

*****IMPORTANT INFORMATION – ACTION NEEDED*****

Brexit clarifications for both VAT registered and non-registered companies

As all of you know, the UK has left the EU, and the transition period after Brexit comes to an end this year. From 01/01/2021, the new relationship between the EU and the UK begins although the EU-UK discussions on a Free Trade Agreement (FTA) are still ongoing.

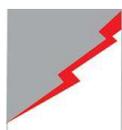
Below we are sending you an overview over some major changes applicable from 01/01/2021. These import VAT reforms only cover Great Britain (GB) – the UK minus Northern Ireland.

Northern Ireland has a **dual status** within the EU and UK VAT, customs union and market for goods only. Northern Ireland will **remain in the EU VAT** system as part of the Northern Ireland Protocol signed with the Brexit Withdrawal Agreement, and the **UK VAT union**. Therefore you have to differentiate your transactions with Northern Ireland so they are treated correctly.

E-commerce B2C

The tax authorities HMRC are implementing the following changes to the ecommerce VAT rules from 1 January 2021 after the UK leaves the EU VAT regime and Customs Union.

- Goods located **outside** the UK at time of B2C sale
 - Sales of goods in consignments **not exceeding £135** shipped from outside of the UK to UK consumers must be charged by the seller with **UK VAT** through their website checkout. This means that you have to be registered for UK VAT.
 - There is **no annual distance selling threshold**.
 - A **VAT registration is required** in order to file quarterly VAT returns to HMRC, and pay the VAT collected from the consumers. There is **no VAT registration threshold** for businesses not established in the UK.
 - The current £15 VAT-exemption on small value parcels will be removed.
 - The seller will have to issue a **VAT invoice** at the point of sale. A copy of the tax invoice accompanies the goods in transit.
 - Simplified **Customs declarations** will still be required for non-fiscal purposes.
 - If the goods consignment is **above £135**, then the **current import VAT** rules apply. In this case, the seller or the consumer can pay the UK import VAT.
 - There are **no UK tariffs** due on consignments into the UK below £135.
 - In order to be able to import/export goods to/from the UK, you must have an UK Economic Operator Registration Identification (EORI) number. We will have to apply for an UK EORI number for all our clients were we handle the ongoing VAT reporting in the UK. Please let us know if you already have one or if you do not like our assistance.



- Goods located **inside** the UK at time of B2C sale
 - When the goods are sold by the non-UK seller operating on own website and not via online marketplaces, the non-UK seller must be UK VAT registered, and charge UK VAT to businesses or consumers.
- Goods sold via **Online Marketplaces (OMPs)**:
 - The obligation to be registered for UK VAT for sellers using OMPs will remain as before, but some adjustments to the ongoing VAT reporting will be necessary.
 - OMPs will be **responsible for collecting and accounting for the VAT** when they are involved in facilitating the sale (for goods under £135) .
 - OMPs will also be liable to collect VAT on sales of goods of any value which are **located in the UK** at the time of sale but which are owned by a seller based outside the UK, through an online marketplace to UK customers.
 - OMPs liability will **not apply to business to business sales** where the goods are in the UK at the point of sale, this is the sellers reporting responsibility. There is no obligation for the OMP to show that the supply is a business to business sale. They should treat the sale as a business to consumer sale unless the business customer provides a VAT valid registration number.

Please note, the value of £135 should be based on the '**intrinsic value**' of the goods, which equates to the price at which the goods are sold, excluding transport and insurance costs (unless they are included in the price and not separately indicated on the invoice) and any other taxes and charges identifiable by the customs authorities from any relevant documents. It is important to bear in mind that the £135 threshold applies to the **value of the consignment**, not to each individual item within the consignment.

There might be negative consequences if you as ecommerce seller do not fulfil the requirements by 01/01/2021, e.g. the goods may be blocked at the border, it may arise tax penalties, the seller may be blocked by a marketplace without UK VAT number etc.

- ✓ for the movement of goods. This includes customs import declarations, import duties or tariffs and import VAT.
- ✓ Check your **Import VAT obligations** - plan how you wish to settle UK import VAT (e.g. who has to pay the import VAT based on the Incoterms, pay customs, defer the import VAT payment)
- ✓ Check if you need any **Import License** which is required for certain goods in the UK.
- ✓ Calculate **UK import tariffs** - understand what payments are due, manage your cashflow and consider passing on the charge to your eventual customer.
- ✓ Check if you need help of a **carrier** with the customs procedure and necessary paperwork.
- ✓ Prepare **UK Intrastat declarations** – businesses importing (arrivals) goods into Great Britain (UK minus Northern Ireland) from the EU will still be expected to prepare monthly Intrastat reports if over the £1.5m reporting threshold. This will only apply for 2021. Businesses exporting goods (dispatches) to the EU will no longer be obliged to prepare Intrastat.
- ✓ Check if you have any flows with the UK including the simplified triangulation rules within EU since these rules will no longer apply.



Important notes for all businesses importing/exporting goods from/to GB from 2021

From 01/01/2021, you will need to use the same import and export processes that are used for non-EU countries who do not have a trading arrangement with the UK or EU. This means that when moving goods:

- an export declaration will need to be made in order to remove goods from either the EU or UK customs territory
- an import declaration will need to be made in order to enter goods into either the EU or UK customs territory
- the carrier will need certain information in order to move your goods between the territories

There are some things to prepare and think about in this respect:

- ✓ Get a **UK EORI number** – in order to be able to import/export goods to/from the UK, you must have an UK Economic Operator Registration Identification (EORI) number. We will have to apply for an UK EORI number for all our clients were we handle the ongoing VAT reporting in the UK. Please let us know if you already have one or if you do not like our assistance.
- ✓ **Determine the Importer** – agree with your business partner which side will be responsible for the customs clearance requirements for the movement of goods. This includes customs import declarations, import duties or tariffs and import VAT.
- ✓ Check your **Import VAT obligations** - plan how you wish to settle UK import VAT (e.g. who has to pay the import VAT based on the Incoterms, pay customs, defer the import VAT payment)
- ✓ Check if you need any **Import License** which is required for certain goods in the UK.
- ✓ Calculate **UK import tariffs** - understand what payments are due, manage your cashflow and consider passing on the charge to your eventual customer.
- ✓ Check if you need help of a **carrier** with the customs procedure and necessary paperwork.
- ✓ Prepare **UK Intrastat declarations** – businesses importing (arrivals) goods into Great Britain (UK minus Northern Ireland) from the EU will still be expected to prepare monthly Intrastat reports if over the £1.5m reporting threshold. This will only apply for 2021. Businesses exporting goods (dispatches) to the EU will no longer be obliged to prepare Intrastat.
- ✓ Check if you have any flows with the UK including the simplified triangulation rules within EU since these rules will no longer apply.

Based on the above information many of you may become obligated to register for VAT in the UK from 01/01/2021 – we will be happy to assist you!

You are welcome to contact us if you have questions or need more detailed information about the impacts in your specific case.

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