

Articles



Brexit: where are we now? A VAT and customs update

28 Jul 2021

UK and EU businesses have been dealing with the challenges that Brexit has presented, not least with respect to the movement of goods to and from the EU over the course of 2021. This article highlights VAT and customs issues that require taxpayer attention, and we flag some important changes taking effect from 1 January 2022.

Following the UK's exit from the European Union on 1 January 2021 (noting Northern Ireland has a rather unique status from a Brexit perspective), all goods being received into the UK from the EU are treated as imports. This means that goods being received from the EU are liable to import VAT and, in some cases, customs duties, leading to consideration of cashflow, reporting and, where duties are payable, a cash cost. As a result, HM Revenue & Customs (HMRC) has introduced some measures to assist UK businesses that deal with the EU, some of which now require actions to be taken for businesses to remain compliant.

Postponed Import VAT Accounting

To ease the burden mentioned above, HMRC introduced Postponed Import VAT Accounting (PIVA), which enables UK businesses to account for import VAT due on their VAT return rather than paying it at the border.

Actions for businesses:

- Businesses that took advantage of this opportunity are reminded that online access to the monthly PIVA statements will only be provided for six months from publishing. The January 2021 statements that were issued in February will therefore be inaccessible from early August through the Customs Declaration Service (CDS).
- All businesses are advised to save copies of these statements for their VAT accounting records.
- Going forward, it's recommended that all businesses download each statement as and when they access it within the Customs Declaration Service to avoid the risk of not having access to a statement to support import VAT accounting.

Delayed customs declarations

In addition to PIVA, UK businesses have also been granted the option of delaying their customs declarations with respect to imports from the EU only.

Since 1 January 2021, HMRC has allowed UK businesses to enter import details in their own records without providing full information to HMRC at the time of import. A supplementary customs declaration is then required within 175 days of the date the goods were imported, at which point the true amount of customs duty would be payable.

Businesses are required to make entries in their own records in order for the supplementary declarations to be made at the appropriate time.

Actions for businesses:

- The 175-day deadline will now be approaching for goods that were imported in January and February. Businesses that took advantage of the opportunity to delay their customs declarations are reminded to check precisely when supplementary declarations are due.
- If a carrier or freight agent deals with your customs matters, we recommend that you discuss this with them to ensure they know when to submit the declarations and that they have retained all the necessary information to do so.
- Review whether the appropriate entries have been recorded in the commercial records of the importer, which will later be used as the basis for the supplementary declarations.

Review of 2021 import VAT

We are aware, in the case of PIVA and delayed customs declarations, that freight forwarders and customs agents engaged by businesses to assist them with the customs formalities, have not always acted as instructed. In some cases, imports have been declared without an indication that PIVA would be used and, conversely, PIVA has been declared when the importing business had not instructed their agent to declare an import in this way.

We would therefore recommend that businesses review the first six months of imports to ensure import VAT has been brought to account in the appropriate manner, and reclaimed for those businesses that are entitled to such recovery. Such a review should be widened to check whether any customs declarations have been delayed and to take the appropriate action.

One aspect of delayed customs declarations which has been widely overlooked is the need for importers to make entries in their records at the time goods are brought to the UK.

Discipline and control over this element should be reviewed to ensure the appropriate records have been maintained.

Further information

Further details on how to delay customs declarations is provided by HMRC at www.gov.uk.

This document has been recently added to the government's Border Operating Model, along with helpful guides on using the National Export System (NES) and on how to export to the EU under transit procedures. [These documents and the Operating Model document itself can be viewed here.](#)

Forthcoming changes

Over the coming weeks, HMRC will be issuing letters to VAT-registered businesses in Britain that trade with the EU, highlighting the current rules and actions to take for importing goods from or exporting goods to the EU. Steps that businesses may need to take include:

- Making supplementary declarations;
- Appointing a customs intermediary;
- Export Health Certificate requirements; and Import safety and security declarations.

HMRC will also be advising businesses on what they need to do to prepare for the introduction of full customs declarations from 1 January 2022. If you do receive a letter and you'd like guidance on how it applies to your business then please get in touch for assistance.

HMRC's latest publication on helping businesses prepare for full customs controls from 1 January 2022 is available at www.gov.uk.

How we can help

We advise many clients on the VAT and customs position of their EU supply chains and, on a daily basis, we are dealing with the issues and complexities that can arise when businesses ship to, from and within the EU.

Now is the opportune time to take stock and reflect on your international supply chain and consider how efficient they are operating from a VAT and customs perspective. We can assist businesses in reviewing their position and we can advise on the international tax implications of the supply chains in place and any proposed changes.

If you are interested in reviewing your VAT position with respect to your international supply chains, please contact your usual Saffery Champness partner.

