VAT AFTER BREXIT

On 31st December 2020 the transitional arrangements with the EU end. All exports and imports between Great Britain and the EU will be treated the same as those from countries outside of the EU.

It is important to note the distinction between Great Britain and the UK. Great Britain is the geographical territory comprising England, Wales and Scotland. This is different to the United Kingdom which also includes Northern Ireland.

This distinction is important because, in terms of imports and exports to EU countries, Northern Ireland will be treated differently compared to the rest of the UK. Please see the heading towards the end of the document: Northern Ireland VAT.

This document is only provided as guidance on the changes required to completing your VAT100 return in Dataflow Accounts after 31st December 2020 and Dataflow do not accept any liability for any inaccuracies or omissions in the information provided.

For full details of all the changes to VAT legislation, please refer to the information provided at GOV.UK. Here is a link to HMRC guidance on completing your VAT return after 31st December 2020:

https://www.gov.uk/guidance/complete-your-vat-return-to-account-for-import-vat

EXPORTS from Great Britain

As of 1st January 2021, all exports to the EU are treated like those to non-EU countries, which is to say that they should be zero-rated for UK VAT.

EC Sales Lists and Intrastats for exports to EU countries are no longer required.

**** IMPORTANT ****

You should remove the EC Country Code from your Sales Account addresses in order that the turnover figures no longer get included in Box 8 of the VAT 100 form. Box 8 and box 9 now only apply to supplies and acquisitions made between Northern Ireland and EU countries.

IMPORTS to Great Britain

In the past, VAT on imports from outside the EU has normally been due for payment at the time the goods enter the UK. The VAT can then be reclaimed on the next VAT return, but this means that the importer has had to pay the VAT up-front and is therefore out of pocket for a period of time. From the 1st January 2021 VAT on ALL imports – from inside or outside the EU – may be dealt with under new rules known as "Postponed VAT Accounting" (PVA) which aim to help companies importing goods from outside the UK with their cash flow.

Details of the VAT due on imports will be collected from Customs Declarations submitted for the imported goods. This VAT will be postponed for payment and should be included on the VAT return covering the following month.

An online monthly statement will be available in the HMRC Online VAT account showing the VAT postponed from the previous month and this should be used to enter the due amounts on the VAT return. The amounts and the boxes they should be included in on the VAT return are:

BOX 1: VAT due in this period on imports accounted for through PVA
BOX 4: VAT reclaimed in this period on imports accounted for through PVA
BOX 7: The net value of all imports of goods accounted for through PVA

Because the value of the goods (in other words the net value on the suppliers invoice) must be included in BOX 7, timing issues in recording costs will arise.

Example:

- Year-end: 30th June
- VAT period end: 30th June
- Goods imported on 1st June so VAT (due and reclaimed) AND the goods value will appear on July's PVA statement
- Supplier invoice dated 1st June, due for payment 15th June.

The problem here is that you would want to record the supplier invoice in the Purchase Ledger in June in order to get the supplier paid, however, this would put the goods value into BOX 7 (value of Purchases and other inputs) on the June VAT return. You are obliged to record the value of imports in June (from the PVA statement) on the next VAT return (September if you do quarterly VAT reporting), so this will double up.

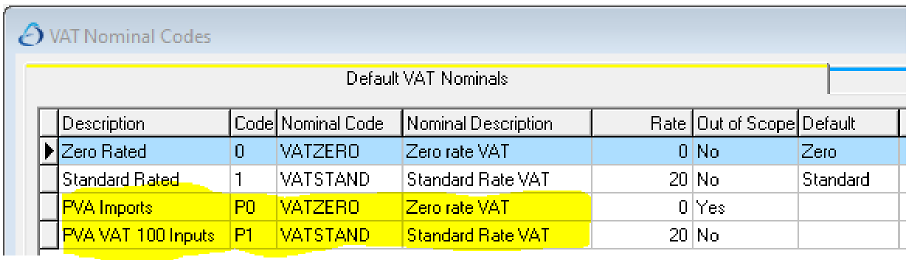
Solution:

Create two new VAT codes:

Code: P0 (Pzero)
Description: PVA Imports
Rate: Zero
Out of scope: Yes
Default: Other

Code: P1
Description: PVA VAT100 Inputs
Rate: Standard
Out of scope: No
Default: Other

You will also need to assign default Nominal accounts to these VAT Codes in the Nominal Ledger Setup.



VAT Nominal Codes

Default VAT Nominals

Description	Code	Nominal Code	Nominal Description	Rate	Out of Scope	Default
Zero Rated	0	VATZERO	Zero rate VAT	0	No	Zero
Standard Rated	1	VATSTAND	Standard Rate VAT	20	No	Standard
PVA Imports	P0	VATZERO	Zero rate VAT	0	Yes	
PVA VAT 100 Inputs	P1	VATSTAND	Standard Rate VAT	20	No	

(NB. These are not the Nominal accounts described below.)

Create two new Nominal Accounts:

Code: PVA Control
Type: Balance Sheet
Cash account: Yes

Code: PVA Contra
Type: Balance Sheet
Cash account: No

Remember to assign them to the appropriate chart of accounts.

Record the supplier invoice (Eg., Goods: 100) in June against the new PVA Imports VAT code (P0). It will be zero rated, and importantly, ignored by the VAT 100 report because it is “Out of scope”.

When the PVA monthly online statement is available, post the following Nominal Debit/Credit (NDC) in July:

Nominal:		PVA Control
Contra:		PVA Contra
#1	DrCr Type:	Credit
	Vat Type:	Purchase
	Amount:	100
	VAT Calculation:	Net
	VAT Code:	PVA VAT100 Inputs (P1)
	VAT:	20
#2	DrCr Type:	Debit
	Vat Type:	Sale
	Amount:	0 (zero)
	VAT Calculation:	Net
	VAT Code:	PVA VAT100 Inputs (P1)
	VAT:	20
#3	DrCr Type:	Debit
	Vat Type:	Sale
	Amount:	100
	VAT Calculation:	Inclusive
	VAT Code:	n/a
	VAT:	n/a

Nominal	DrCr Type	VAT Type	Contra	Date	Reference	Notes	Amount	VAT Code	VAT Amount
PVA CONTROL	Credit	Purchase	PVA CONTRA	31/07/2021	PVA JULY 2021	VAT100 - Box 4 and Box 7	100.00	P1	20.00
PVA CONTROL	Debit	Sales	PVA CONTRA	31/07/2021	PVA JULY 2021	VAT100 - Box 1	0.00	P1	20.00
PVA CONTROL	Debit		PVA CONTRA	31/07/2021	PVA JULY 2021	Reverse goods ammount on entry #1	100.00		0.00

The PVA statement can be posted as a three line batch as shown above; there is no need to post it on an invoice-by-invoice basis.

Although “Out of scope” items are not included in the VAT 100 calculation, all the details of these transactions can be seen in the supplementary tabs of the “Close VAT Period” windows, and in printed reports.

Not all imported goods can be accounted for using PVA. For more details, please refer to the information provided at GOV.UK

Intrastats are currently still required for goods imported to Great Britain until the end of 2021 so do NOT remove the EC Country Codes from your Supplier Account addresses. (Intrastats will be printed for “Out of scope” VAT codes).

NORTHERN IRELAND VAT

The treatment of VAT on trade between Northern Ireland and Great Britain after 31st December 2020 will remain largely unchanged, however, there are some differences. Here is a link where you can find more information:

> https://www.gov.uk/government/publications/accounting-for-vat-on-goods-moving-between-great-britain-and-northern-ireland-from-1-january-2021/accounting-for-vat-on-goods-moving-between-great-britain-and-northern-ireland-from-1-january-2021

There are different rules for the supply of goods and services.

Goods

Under the Northern Ireland Protocol, Northern Ireland will remain part of the EU customs and VAT regime when it comes to trade with the Republic of Ireland and the rest of the EU. Supplies and acquisitions of goods between EU countries and Northern Ireland will continue to be treated in the same way as before Brexit.

Continue to include the EC Country Code as an input on invoices to and from EU countries in order that VAT and turnover appear in the correct boxes on your VAT return. EC Sales Lists and Intrastats will continue to be required.

Services

Services are excluded from the Northern Ireland Protocol so sales of services from Northern Ireland to EU countries (including the Republic of Ireland) with be treated like supplies to non-EC countries, therefore, the EC Country Code should NOT be input on these invoices. If the EC Country Code is input on service invoices then the value will be included in Box 8 of your VAT return which is wrong - it should only include your turnover of goods. This does mean that an invoice from Northern Ireland to EC countries cannot include both goods and services – two separate invoices will have to be raised.

CHANGES TO THE VAT RETURN

The following pages detailing VAT return changes have been reproduced from information supplied directly to us by HMRC. They include changes to the wording on the VAT 100 form and changes to the notes on which values go in what box.

In a future release of Dataflow Accounts we will be changing the wording of our screens and reports, however, we will not be reflecting the exact wording shown below as these screens and printouts must continue to be relevant to VAT returns submitted prior to 1st January 2021.

MTD submissions are not affected by the changes to the wording shown below.

VAT Return Changes

Current wording:

Box 2: VAT due in this period on acquisitions from other EC Member States

Box 4: VAT reclaimed in the period on purchases and other inputs (including acquisitions from the EU)

Box 8: Total value of all supplies of goods and related costs, excluding any VAT, to other EC Member States

Box 9: Total value of all acquisitions of goods and related costs, excluding any VAT, from other EC Member States

New wording:

Box 2: VAT due in the period on acquisitions of goods made in Northern Ireland from EU Member States

Box 4: VAT reclaimed in the period on purchases and other inputs (including acquisitions in Northern Ireland from EU member states)

Box 8: Total value of dispatches of goods and related costs (excluding VAT) from Northern Ireland to EU Member States

Box 9: Total value of acquisitions of goods and related costs (excluding VAT) made in Northern Ireland from EU Member States

There are no changes to boxes 1, 3, 5, 6 and 7.

VAT return notes:

Box 1

Include the VAT due on all goods and services you supplied in the period covered by the return. This does not include exports or dispatches as these are zero rated. Include the VAT due in this period on imports accounted for through postponed VAT accounting.

Box 2

For goods moved under the Northern Ireland protocol only. Show the VAT due (but not paid) on all goods and related services you acquired in this period from EU Member States.

Box 3

Show the total amount of the VAT due ie the sum of boxes 1 and 2. This is your total Output tax.

Box 4

Show the total amount of deductible VAT charged on your business purchases. This is referred to as your ‘input VAT’ for the period. Include the VAT reclaimed in this period on imports accounted for through postponed VAT accounting.

Box 5

Take the figures in boxes 3 and 4. Deduct the smaller from the larger and enter the difference in box 5. If this amount is under £1, you need not send any payment, nor will any repayment be made to you, but you must still fill in this form and send it to the address on page 1.

Boxes 6 and 7

In box 6 show the value excluding VAT of your total outputs (supplies of goods and services). Include zero rated, exempt outputs and EU supplies from box 8. In box 7 show the value excluding VAT of all your inputs (purchases of goods and services). Include zero rated, exempt inputs and EU acquisitions from box 9.

Boxes 8 and 9

In box 8 show the total value of all supplies of goods and related costs, excluding any VAT, to EU Member States from Northern Ireland.

In box 9 show the total value of all acquisitions of goods and related costs, excluding any VAT, from EU Member States to Northern Ireland.

EU trade under the Northern Ireland protocol only

Only use boxes 8 & 9 if you have supplied goods to or acquired goods from an EU Member State under the Northern Ireland protocol. Include related costs such as freight and insurance where these form part of the invoice or contract price. The figures should exclude VAT. You can find details of EU Member States in Notice 60 and Notice 725 or on our website at www.gov.uk/topic/business-tax/vat and at www.uktradeinfo.com under Intrastat.