

Northern Ireland Trade and VAT after Brexit

Course book



...market leaders for business training

Course book

This document contains the text of the PowerPoint displays that are used during the presentation of the course

Northern Ireland Trade and VAT after Brexit

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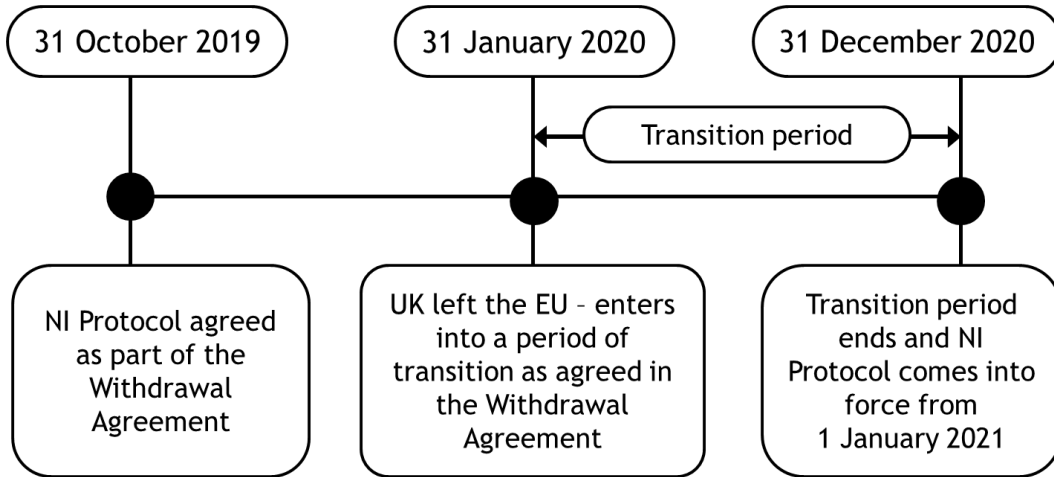
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Session 1: Background to the Northern Ireland Protocol

The Brexit transition period



Who is affected by the Northern Ireland Protocol?

- Businesses with headquarters in NI
- GB businesses with operations in NI
- EU businesses (including Ireland) with operations in NI
- Any business outside NI that trades with NI

Great Britain (GB):

England, Scotland and Wales

United Kingdom (UK):

England, Scotland, Wales and Northern Ireland (NI)

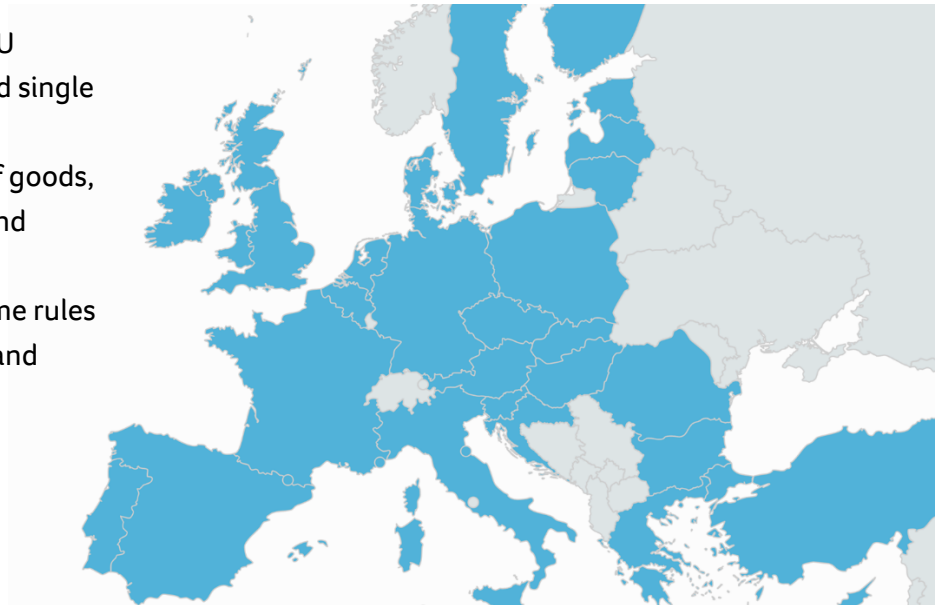


What is the Northern Ireland Protocol?

- Part of the Withdrawal Agreement
- Sets out provisions on customs, trade and other areas that specifically apply to NI
- Aims to avoid a hard border between Northern Ireland and Ireland
- Also ensures unfettered access for NI businesses to GB
- Upholds the Belfast (Good Friday) Agreement
- It is not a permanent solution
 - Consent vote to take place every 4 years – the first in 2024

EU customs union – pre-Brexit



- UK is part of the EU customs union and single market
- Free movement of goods, services, capital and people
- Broadly follow same rules on VAT, customs and tariffs

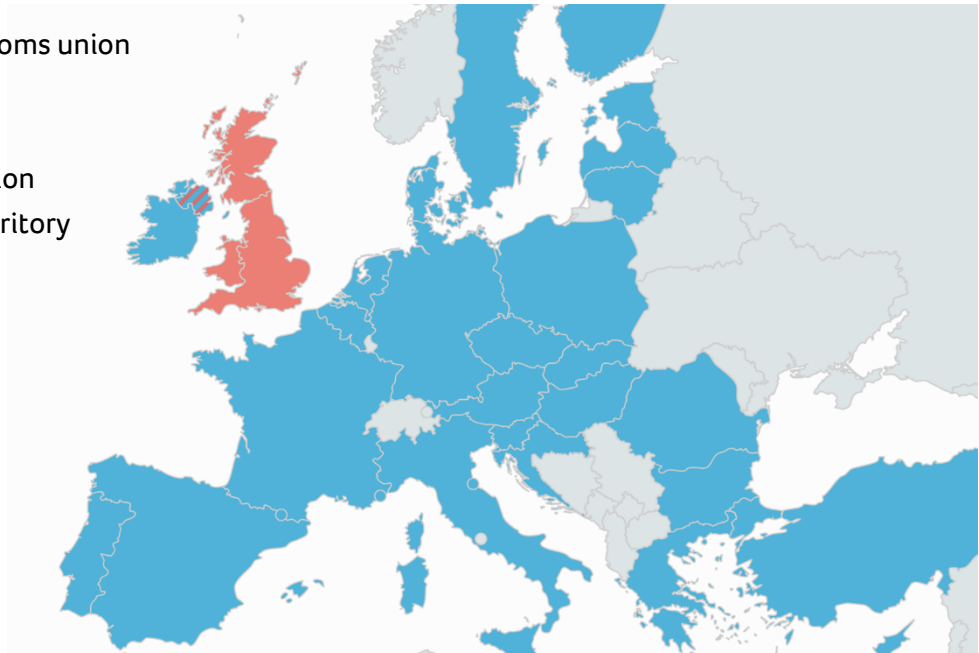




From 1 January 2021...

UK outside EU customs union
and single market

-  EU customs union
-  UK customs territory



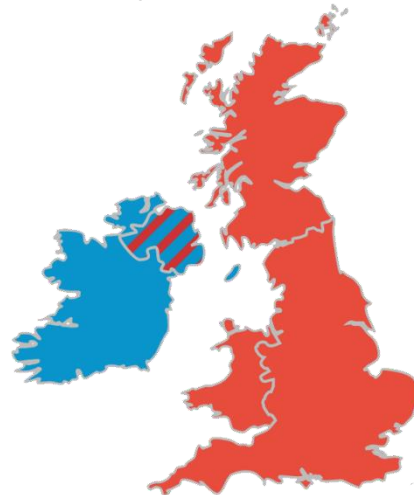
NI trading relationship with GB and EU from 1 January 2021...

NI part of UK customs territory

Unfettered access to rest of the UK market
Included in any Free Trade Agreements (FTAs)
with third countries

NI continues to follow EU regulations on trade of goods

Avoids checks between NI & Ireland





An overview of NI trade from 2021

-  Goods from NI to EU (including Ireland) – unaffected
-  Goods from NI to GB – unaffected
-  Goods from GB to NI – minimal changes
-  Trade in goods with ROW – NI benefits from UK FTAs
-  Goods from GB to NI via Ireland using Transit – subject to specified processes



VAT in NI in 2021

- NI continues to follow EU VAT rules for goods
 - Includes goods moving to, from and within NI
 - Must be aware of significant changes to EU VAT rules from July 2021
- NI remains part of the UK VAT system
- UK VAT rules for services apply across the whole of the UK
- HMRC responsible for applying VAT, collecting VAT and setting rates
- VAT exemptions and reduced rates applied in Ireland may be applied in NI
- NI will be able to operate the EU's VIES

Session 2: Trade between Northern Ireland and Great Britain

Trade of goods between NI and GB

Goods going from NI to GB

Goods going from GB to NI



Moving goods from NI to GB

Movement of goods from NI to GB in 2021

- To guarantee NI businesses have access to UK internal market – goods from NI have unfettered access to GB
- Moving goods from NI to GB should take place as it does now with...
 - No import customs declarations
 - No entry summary (S&S) declaration
 - No tariffs applied
 - No customs checks
 - No new regulatory checks
 - No export declaration or exit summary declaration – subject to formal agreement
- Some documentation required for duty suspension or endangered species



Are there any exceptions to unfettered access?

Declarations will be required in NI for very limited exceptions

- Goods in transit
- Specific cases related to international obligations e.g. CITES

Moving goods from GB to NI

Moving goods from GB to NI from 1 January 2021

- The UK will leave the EU's customs union and NI will remain part of the UK's customs territory
- NI will continue to comply with EU customs requirements
 - This means some procedural changes will be required on goods entering NI from GB
 - The extent of the changes is yet to be confirmed but intended to be minimal



Key changes for traders

- Digital import declarations will be required
 - No export or exit declaration required in GB
- Digital Safety and Security (S&S) declarations will be required
- Food and agricultural products subject to additional health certification and specified processes
- New procedures ensure...
 - Tariffs are not paid on internal UK trade
 - Appropriate tariffs are paid on goods 'at risk' of entering Ireland or other EU member state
- Traders can either use existing customs intermediaries, or register for the free Trader Support Service (TSS)

What is the Trader Support Service (TSS)?

- HMRC aim to make the GB to NI trade process as smooth as possible
- Introduced the free to use Trader Support Service (TSS) to assist affected NI businesses
- How it helps...
 - You provide information of the goods moving
 - TSS carries out the import and S&S declarations on your behalf
- The support service goes live at the beginning of November and the declaration service will go live in December 2020



What information is required to make declarations?

- Although TSS completes declarations, you still need to provide the correct information
- Required details not yet published, but likely to include...
 - Consignor/consignee
 - Description of goods
 - Commodity code
 - Value
 - Routing
 - Supporting documentation
 - Ultimate destination – important

How will NI operate customs processes?

- No new physical infrastructure to be built
- Two options for ports and terminal operators...

Pre-lodgement model	Temporary storage model
<ul style="list-style-type: none">– Declarations made prior to goods arriving at port– Reduces delays	<ul style="list-style-type: none">– Goods stored at port until declarations made and clearance given

- Goods Vehicle Movement Service (GVMS) developed to support pre-lodgement by coordinating the movement of goods
- Will handle the surge in declarations for GB exports to NI and enable hauliers to move goods through the port of entry to NI quickly



Agri-food products from GB to NI

- NI aligns with EU Sanitary and phytosanitary (SPS) rules
- SPS goods include...
 - Live animals and products of animal origin
 - Plants and plant products
 - Fish/shellfish
- More significant change and extra processes
 - Entry via a designated point of entry
 - Pre-notifications
 - Health/safety certification
 - Additional physical checks and examination
- Allows Ireland and NI to be considered as one from an epidemiological perspective

Process for shipping goods from GB to NI...

1. GB supplier raises invoice and charges UK VAT
2. No export declaration required
 - Export health certificate required if SPS goods
3. Entry Summary and S&S declaration required 2 hours prior to arrival in NI
4. Import declaration to be pre-lodged on GVMS
5. SPS goods required to pass through BCP (Border Control Post) on arrival in NI
6. Import entry arrived or finalised, and EU duty payable on goods 'at risk' of not remaining in NI



Scenario 1: GB company supplying customers in NI

A company based in Leeds sells goods to companies in NI. The goods are transported from Liverpool to Belfast.



1. Are customs declarations due on the supplies to NI companies?

2. What is the VAT treatment?

3. Will there be any duty?



VAT on goods between GB and NI

- Continues as is
- Supplier continues to charge VAT and include on invoices
- VAT accounted for as output VAT in box 1
- Customer can reclaim input VAT in box 4 subject to normal rules
- Small number of exceptions...
 - Declared into special customs procedure when enter NI or GB
 - Subject to domestic reverse charge
 - Subject to Onward Supply procedure
- Under exception customer/importer accounts for VAT on UK VAT return

Moving own goods from GB to NI

- VAT accounted for on movement of own goods
 - Included as output tax on VAT return
- VAT may be reclaimed as input VAT if goods used for taxable sales
- What about exempt or partially exempt use?
 - Adjustment to partial exemption



Moving own goods from NI to GB

- No requirement to account for VAT
- Unless subject to a sale or supply to customer

UK VAT groups

- Operate mostly as they currently do
- Can include members established in NI and GB
- Supplies of goods between members – VAT usually not accounted for
- Where goods move from GB to NI within a VAT group, VAT due in same way as moving own goods
- Goods located in NI when supplied disregarded if members established in NI
 - If 1 or more only in GB VAT must be accounted for



Intra-EU simplifications

- Intra-EU simplifications e.g. triangulation not available where they involve GB
- They are available for goods movements between EU and NI

Margin schemes

- Margin schemes involving goods will not usually apply for sales in NI where the stock is purchased in GB
 - VAT subject to the normal rules and accounted for on the full value of the supply
- Remain available for sales of goods purchased in NI or EU
- Remain available for suppliers in GB selling stock originally purchased in NI or GB

NI EU VAT number prefix codes

- EU Council directive has proposed the use of prefix codes in respect of trade with NI
- EU will grant NI businesses an EU VAT identification number – Prefix XI
- To enable them to report goods transactions after 31st December 2020
- In addition there is an XU country code for GB statistical reporting



Scenario 2: Kitchen manufacturer in Dublin

- In 2021 a manufacturer of kitchen units in Dublin supplies a customer in Manchester with a variety of kitchen carcasses, laminated worktops and doors
- The goods are transported from Dublin to Liverpool using a ferry company
- The vehicle is driven by one of the manufacturer's employees who will then deliver the goods to the customer's site in Manchester



1a. Will they be subject to import declarations?

1b. Will import VAT be due?



- The customer in Manchester also orders granite worktops from the Dublin manufacturer
- They subcontract the supply to a specialist company in Belfast
- Depending upon the size of the consignment it will use one of two routes...



If they use **Route 1** from Belfast to Birkenhead...

2a. Will the goods be subject to import declarations?

2b. Does the supplier in Dublin charge output tax?

2c. Will import VAT be due?



- The customer in Manchester also orders granite worktops from the Dublin manufacturer
- They subcontract the supply to a specialist company in Belfast
- Depending upon the size of the consignment it will use one of two routes...



If they use **Route 2...**

3a. Will the goods be subject to import declarations between Belfast and Dublin?

3b. Does the supplier in Dublin charge output tax?

3c. Does the customer in Manchester account for input tax?



Session 3: Trade between Northern Ireland and the EU

Trade of goods between NI and the EU

Goods going from
EU to NI

Goods going from
NI to EU



How will trade between NI and the EU change in 2021?

- There are no changes - NI will continue to trade freely with the EU (including Ireland)...
 - No border checks
 - No customs declarations
 - No new paperwork
 - No tariffs
- Intrastat reporting will still be required
- Also applies to goods using transit procedures



VAT on goods between NI and EU

- VAT on goods expected to be broadly the same
- Goods between NI and EU treated as cross-border supplies within the EU
- EU has proposed a special identification number for businesses in NI to facilitate this
- B2B supplies...
 - Zero-rated by supplier
 - Customer accounts for VAT on the VAT return – known as acquisition tax
 - VAT can usually be reclaimed
 - Goods must move within 3 months of the invoice date
 - EC sales list and intrastat declarations required

- B2C supplies – distance selling rules apply until July 2021
- From July NI businesses will need to use the 'One Stop Shop' (OSS) and charge VAT at correct rate in customer's country

Scenario 3: Northern Ireland Exporter

- The supplier of granite worktops in Belfast ships goods to customers in Barcelona and Calais
- The worktops that go from Belfast to Barcelona use a freight forwarder and are shipped in containers by sea



1a. Are the goods subject to import declarations between Belfast and Barcelona?

1b. Will the supplier charge output VAT?



- The worktops that go from Belfast to Calais are transported by a third-party haulier
- The vehicle travels by ferry from Belfast to Liverpool and then drives to Dover to take another ferry to Calais.



2. Are the goods subject to import declarations between Belfast and Liverpool?



- The worktops that go from Belfast to Calais are transported by a third-party haulier
- The vehicle travels by ferry from Belfast to Liverpool which then drives to Dover to take another ferry to Calais.



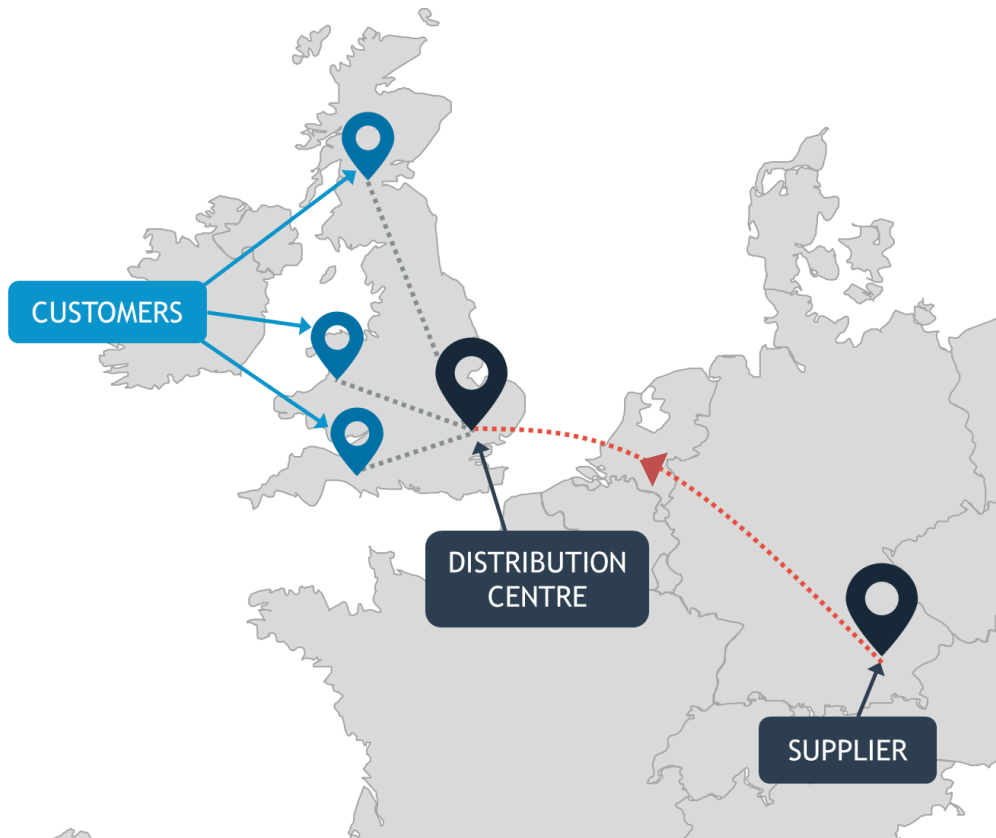
3a. Are the goods subject to import declarations between Dover and Calais?

3b. Will the supplier charge output VAT?



Scenario 4: UK distributor

- A UK company buys goods from a supplier in Munich
- They have a distribution centre in Heathrow from which they deliver to customers in England, Scotland and Wales



1a. When the goods go from Munich to Heathrow are they subject to import declarations?

1b. Is import VAT due?



- The goods are also sent to a 3rd party owned warehouse in Dublin which distributes to customers throughout Ireland (including NI)



2a. When the goods go from Heathrow to Dublin will they be subject to import declarations?

2b. Is import VAT due?



- The goods are also sent to a 3rd party owned warehouse in Dublin which distributes to customers throughout Ireland (including NI)



3a. When the goods go from Dublin to customers in NI will they be subject to import declarations?

3b. Should the supplier charge output VAT?



- The UK company has a large customer in Northern Ireland and arranges for the German supplier to ship goods directly to the customer



4a. When the goods go from Munich to NI will they be subject to import declarations?

4b. Does the supplier charge output VAT?



Scenario 5: Moving goods from mainland Europe to Ireland

- A company based in Holland is concerned about having to complete customs declarations in 2021 for goods it ships to Ireland via the UK.
- The company is considering its **traditional route** of transporting goods by ferrying a vehicle from Rotterdam to Hull which then drives to Liverpool to take a ferry to Belfast and then drive on to its customer in Donegal in Northern Ireland.
- A **proposed option** is to drive from Holland to Cherbourg in France and then take a ferry from Cherbourg to Rosslare in the south of Ireland and then drive to Donegal.

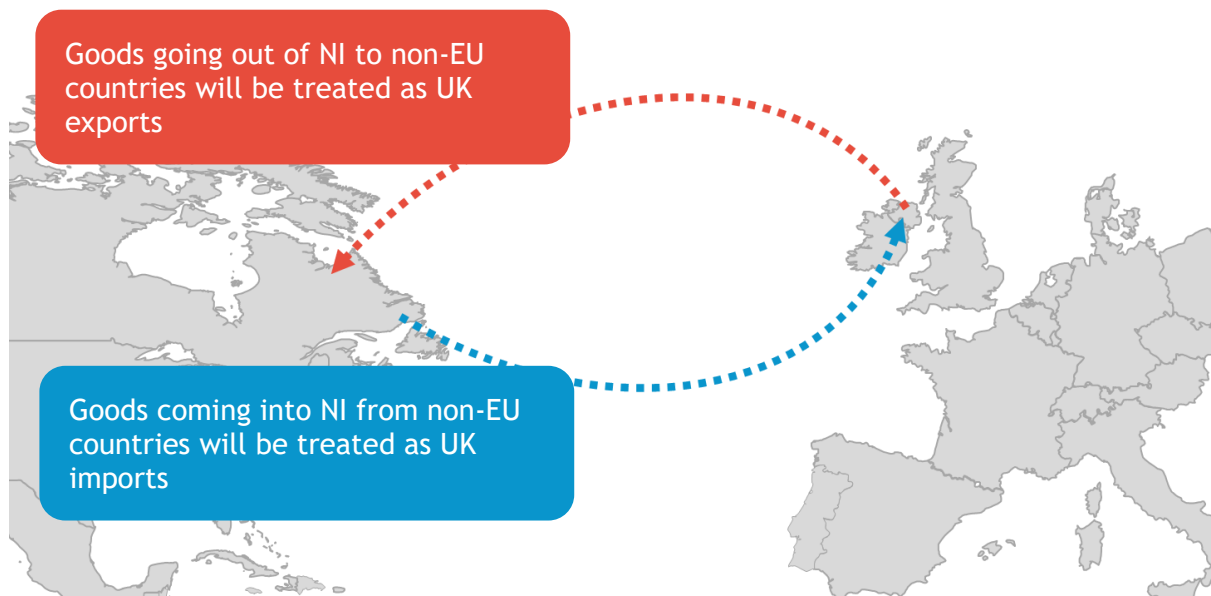


What are the advantages and disadvantages of the proposed option?



Session 4: Trade between Northern Ireland and the Rest of the World

Trade of goods between NI and the Rest of the World (ROW)



The relationship between NI and ROW from 1 January 2021

- Trade between NI and ROW will continue broadly the same
- Goods imported to NI are subject to UK's Global Trade Tariff schedule (UKGT) unless 'at risk' of moving to the EU
- NI will benefit from any Free Trade Agreements (FTAs) that the UK negotiates with non-EU countries in the future
- NI businesses importing from ROW are eligible for the TSS



Trade from NI to ROW

Checklist for exporting goods from NI to ROW

- Will you use a customs agent to make declarations and transport the goods?
- Do your goods require a licence or certificate?
- What duties, rules and restrictions are there in destination country? *Remember they may change from 1 January 2021*
- Do you have an EORI number?
- Are you or should you apply for simplified declaration procedures?
- Have you classified your goods and identified the correct commodity code?
- Have you got all the required paperwork – invoice and other documentation?

Customs declarations for exports

- Most exporters use an intermediary to make declarations
 - Declarant still responsible for accuracy of information
- Customs declarations require...
 - EORI number
 - Commodity code of goods
 - Value of goods
- UK Safety & Security (S&S) required for all exports
 - Also known as Exit Summary declaration



Are simplifications available?

- Simplified Declaration procedures are available
 - Simplified customs declaration or
 - Entry in own records
- Authorisation is required
- Enables faster clearance of goods
- Declare goods using pre-shipment advice (PSA)
- Full Supplementary Declaration submitted within 4 weeks

Trade from ROW to NI

Checklist for importing goods to NI from the ROW

- Will you use a customs agent to make declarations and transport the goods?
- Do you have an EORI number?
- Are you or will you use simplified procedures?
- Have you classified your goods and identified the correct commodity code?
- Can you delay or reduce duty?
- Have you valued your goods?
- Do your goods require a licence or certificate?
- Have you reclaimed VAT on your C79?
- Do you have the invoice and other paperwork?



EU imports (inc. Ireland) from ROW that go through NI

- Goods that enter NI from the ROW and are destined for the EU (including Ireland)...
 - Subject to EU customs duties and EU import VAT
 - Duties and VAT will be collected by HMRC on behalf of the EU
- The same applies if the goods enter from another UK country – so England, Scotland or Wales

VAT on goods between NI and ROW

VAT on trade of goods between NI and ROW

- Broadly the same VAT treatment
 - Supplies of goods from NI are treated as exports
 - Supplies of goods into NI are treated as imports
- Operational aspects to be worked out
- Not yet confirmed if postponed VAT accounting for imports will be introduced in NI

Scenario 6: US distributor of parts to Europe

- A company in Detroit distributes parts for Cadillacs to customers in Europe
- Parts are sent air freight to Belfast City Airport where a haulier collects the items for onward transit to customers in Omagh, another in Limerick and one in Leeds
- The consignments are clearly marked so that the haulier knows the final destination of each consignment and there is export documentation for each destination



1. What are the import VAT considerations for the parts transported to Omagh?

2. What are the import VAT considerations for the parts transported to Limerick?

3. What are the import VAT considerations for the parts transported to Leeds?

- Parts are sent by air freight to Frankfurt where consignment goes into a warehouse owned by the customer in Leeds, from where it distributes to customers throughout Europe



4. What are the import VAT considerations for the parts sent to Frankfurt?



Session 5: Future developments

What has yet to be decided?

- The nature and extent of some border checks
- The extent to which the UK Government may override the NI Protocol
 - See the Internal Market Bill
- Exactly which goods are 'at risk' of entering the EU via NI
- Possible different regimes for GB and NI on stated aid/subsidies
- Matters outside the Protocol, such as fisheries and GDPR (Adequacy)

Internal Market Bill – what are the possible implications?

- If passed, the Bill could contradict the Withdrawal Agreement in several key respects
- It would...
 - Remove any obligations to complete exit declarations for goods leaving NI for GB
 - Allow UK ministers to unilaterally decide which goods moving from GB to NI are deemed 'at risk' of recirculation in the EU
 - Reinterpret state aid rules in NI, bringing them in line with new rules the Government is developing for the UK
 - Guarantee a mutual recognition regime across the UK, meaning most goods and services have unrestricted market access



How to keep up to date

- The Trader Support Service
- UK Government Brexit pages
 - www.gov.uk/brexit
- NIdirect – the Northern Ireland Government Brexit pages
 - www.nidirect.gov.uk/campaigns/leaving-eu-brexit
- The European Commission
- Brexit in Brief and Latest News:
 - ec.europa.eu/info/european-union-and-united-kingdom-forging-new-partnership/brexit-brief_en
- Intertrade Ireland
 - www.intertradeireland.com/brexit/about-the-brexit-advisory-service



Session 6: Summary

NI trade from 1 January 2021 - summary

- Goods from GB to NI
 - Limited new declarations and duty payable on ‘at risk’ goods
- Goods from NI to GB
 - Unfettered access with no additional paperwork or restrictions apart from limited circumstances
- Goods from NI to EU (including Ireland)
 - No hard border with Ireland
 - No change to current rules
- Goods between NI and ROW
 - Largely as now
 - NI benefits from any new UK FTAs
 - UK duty rates apply to imports unless goods ‘at risk’ of moving to EU
- Transit
 - Goods subject to specified processes
 - Transit can be used to move goods from GB to NI via Ireland



Action points

- Decide how to submit import declarations – will you use an agent or TSS?
- Check or obtain your EORI number
- Determine the commodity codes for your goods
- Consider if your imports from GB/ROW are ‘at risk’ of entering the EU
- Review your supply chains and consider whether changes to contracts or incoterms are needed
- Consider the origin of goods and potential impacts on tariffs
- Consider existing use of EU simplifications – e.g. those applied to triangulation
- Consider whether the EU VAT changes in July 2021 will have any impact





Appendix 1: Glossary

Authorised Consignor / Consignee	“Authorised consignor/consignee status enables a trader to start/end movement of goods under transit at their own premises. To apply for authorised consignor status requires a customs comprehensive guarantee. To apply for authorised consignee status requires an approved temporary storage facility.”
Authorised Economic Operator (AEO)	AEO status is an internationally recognised quality mark that provides quicker access to some simplified customs procedures and, in some cases, the right to fast-track shipments through some customs and safety and security procedures.
Carrier	A carrier is considered in this document to be an individual or commercial company that is legally authorised to transport cargo from one place to another. This includes the movement of goods by different modes of transport (land, rail, water or air).
CDS	The Customs Declaration Service (CDS) HMRC’s new declaration platform.
CHIEF	The Customs Handling of Import and Export Freight (CHIEF) system processes declarations.
Commodity Code	Commodity codes classify goods for import and export. Knowing the correct commodity code for goods is required for filling in declarations and other paperwork. The Trade Tariff Tool can be used to find commodity codes.
Common Transit Convention (CTC)	The CTC is used for moving goods between the EU member states, the EFTA countries (Iceland, Norway, Liechtenstein and Switzerland) as well as Turkey, Macedonia and Serbia. The UK is set to remain in the Common Transit Convention (CTC) after Brexit, ensuring simplified cross-border trade for UK businesses exporting their goods.
Community System Providers (CSPs)	Community Systems Providers (CSPs) are commercial entities that directly interface with HMRC frontier systems including Customs Handling Import & Export Freight (CHIEF). A list of commercial contacts for CSPs can be found here.
Core Export Process	The core export process refers to the minimum requirements for moving all goods from the UK into the EU from July 2021 onwards, assuming an Australia style future relationship.
Core Import Process	The core import process refers to the minimum requirements for moving all goods into the UK from the EU from July 2021 onwards, assuming an Australia style future relationship.



Customs Comprehensive Guarantee (CCG)	A Customs Comprehensive Guarantee is a type of guarantee that can be used to cover multiple customs debts arising from one or more customs procedures. In order to use a CCG, a business needs to be authorised by HMRC and provide a guarantee, generally in the form of an undertaking from an approved financial institution. More information can be found here .
Customs intermediary	Most traders hire a person or business to deal with customs on their behalf. Options for intermediaries include: freight forwarders, customs agents, brokers or fast parcel operators. More information can be found here and a list of customs agents can be found here .
Declarant	The declarant is the person with responsibility for the import. They must ensure the goods are legitimate, correctly valued and declared.
Duty deferment	Duty deferment allows the payment of charges due to be deferred. This includes for import VAT, customs duties, excise duties and some other charges. More information is available here .
EORI number	An Economic Operators Registration and Identification number is required for all businesses moving goods into or out of the UK. Further information, including a link to apply for an EORI number is available here
Exporter	The exporter is the business responsible for exporting goods from the UK.
Haulier	A haulier is considered in this document to be a person or company employed in the transport of goods or materials by road.
Importer	The importer is the business responsible for importing goods into the UK.
Incoterms	International Commercial Terms, published by the International Chamber of Commerce, are used to define the legal responsibilities on the buyer and seller in international transactions.
Postponed VAT accounting	Businesses registered for VAT in the UK are able to account for import VAT on their VAT Return. This means accounting for import VAT on the VAT Return instead of paying when the goods arrive at the UK border.
Pre-lodgement model	An alternative for ports that may not have the space and infrastructure to operate temporary storage. Border locations receiving goods that are moving into the UK from the EU will be able to choose to use a pre-lodgement model, where goods arriving will be required to have submitted a customs declaration in advance of boarding on the EU side. HMRC are developing a new IT platform to support the pre-lodgement model. However, its use will not be mandatory and the choice between using a Temporary Storage and a pre-lodgement model will be a commercial decision for operators.



Safety & Security (S&S) Declarations	Also known as an Entry Summary Declaration when importing into the UK and an Exit Summary Declaration when exporting to the EU, S&S declarations provide advanced data on consignments to customs authorities for risk analysis.
Temporary Storage	Temporary storage is when goods imported from outside the UK are temporarily stored under customs control before they are placed under a special procedure, released to free circulation or exported outside the UK.
Trade Tariff Tool	The Trade Tariff Tool can be used to look up commodity codes, duty and VAT rates.



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