

Postponed VAT accounting from 1 January 2021

The Brexit transitional period comes to an end of 31 December 2020 and various changes come into effect from 1 January 2021. One of these changes is the introduction of postponed VAT accounting. This will affect you if you are a VAT-registered business and you import goods into the UK, particularly if you do not use duty deferment.

Nature of postponed VAT accounting

Under postponed VAT accounting, you declare and recover VAT on the same VAT return. This is beneficial as it means that you do not have to pay the VAT upfront and recover it later. Normal VAT rules continue to govern what can be reclaimed.

You can use postponed VAT accounting from 1 January 2021 if your business is registered for VAT in the UK and you import goods into Great Britain from anywhere outside the UK or into Northern Ireland from outside the UK and the EU.

There are no changes to the VAT treatment of goods moved between Northern Ireland and the EU, or in the way in which the VAT is accounted for.

Accounting for import VAT on your VAT return

You can account for import VAT on your VAT return if:

- you import goods for use in your business;
- you include your EORI number, which starts with 'GB' on your customs declaration; and
- you include your VAT number on your customer's custom declaration if required.

If you use customs special procedures, you can account for the import VAT on your VAT return when you submit the declaration to release those goods into free circulation.

Completing your VAT return

The introduction of postponed VAT accounting means that there are some changes to the way in which you will complete your VAT return from 1 January 2021.

You will need to download a monthly statement which shows the total import VAT postponed for the previous month which you will need to include on your VAT return. There are also changes to what you need to enter in Boxes 1, 4 and 7.

- In Box 1, include the VAT due in the period on imports accounted for through postponed accounting.
- In Box 4, include VAT reclaimed in this period on imports accounted for through postponed accounting.
- In Box 7, include the total of all imports of goods shown on your online monthly statement, excluding any VAT.

Consignments not exceeding £135

Where the value of the consignment is less than £135, VAT will be collected at the point of sale rather than at the point of importation.

Partner note: See www.gov.uk/guidance/check-when-you-can-account-for-import-vat-on-your-vat-return and www.gov.uk/guidance/check-when-you-can-account-for-import-vat-on-your-vat-return.