medium businesses and those new to import/export procedures.

Businesses need to consider how they would deal with the added complexity of the new VAT, Customs and Excise duty requirements for third country imports and exports. Initially in a no-deal scenario but also for a future deal, depending on what is agreed.

The technical notices can be found at:

VAT

Customs

Tariffs