

What changes to expect from upcoming UK border with the European Union and the Importing & Exporting Goods



Overview

On 1 January 2021 the transition period with the European Union (EU) will end and the United Kingdom (UK) will operate a full, external border which means that controls will be placed on the movement of goods between Great Britain (GB) and the EU. This will be similar to the rules that currently apply to movement of goods with non-EU countries. In this document GB means the UK excluding Northern Ireland.

This document provides a high-level overview of the changes that are coming into force from January 2021 and the implications this will have for businesses. This is based on the information provided by HM Revenue & Customs (HMRC) in their document *The Border with the European Union – Importing and Exporting Goods – July 2020*, [link here](#).

Border Controls

After the transition period, the UK Government will operate import and export controls on goods moving between the EU and GB. These controls will be introduced in three stages: January, April, and July.

It is expected that the EU will also operate full import and export controls on goods moving between GB and the EU from 1 January 2021.



As a result, there will be significant changes to the process for moving goods between GB and the EU. All businesses moving goods across the GB-EU border will need to take account of these and adapt accordingly.

Core Process

These principles will apply to all goods movements between GB and the EU, regardless of the mode of transport of the movement. However, there may be some differences in processes by location. The primary variation in process will be the requirement for pre-lodgement of customs declarations at some ports and not others (which will provide temporary storage facilities). This is a commercial decision that border locations will take in due course.

Customs Declarations (Exports & Imports)

Importers and exporters will have to complete UK and EU customs declarations after the end of the transition period. Some locations will require pre-lodgement of customs declarations prior to the movement of goods, which will particularly affect “roll on-roll off” (RoRo) movements.

- 🕒 **Timing - 1 January 2021**
but can be deferred up to six months after import in certain circumstances

Customs Duties (Imports)

Importers will need to ensure that any customs duties applicable to their goods under the new UK Global Tariff are paid. In order to do this, importers will need to determine the origin, classification and customs value of their goods. There are options available to defer any payment that is due.

- 🕒 **Timing - 1 January 2021**
but there are options to defer payment

VAT (Imports)

VAT will be levied on imports of goods from the EU, following the same rates and structures as are applied to Rest of World (RoW) imports. VAT registered importers will be able to use postponed VAT accounting, however, unless they are eligible to defer their supplementary declarations, they will not be compelled to do so. Non-VAT registered importers have the same options available to report and pay import VAT as they do for customs duties. VAT treatment of goods imported in consignments not exceeding £135 in value will be treated differently to those goods in consignments exceeding £135.

- 🕒 **Timing - 1 January 2021**
but there are options to defer payment

Safety & Security Declarations (Exports & Imports)

In order to maintain safety and security standards, the UK Government will collect more information on goods moving into GB from the EU. This ensures HMRC know who's coming in and how often, what they are bringing in, and why. By default, this will include Safety & Security declarations.

- 🕒 **Timing - 1 January 2021 (Exports) | 1 July 2021 (Imports)**

Additional Requirements

Other changes will affect only specific goods movements for importing and exporting goods (e.g. products of animal origin). These include the need for special

certifications, entering the country via specific locations, and undergoing additional checks at the border. Some of these requirements will occur before the core import and export processes, and some will occur after. These elements will be introduced in stages, depending on the type of goods being moved:



Types of Goods

Goods covered by International Conventions / Commitments

e.g. Endangered Species of Wild Fauna and Flora (CITES); Hydrofluorocarbons and Ozone Depleting Substances; Rough Diamonds (Kimberley); Temporary import of non-perishables (ATA Carnets)

- 🕒 **Timing - 1 January 2021**
Introduced in 1 stage

Goods subject to Sanitary and Phytosanitary controls

e.g. Animal products (Products of Animal Origin and Animal By-Products); Fish, shellfish and their products; High-Risk Food and Feed Not of Animal Origin (HRFNAO); Live animals and germinal products; Equines; Organics; Pets; Plants and Plant Products

- 🕒 **Timing - 1 January 2021 | 1 April 2021 | 1 July 2021**
Introduced in 3 stages

Goods with Additional Customs Requirements

e.g. Excise goods

- 🕒 **Timing - 1 January 2021**
Introduced in 1 stage

Other Goods including Strategic Exports

e.g. Bottled Water; Drug precursors; Explosives Precursors; Firearms; Market Surveillance; Veterinary Medicines containing controlled drugs; Waste; Medicines containing controlled drugs; Medical Isotopes; Clinical Trial Supplies; Controlled Drugs; Substances of Human Origin; Strategic Export Controls.

- 🕒 **Timing - 1 January 2021**
Introduced in 1 stage

Postponed VAT Accounting (PVA)

Postponed VAT accounting is being introduced from 1 January 2021 for all imports of goods. This means that UK VAT-registered traders will be able to account for the import VAT on goods imported into the UK on their VAT returns, and both pay and recover import VAT on the same VAT return. This measure will apply to goods imported from all countries, both EU and non-EU.

When PVA is in use, import VAT will now (for the first time) be accounted for on the VAT Return and not handled/paid separately at the point the goods are imported into the UK.

Specifically, PVA will:

- Allow VAT registered traders to account for import VAT on their VAT return for goods imported from anywhere in the world (i.e. from both non-EU and EU),
- Maintain the current cash flow position for goods imported from the EU (currently acquisitions), and
- Provide a cash flow benefit for traders importing goods from non-EU countries who currently have to pay import VAT at (or soon after crossing) the UK border.

In most cases, traders can choose whether or not to use PVA. They can choose when to start using PVA, and can use it for some declarations, but not others.



Traders will also need to consider how they account for and pay VAT on imported goods. Traders will then have up to six months to complete customs declarations. While tariffs will be payable where due on relevant goods, payments can be deferred until the customs declaration has been made.

From 1 January 2021 to 30 June 2021, under the staged approach to import controls, there are some instances where use of PVA is mandatory. Traders who import standard (non-controlled) goods from the EU to GB can:

- a) Use existing customs processes to complete a standard customs declaration at the point of entry to the GB; or
- b) Use Simplified Declaration Procedures (if authorised to do so); or
- c) Use Deferred Declarations: they can defer the declaration for up to six months from the point of import. They must keep sufficient records of the goods to make the declaration at a later date.

Traders using (b) or (c) must use PVA. Traders using (a) can use PVA if they wish.

If goods are initially declared into a customs special procedure (e.g. customs warehouse), PVA can be used when the goods are declared into free circulation from the special procedure.

PVA can be used for excise goods when they are released for home consumption. This includes when goods are released from an excise warehouse after being in duty suspense since the point of import.

Non-VAT registered traders cannot use PVA and continue to pay their import VAT as they do now when they make a customs declaration.

VAT Collection on imported goods below £135 will move away from the time of import.

Impact on the VAT Return

EU Import

Purchase from the EU, before 1 January 2021, Product - £100, Acquisition Tax (Import VAT) - £20

Box 1	0.00	VAT due in this period on sales and other outputs.
Box 2	20.00	VAT due in this period on acquisitions from other EC Member States .
Box 3	20.00	Total VAT due. (the sum of boxes 1 and 2)
Box 4	20.00	VAT reclaimed in this period on purchases and other inputs, (including acquisitions from the EC).
Box 5	0.00	Net VAT to be paid to Customs or reclaimed by you. (Difference between boxes 3 and 4)
Box 6	0	Total value of sales and all other outputs excluding any VAT. Include your box 8 figure.
Box 7	100	Total value of purchases and all other inputs excluding any VAT. Include your box 9 figure.
Box 8	0	Total value of all supplies of goods and related costs, excluding any VAT, to other EC Member States .
Box 9	100	Total value of all acquisitions of goods and related costs, excluding any VAT, from other EC Member States .

Box 2 – VAT due on Acquisitions from EU, Box 7 – Total Value of Purchases, Box 9 – Total Value of All Acquisitions

Purchase from the EU, on & after 1 January 2021, Product - £100, Import VAT - £20

Box 1	20.00	VAT due in this period on sales and other outputs.
Box 2	0.00	VAT due in this period on acquisitions from other EC Member States .
Box 3	20.00	Total VAT due. (the sum of boxes 1 and 2)
Box 4	20.00	VAT reclaimed in this period on purchases and other inputs, (including acquisitions from the EC).
Box 5	0.00	Net VAT to be paid to Customs or reclaimed by you. (Difference between boxes 3 and 4)
Box 6	0	Total value of sales and all other outputs excluding any VAT. Include your box 8 figure.
Box 7	100	Total value of purchases and all other inputs excluding any VAT. Include your box 9 figure.
Box 8	0	Total value of all supplies of goods and related costs, excluding any VAT, to other EC Member States .
Box 9	0	Total value of all acquisitions of goods and related costs, excluding any VAT, from other EC Member States .

Box 1 – VAT due in this Period, Box 7 – Total Value of Purchases

Purchases from the EU are treated the same as purchases from the Rest of World (i.e. Box 2 is no longer used for Acquisitions from other EU Member States)

When a trader imports from the EU they will still need to produce an Intrastat report, but for arrivals only (not for despatches)

EU Sale

Sale to the EU, before 1 January 2021, Product - £100, Export VAT – always zero-rated

Box 1	0.00	VAT due in this period on sales and other outputs.
Box 2	0.00	VAT due in this period on acquisitions from other EC Member States .
Box 3	0.00	Total VAT due. (the sum of boxes 1 and 2)
Box 4	0.00	VAT reclaimed in this period on purchases and other inputs, (including acquisitions from the EC).
Box 5	0.00	Net VAT to be paid to Customs or reclaimed by you. (Difference between boxes 3 and 4)
Box 6	100	Total value of sales and all other outputs excluding any VAT. Include your box 8 figure.
Box 7	0	Total value of purchases and all other inputs excluding any VAT. Include your box 9 figure.
Box 8	100	Total value of all supplies of goods and related costs, excluding any VAT, to other EC Member States .
Box 9	0	Total value of all acquisitions of goods and related costs, excluding any VAT, from other EC Member States .

Box 6 – Total Value of Sales, Box 8 – Total Value of all Supplies

Sale to the EU, on or after 1 January 2021, Product - £100, Export VAT – always zero-rated

Box 1	0.00	VAT due in this period on sales and other outputs.
Box 2	0.00	VAT due in this period on acquisitions from other EC Member States .
Box 3	0.00	Total VAT due. (the sum of boxes 1 and 2)
Box 4	0.00	VAT reclaimed in this period on purchases and other inputs, (including acquisitions from the EC).
Box 5	0.00	Net VAT to be paid to Customs or reclaimed by you. (Difference between boxes 3 and 4)
Box 6	100	Total value of sales and all other outputs excluding any VAT. Include your box 8 figure.
Box 7	0	Total value of purchases and all other inputs excluding any VAT. Include your box 9 figure.
Box 8	0	Total value of all supplies of goods and related costs, excluding any VAT, to other EC Member States .
Box 9	0	Total value of all acquisitions of goods and related costs, excluding any VAT, from other EC Member States .

Box 6 – Total Value of Sales

Sales to the EU are treated the same as sales to the Rest of World (i.e. Box 8 is no longer populated)

RoW Import

Purchase from the RoW before 1 January 2021, Product - £100, Import VAT - £20

Box 1	0.00	VAT due in this period on sales and other outputs.
Box 2	0.00	VAT due in this period on acquisitions from other EC Member States .
Box 3	0.00	Total VAT due. (the sum of boxes 1 and 2)
Box 4	0.00	VAT reclaimed in this period on purchases and other inputs, (including acquisitions from the EC).
Box 5	0.00	Net VAT to be paid to Customs or reclaimed by you. (Difference between boxes 3 and 4)
Box 6	0	Total value of sales and all other outputs excluding any VAT. Include your box 8 figure.
Box 7	100	Total value of purchases and all other inputs excluding any VAT. Include your box 9 figure.
Box 8	0	Total value of all supplies of goods and related costs, excluding any VAT, to other EC Member States .
Box 9	0	Total value of all acquisitions of goods and related costs, excluding any VAT, from other EC Member States .

Box 7 – Total Value of Purchases

Purchase from the RoW with PVA in use, on & after 1 January 2021, Product - £100, Import VAT - £20

Box 1	20.00	VAT due in this period on sales and other outputs.
Box 2	0.00	VAT due in this period on acquisitions from other EC Member States .
Box 3	20.00	Total VAT due. (the sum of boxes 1 and 2)
Box 4	20.00	VAT reclaimed in this period on purchases and other inputs, (including acquisitions from the EC).
Box 5	0.00	Net VAT to be paid to Customs or reclaimed by you. (Difference between boxes 3 and 4)
Box 6	0	Total value of sales and all other outputs excluding any VAT. Include your box 8 figure.
Box 7	100	Total value of purchases and all other inputs excluding any VAT. Include your box 9 figure.
Box 8	0	Total value of all supplies of goods and related costs, excluding any VAT, to other EC Member States .
Box 9	0	Total value of all acquisitions of goods and related costs, excluding any VAT, from other EC Member States .

Box 1 – VAT due in this Period, Box 4 – VAT Reclaimed on Purchases, Box 7 – Total Value of Purchases

Even pre-PVA, import VAT already applies, however this is payable on import and therefore does not appear on the VAT Return. With PVA the VAT is deferred until the Customs Declaration is made, so now appears on the VAT Return

Sales to the RoW are not affected by PVA and therefore remain the same as they are pre-PVA.

Effect of PVA on the UK VAT Return for traders in Northern Ireland (NI)

Assuming that there is a free trade agreement between the UK and the EU then at the end of the UK's transition period (31 December 2020), the Northern Ireland Protocol ('the Protocol') will take effect. The Protocol is a practical solution to avoid a hard border with Ireland whilst ensuring the UK, including Northern Ireland, leaves the EU as a whole, enabling the entire UK to benefit from future Free Trade

Agreements (FTAs). There will be special provisions which apply only in Northern Ireland while the Protocol is in force.

How the VAT Return for traders located in NI is affected from 1 January 2021 is therefore quite different to a trader located in the rest of the UK:

- Imports/exports of goods between NI and the remaining EU member states (including, and most likely, the Republic of Ireland), and which fall under the NI protocol, must still be included on the UK VAT Return in exactly the same way they currently are (i.e. as per pre-PVA-rules); e.g. EU purchases are still referred to as acquisitions and as such have acquisition tax applied to them (not import VAT).

This is the reason why from 1 January 2021 HMRC are not changing the definition or wording of any of the boxes on the VAT Return; the EU related boxes will still apply to NI traders for goods that fall under the protocol.

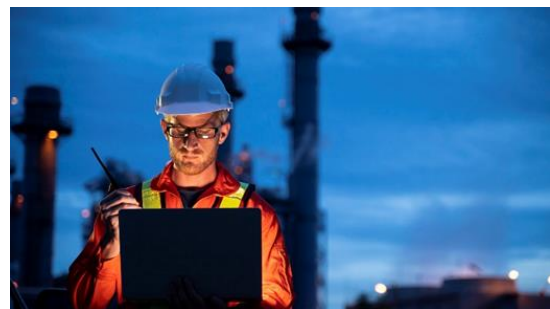
- However, imports/exports of goods between NI and non-domestic non-EU member states may have PVA rules applied to them.
- This means traders in NI can operate a hybrid system, whereby they must stick with current VAT Return accounting rules for EU imports/exports which fall under the NI protocol, but apply PVA rules for non-EU imports/exports.

Note: goods that move between NI and the rest of the UK will be accounted for on the VAT Return just as they are now; i.e. domestic sales/purchases.

Furthermore, traders in NI will still have to complete/provide/submit EC Sales List and Intrastat (SSD) reports (i.e. as available in Opera 3 with EC VAT module activated).

Import VAT on the VAT Return must be based on the “import date”

Under PVA, import VAT must be accounted for on the VAT Return based on the date the goods were imported; i.e. the import VAT must be included on the return whose period covers the import date of the goods. Therefore, it is important to note that inclusion of the import VAT is not based on the associated supplier invoice date.



HMRC Online Statement

Traders will be able to access an online monthly Postponed Import VAT statement. It will show the amount of import VAT postponed for the previous month which they should include in their VAT Return. Traders can download and keep the statement in their records.

Like the current (C79) import VAT certificate, this statement will provide the evidence needed to support deduction of import VAT as input tax on the VAT return (subject to the normal rules about what VAT can be reclaimed).

There will sometimes be a need to estimate the import VAT on the VAT Return. A trader will more than likely not receive their statement until some point during the next month. Depending upon the frequency of the trader's VAT Return (quarterly, monthly, etc.) and upon which month the statement applies to, it is likely that sometimes the trader will already have completed and submitted the VAT Return before they have received the statement detailing the true import VAT values for the preceding month.

Therefore it is highly likely that even when PVA is in use, there still be the potential at times for a trader to not be able to access their online statement before the trader has completed and submitted the VAT Return for the associated VAT period for which the online statement applies to (in part, or in whole; e.g. monthly VAT Return frequency). Where this is likely to happen then that trader must use estimated values on the VAT Return for the likely import VAT related values applicable to the month for which the online statement is not going to be received in time before completion and submission of the VAT Return; the trader will then need to adjust the next VAT period to make good any discrepancy between the estimated import VAT values and those detailed in the online statement.

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This document was created by Pegasus Software, an award winning supplier of accounting and business software. Using our 30+ years of experience to help businesses understand complex the changes that are coming into force on the 1 January 2021.

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