VAT & Customs Issues for UK Exporters.

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AGENDA.

- Exporting to Europe
- Origin
- Buying and selling in Europe
- Double Taxation
- Repair and processing
- Northern Ireland/ROI
- HMRC

EXPORTING TO EUROPE

- Importance of Inco terms – these define the responsibilities of the buyers and sellers
- Ex works
  - The seller makes the goods available at their premises, and the seller arranges collection and delivery to their premises.
  - Proof of export is required to ensure that no VAT is due for the seller
- DDP – Delivery Duty Paid
  - VAT registration in country of importation is required to account for the VAT
  - Indirect Customs representation required to make the import declaration
  - Indirect Customs representation is difficult to find as they would be jointly and severally liable for any customs debts
- Regime 42 – Belgium or France
  - No need for VAT registration, seen as a simple way to get goods into Europe and account for the VAT
  - Onward Intra community supplies as zero rated as the VAT has been accounted for
- Creating an establishment/entity in Europe
  - Netherlands is good option.
  - Goods move into the Netherlands, VAT is accounted for and then the goods can move into the rest of Europe.

CASE STUDY – AMAZON

- UK Company selling to Amazon in six different Member States
- Amazon will not make import declarations
- UK company used Regime 42 to move goods through France to country of destination
- Expensive
- Set up Entity in Netherlands to make intra-community supplies across Europe
  - (Also warehouse and IPR in UK)

ORIGIN

- Importer can claim preference if they have a 'statement on origin' made out by the exporter. Preference is used for countries that we have a trade agreement with which gives reduced or zero duty
- Importer's Knowledge can be used if you cannot get a statement but you know how the goods have been processed
- Origin is complex and needs to be correct
- Exporters must hold the supplier declaration to prove origin
  - This can either be a supplier declaration on the invoice or long-term supplier declarations which are valid for a maximum of 2 years
  - Specific wording must be used
- Supply chain complications
  - Getting the origin wrong can cause problems with client relationships
  - It could cause reputational damage
  - If HMRC investigate you will need to repay any duty which would have been due and you may face penalties

BUYING AND SELLING IN EUROPE

- VAT Place of supply rules
  - Where goods are situated and where the transfer of ownership takes place, this is key in ensuring you pay the VAT at the right time and rate
- VAT registration required if buying and selling goods in Europe
- Make sure you plan ahead…

CASE STUDY

- UK Company with a parent company in Luxembourg and Irish subsidiary
- Irish subsidiary had a contract with an Irish company to supply goods
- Goods were purchased by the Irish Subsidiary from the parent company in Luxembourg
- Goods were moved from Luxembourg to Bulgaria for testing
- The goods will then be moved back to Ireland
- Without using special procedures VAT and duty would be due on the goods
- Can't supply direct from Luxembourg Company to the Irish company due to the contract
- Did not want to move goods from Luxembourg to Ireland before moving to Bulgaria for testing
- Solution - sale takes place in the Customs Warehouse in Luxembourg to the Irish subsidiary and then from the Irish Subsidiary to the Irish company who is the final customer
- The Irish company then moved the goods to Bulgaria for testing then moved them back to ROI

DOUBLE TAXATION

- Goods imported into UK for export
- Potential double taxation – double duty. VAT and duty are due on import into the UK, when they are exported VAT and duty will be due in the destination country
- Anti-dumping duty/safeguarding duties may also apply. For example, certain aluminium from China has a standard 6% duty and also an additional 35% anti dumping duty (ADD) due on import
- Customs warehouses can be used, no VAT or duty is due on the goods that are imported into a customs warehouse. VAT and duty is only due when the goods are either re-exported or they are released to free circulation for use in the UK.
- Will not work for EU goods being returned to EU

REPAIR AND PROCESSING

- If you export goods for repair or processing you need to use Outward Processing (OPR) and Inward Processing (IPR)
- Avoid irrecoverable VAT, if you don’t own the goods that you are sending out for repair, you cannot reclaim the VAT
- For goods imported for processing, inward processing should be used
- UK manufacturers can use a mixture of IPR and Customs Warehousing to reduce or remove duty costs.
- Especially useful where safeguarding measures or anti dumping duty is an issue.

CASE STUDY

- Client imports aluminium profiles from China
- 6% Duty
- 35% anti-dumping duty
- Manufactures roof lights
- Implemented customs warehouse and IPR
- Process changed commodity code of finished product and therefore removed the ADD associated with the commodity code of the raw material. The finished roof lights just have a duty rate of 6%.
- Annual savings £350k per annum

UKIMS/Red Channel moving goods to Northern Ireland

UKIMS (UK Internal Market Scheme)

- This was originally the Green Lane
- Goods can move as not at risk so there are fewer formalities
- Goods **must** remain in NI
- Onus on exporter to ensure that the buyer will not sell into the Republic of Ireland
- Risk based checks

Red Lane

- The red lane is for goods moving to Northern Ireland that aren't covered by UKIMS
- They are 'at risk' of moving to ROI or the rest of the EU
- These goods are subject to full controls and checks
- Documentation is required for these goods
- Import VAT and duty will be due on import to NI

TO ROI VIA NI

- If you are moving goods to ROI, it might be worth considering the delivery route
- If they are moved through NI to ROI you would do the customs entry – goods at risk, through the red lane
- Entry using your GB EORI number
- There is a Duty Waiver which can be claimed – this covers duties on goods moved at risk through NI. You are able to claim up to €300,000 of duties, not goods values, over three years, other de minimis state aid amounts are taken into consideration on a quarterly report to HMRC

CASE STUDY

- Client imports coffee into UK
- Processes into smaller packets, the likes that you see in hotel bedrooms
- Use of Customs Warehouse and IPR
- Coffee attracts a high duty, using the Customs Warehouse means there is no duty due in the UK
- The client exports to ROI via NI and declares the goods as at risk
- Duty is payable in NI but they claim the waiver

HMRC/TAX AUTHORITIES

- Light touch post Brexit and we didn't see many inspections
- Now getting up to speed
- We are seeing more customs and VAT inspections and enquiries
- More cross border collaboration

CASE STUDY

- Collaboration between HMRC and German customs
- UK company was exporting steel to Germany
- Steel was of Indian origin and it hadn’t been processed in the UK so it hadn’t changed origin
- Goods were exported as UK origin
- Import duties on the Indian steel were 25% more than UK origin goods
- Value of steel in question was over £2.4m
- The companies would have to pay the additional duty and face possible penalties

FINAL POINTS

- Customs and VAT are complex areas, mistakes can happen but they can be costly and can damage reputation
- If in doubt ask, there is no such thing as a silly question
- We are more than happy to have an initial chat

DAINS
ACCOUNTANTS

THANK YOU FOR YOUR TIME

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