

BREXIT AND THE CHANGES DUE TO COME INTO PLAY 1 JAN 2021



As we are all reminded, the UK is leaving the European Union at the end of the year, most likely, with no deal. As a business, you should look at the changes you must make if you are trading with the EU moving forward.

As of the 1 January, free movement of goods across the channel will cease and there are certain changes that will need to be made ahead of this crucial date. The VAT treatment of services provided/received with former EU countries will change too. Preparation is key and you must begin composing plans now.

What about Business to Business (B2B) Services post Brexit?

Leaving the EU is likely to change how UK service businesses, for example law firms, banks, architects, insurers, recruiters and tour operators supply services with the EU. Given how important services are for the UK economy, suppliers of services deserve as much attention as suppliers in goods and making sure the rules are understood.

Currently where an EU business purchases most services from the UK, the UK business uses the 'reverse charge' mechanism to account for VAT. The UK business provides the business with an invoice showing no VAT has been charged, and the UK business includes the figures in their EC Sales List/VAT return.

In the event of a no-deal Brexit, the Government have said that the sale of services by a UK business to businesses in the EU would become "outside of scope of UK VAT". Here, UK businesses would continue not to charge VAT, but would not be required to report it on an EC Sales List any more.

Similarly when UK businesses purchase services from within the EU, businesses would receive invoices showing no VAT has been charged, but would need to include the figures in their VAT return. As before, special rules apply to some types of service, most commonly land. The above general rules may differ and bespoke advice is always needed.

Business to Consumer (B2C), i.e. supplies to non-business clients in the EU requires a more complex approach and we will send a separate note shortly on this.

Exporting goods to the EU from 1 Jan 2021 - What you need to do now

If sending goods by post

You will need to comply with a number of regulations that may require customs declarations to be completed. Your Post Office can probably advise what is required.

Do you have an EORI number?

EORI stands for 'Economic Operator Registration and Identification' Number. This is a number used by freight handlers and customs when goods move between countries. It is important to ensure businesses have an EORI number.

You will need an EORI number that starts with GB to export goods to the EU from 1 January 2021. This can be applied for on the GOV.UK website, very quickly and easily [HERE](#)

Investigate how to declare goods from 1 January 2021

You will need to make customs declarations when you export to the EU. There is information on the GOV.UK website that sets out what you need to do [HERE](#)

Other export rules you may need to consider

You may need export licences or to check the marking, labelling and marketing standards for food, plant seeds and manufactured goods. If appropriate, you will also need to include appreciation of the specific rules for exporting alcohol, tobacco and certain oils.

Can you charge VAT at 0%?

From 1 January 2021, you can charge EU customers VAT at 0% (known as 'zero rate') on most goods you export to the EU. The recipient will be responsible for import duty and import VAT for both B2B and B2C transactions.

Do your EU customers need an import licence?

Before sending EU customers your goods, check that they can make the necessary import customs declarations. They may also need a licence or certificate to import some types of goods.

From 1 January 2021, the reverse charge, EC Sales List (B2B) and distance selling thresholds (B2C) are gone. Intrastat returns will still be required by HMRC for statistical purposes.

Importing goods from the EU from 1 Jan 2021 – what you need to do now:

Be ready to complete customs declarations

You will need to complete an import declaration to get your goods through customs. Normally, this is facilitated by specialist software – the Customs Handling of Import and Export Freight system (CHIEF).

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Do you have an EORI number?

Again, you will need an EORI number that starts with GB to import goods from 1 January 2021. This can be applied for on the GOV.UK website [HERE](#)

Check the rate of duties and VAT you will need to pay.

You will need to pay import duties and VAT on goods imported from the EU. The amount will depend on the types of goods imported. Full details are posted on the GOV.UK website [HERE](#). You will need to factor these additional charges into your onward pricing models otherwise you will suffer an equivalent drop in profits.

Postponed accounting

Postponed accounting will be introduced on 1 January 2021. This will mean that a VAT registered business will not pay VAT on imported goods when they arrive in the UK. The VAT payment will be postponed and instead declared in Box 1 and Box 4 of the next VAT return submitted by the business. The net payment for the goods and any duty will be included in the Box 7 inputs box.

Moving goods through Northern Ireland

New guidance provides support for businesses engaging in new processes under the Northern Ireland protocol.

Managing these new regulatory processes?

The pandemic and the chaos created by the various shades of lock-down have distracted us from the impending no-deal exit from the EU. If your business depends on supply lines from the EU and you have not yet considered how you are going to cope with the new regulatory processes from 1 January 2021, your simplest option may be to use the services of a freight/customs agent or put in place a dedicated person within your business to do this.

Using an agent

If you are importing into the UK from the EU it is important to have spoken to your current agent. Are they happy to make the customs declaration for you? Many of them are going to have capacity restrictions and therefore you need to make sure you have a secure contract with them. If not, you are going to be stuck at the port. Our advice is to contact your agent (or appoint one) as soon as possible.

If you do not have an agent, the Government has published a comprehensive list of customs agents that you can access. Here is a full list of them [HERE](#)

Forecasting is vital now

Whether importing or exporting, you should also take account of the likely effects on your financial forecasts for 2021.

We are Here to Help

There are many complex new procedures and rules that need to be put in place over the next few weeks prior to the change over due to be implemented on 1 January 2021. We are here to help where we can and advise the best next steps for you and your business.

Please contact a member of our dedicated team on **01753 888211** or email info@nhllp.com