**BPIF Summary of Technical Notice published by the Department for Exiting the European Union**

**VAT for Businesses**

For most UK businesses there will be no change to VAT rules. UK businesses that are affected may wish to consult other relevant technical notices, including the [Trading with the EU if there’s no Brexit deal](https://www.gov.uk/government/publications/trading-with-the-eu-if-theres-no-brexit-deal) notice, which covers customs, excise and import processes at the border.

**Current situation**

Under current VAT rules:

* VAT is charged on most goods and services sold within the UK and the EU.
* VAT is payable by businesses when they bring goods into the UK. There are different rules depending on whether the goods come from an EU or non-EU country.
* Goods that are exported by UK businesses to non-EU countries and EU businesses are zero-rated, meaning that UK VAT is not charged at the point of sale.
* Goods that are exported by UK businesses to EU consumers have either UK or EU VAT charged, subject to distance selling thresholds.
* For services the ‘place of supply’ rules determine the country in which you need to charge and account for VAT.

**After 29 March 2019 if there’s no deal**

The UK will continue to have a VAT system after it leaves the EU. The VAT rules relating to UK domestic transactions will continue to apply to businesses as they do now.

If the UK leaves the EU on 29 March 2019 without a deal, the government’s aim will be to keep VAT procedures as close as possible to what they are now. This will provide continuity and certainty for businesses. However, if the UK leaves the EU with no agreement, then there will be some specific changes to the VAT rules and procedures that apply to transactions between the UK and EU member states. The government has taken decisions and actions where necessary in order to mitigate the impacts of these changes for businesses.

**UK businesses importing goods from the EU**

In a no deal scenario the current rules for imports from non-EU countries will also apply to imports from the EU, some additional changes are outlined below. Businesses that import goods into the UK may wish to also consult the [‘Trading with the EU if there’s no Brexit deal’](https://www.gov.uk/government/publications/trading-with-the-eu-if-theres-no-brexit-deal) TN which covers import processes at the border.

**Accounting for import VAT on goods imported into the UK**

If the UK leaves the EU without an agreement, the government will introduce postponed accounting for import VAT on goods brought into the UK. This means that UK VAT registered businesses importing goods to the UK will be able to account for import VAT on their VAT return, rather than paying import VAT on or soon after the time that the goods arrive at the UK border. This will apply both to imports from the EU and non-EU countries.

**VAT on goods entering the UK as parcels sent by overseas businesses**

If the UK leaves the EU without an agreement, VAT will be payable on goods entering the UK as parcels sent by overseas businesses.

Low Value Consignment Relief (LVCR) will not be extended to goods entering the UK from the EU. This means that all goods entering the UK as parcels sent by overseas businesses will be liable for VAT (unless they are already relieved from VAT under domestic rules).

For parcels valued up to and including £135, a technology-based solution will allow VAT to be collected from the overseas business selling the goods into the UK.

On goods worth more than £135 sent as parcels VAT will continue to be collected from UK recipients in line with current procedures for parcels from non-EU countries. Guidance on these procedures can be ​found here​ in [HMRC notice 143](https://www.gov.uk/government/publications/notice-143-a-guide-for-international-post-users/notice-143-a-guide-for-international-post-users#postal-packages-imported-arriving-from-countries-outside-the-eu).

**UK businesses exporting goods to the EU**

This section provides information about accounting for VAT on goods exported to the EU, and the rules and procedures that will apply. UK businesses may need to plan for customs and VAT processes, which will be checked at the EU border. So they should check with the EU or Member State the rules and processes which need to apply to their goods.

**UK businesses exporting goods to EU consumers**

If the UK leaves the EU without an agreement, distance selling arrangements will no longer apply to UK businesses and UK businesses will be able to zero rate sales of goods to EU consumers.

Current EU rules would mean that EU member states will treat goods entering the EU from the UK in the same way as goods entering from other non-EU countries, with associated import VAT and customs duties due when the goods arrive into the EU.

**UK businesses exporting goods to EU businesses**

If the UK leaves the EU without an agreement, VAT registered UK businesses will continue to be able to zero-rate sales of goods to EU businesses but will not be required to complete EC sales lists.

As UK VAT registered businesses will not be required to complete an EC sales list, there will be changes to how these sales are recorded. Those UK businesses exporting goods to EU businesses will need to retain evidence to prove that goods have left the UK, to support the zero-rating of the supply. Most businesses already maintain this evidence as part of current processes and the required evidence will be similar to that [​currently required​](https://www.gov.uk/guidance/vat-on-goods-exported-from-the-uk-notice-703#sect6) for exports to non-EU countries with any differences to be communicated in due course.

Current EU rules would mean that EU member states will treat goods entering the EU from the UK in the same way as goods entering from other non-EU countries with associated import VAT and customs duties due when the goods arrive into the EU. Individual EU member states may have different rules for import VAT for non-EU countries and import VAT payments may be due at the border when importing goods. UK businesses should check the relevant import VAT rules in the EU Member State concerned.

**UK businesses selling their own goods in an EU Member State to customers in that country**

If the UK leaves the EU without an agreement, UK businesses will be able to continue to sell goods they have stored in an EU Member State to customers in the EU in line with current Rest of World rules.

Current EU rules would mean that UK businesses will continue to be required to register for VAT in the EU member states where sales are made in order to account for the VAT due in those countries.

You can find further information on EU rules for storing non Union goods in an EU Member State before selling or exporting on the ​[EU Commission’s website](https://ec.europa.eu/taxation_customs/business/customs-procedures/general-overview/temporary-storage_en).

You can find further information on registering for VAT in EU member states on the ​[EU Commission’s website](https://ec.europa.eu/taxation_customs/business/vat/eu-country-specific-information-vat_en).

**EU VAT refund system**

If the UK leaves the EU without an agreement, then UK businesses will continue to be able to claim refunds of VAT from EU member states but in future they will need to use the existing processes for non-EU businesses.

UK business will no longer have access to the EU VAT refund system. UK businesses will continue to be able to claim refunds of VAT from EU member states by using the existing processes for non-EU businesses. This process varies across the EU and businesses will need to make themselves aware of the processes in the individual countries where they incur costs and want to claim a refund.

You can find further information about claiming VAT refunds from EU member states on the [EU Commission’s website](https://ec.europa.eu/taxation_customs/business/vat/eu-vat-rules-topic/vat-refunds_en).

**EU VAT Registration Number Validation - accessed via the EU Commission’s website**

If the UK leaves the EU without an agreement, UK businesses will be able to continue to use the EU VAT number validation service to check the validity of EU business VAT registration numbers and HMRC is developing a service so that UK VAT numbers can continue to be validated.

The EU VAT Registration Number Validation service allows businesses to check whether a customer or supplier’s VAT number is valid.

UK businesses will be able to continue to use the EU VAT number validation service to check the validity of EU business VAT registration numbers. UK VAT registration numbers will no longer be part of this service. In the event of no agreement HMRC is developing a system so that UK VAT numbers can continue to be validated. We know this is important for certain businesses to carry out due diligence.

**More information**

Further information and instructions specifically tailored to cover the actions that businesses would need to take in a ‘no deal’ scenario will be published in the coming months.