MOORE

Update 14th April 2021

Trading with the UK – VAT changes from the 1st January 2021

We received a number of queries from clients in relation to trading with the UK and how these matters were to be dealt with as part of their preparation of their Vat returns for January/February 2021. We would just like to remind people of the previous guidance we issued on this matter on 9th February 2021, now repeated below, which should be a useful reference point for dealing with queries that might arise on trading with the UK under the new Vat regime post Brexit

Introduction

Following the UK's withdrawal from the European Union (EU) on 31/12/2020 it is no longer a part of the EU's Single Market and Customs Union. This has resulted:

- Changes to VAT reporting for businesses in the Republic of Ireland (ROI), and
- The introduction of Customs formalities with a requirement to file import/export declarations where there is a movement of goods between ROI and Great Britain (UK excluding Northern Ireland).

We provide a brief summary of the VAT changes for business to business transactions (B2B) in this leaflet.

Trade with Northern Ireland (NI)

The NI Protocol means that NI continues to be within the EU VAT system for the movement of goods between the EU and NI. The services sector is not covered by the NI Protocol.

From the 1/1/2021, NI businesses trading with the EU should have an XI prefix in their VAT registration number.

There is no change to the information required in the periodic VAT, VIES and Intrastat returns when reporting trade in goods with NI.

Sale of Goods

The B2B sale of goods to NI is treated as a zero-rated supply (subject to the normal conditions for zero rating an intra-Community supply of goods).

- The value of the sale is reported at Panel E1 of the VAT return.
- The sale is included on VIES and Intrastat returns where a trader is required to file these returns.

Acquisition of Goods

The B2B purchase of goods from NI is treated as a zero-rated intra-community acquisition. An ROI business acquiring goods from NI should:

- Self-account for the VAT due in Panel T1 of the VAT return for the relevant period and, subject to entitlement, claim an input credit at Panel T2.
- Enter the value of the good purchased at Panel E2 of the VAT return.

- Include the purchase in the Intrastat return where required to file a return.

Trade with Great Britain (GB)

There are significant changes to the VAT rules for trading in goods with GB from the 1/1/2021.

Sale of Goods

The zero rate of VAT applies to the export of goods that are directly dispatched to a destination outside of the EU VAT area.

Irish traders should be aware that they may have VAT registration obligations in the UK from the 1st January 2021. For example this can arise where:

- The trader is responsible for UK import declarations, e.g. where the Incoterms in the contract provide that the sale of goods are Delivered Duty Paid (DDP).
- There is a Business to Consumer (B2C) direct sale of goods to GB customers. From the 1st January 2021 VAT registration is mandatory for non-UK established sellers and there is no minimum VAT registration turnover threshold.

The value of any goods sold to the UK should not be reported at Panel E1 of the periodic VAT return.

Importing Goods

Where a business imports goods from outside the EU they are liable to pay VAT at the point where the goods are imported to Ireland. The imported goods are liable to VAT at the same rate as applies to similar goods sold within Ireland.

A Postponed Accounting (PA) mechanism is available to businesses from the 1/1/2021. This scheme allows businesses to defer the VAT charge due at the point of import and self-account for the VAT due on the periodic VAT return. PA generates a cash flow saving for most businesses as, subject to entitlement, the business can claim an input credit matching the VAT charge.

To avail of PA an importer should enter a code on their import declaration. If using the AIS system for declarations the importer should insert 1A05 in Data Element (DE) 2/3 followed by text IEPOSTPONED. If using the AEP system insert 1A01 in SAD Box 44 followed by text IEPOSTPONED

When filing the VAT return the value of the goods imported using PA should be included at Panel PA1, the VAT charge on the import at Panel T1 and the input credit due (subject to entitlement) at Panel T2.

Services

Supply of Services to the UK

The EU VAT rules on services do not apply to NI as the services sector is not covered in the NI Protocol.

The nature of the service and the status of the recipient determines how a service is treated for VAT purposes. Service providers should take advice on the correct VAT treatment when supplying services to customers in the UK and the procedures to be followed.

The general rule for the supply of a B2B service to a customer established outside the EU is the service is deemed to be supplied in the place where the recipient of the services is established and the zero rate of VAT applies. There are however a number of exceptions to the general rule e.g. services connected with land and buildings located in Ireland.

To avail of the zero rate for a supply of B2B services the service provider should retain proof that their customer is established outside the EU and that they are a taxable person. The proof of establishment outside the EU may consist of a VAT or tax identification number allocated by the tax authority in the country of establishment. This may be supplemented by the customer's order form containing the business address and trade registration number, and/or a print-out of the customer's website, to confirm that the customer is conducting an economic activity.

The general rule for the supply of B2C services to customers established outside the EU is the service is deemed to be supplied in Ireland and Irish VAT should be charged. Again there are exceptions to the general rule for certain specified services,. For example, there are certain services including accountancy and consultancy services that, if supplied B2C to customers outside the EU, are not subject to VAT.

Where a service provider applies the zero rate of VAT they should retain proof that their customer is established outside the EU.

From the 1st January 2021 the value of services supplied to UK should not be reported at Panel ES1 of the periodic VAT return.

Services Received from the UK

Where an Irish business receives services from outside Ireland they should self-account for the VAT due on the invoiced amount for the services at Panels T1 and T2 (subject to entitlement) of the periodic VAT returns. The rate of VAT for self-accounting is the appropriate Irish VAT rate that would apply if the business themselves had made the supply.

From the 1st January 2021 services received from UK should not be reported at Panel ES1 of the periodic VAT return.

If you require further information please contact on the VAT implications of trading with the UK please contact padraig.odonoghue@mooreireland.ie

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