



BUSINESS IN THE UK
A ROUTE MAP



chapter 09

**THE IMPORT AND
EXPORT OF GOODS AND
SERVICES INTO
AND OUT OF THE UK**

THE IMPORT AND EXPORT OF GOODS AND SERVICES INTO AND OUT OF THE UK

The VAT and customs duty implications of selling into or out of the UK depend on whether goods or services are supplied; the nature of the goods; whether they are sold to/from another EU member state or outside the EU; and whether the customer is in business or a private consumer. The rules outlined in this chapter will apply until the UK formally leaves the EU.

After Brexit, the UK Government is currently proposing a 'Facilitated Customs Arrangement' to preserve the current 'frictionless trade' in goods between the EU and UK. However, if no ongoing Customs arrangement is agreed, UK businesses are likely to be subject to rules similar to those for non-EU established businesses when trading with EU based customers.

SELLING INTO THE UK FROM ABROAD

GOODS INTO THE UK

Selling goods to the UK from outside the EU

Goods imported from outside the EU are normally subject to VAT and/or customs duties at the time and place they are imported into the EU. Generally, the EU Tax Area and Customs Territory coincide with the collective territory of the EU member states but there are a number of minor exceptions. For instance, the Channel Islands are part of the EU and its Customs Territory, but not its tax area. Rates of customs duties are harmonised throughout the EU.

All goods have a commodity code which must be declared at import which determines the duty rate applicable to the shipment, as well as a range of other requirements and reliefs such as import licensing, quotas and tariff suspensions. Import VAT is also payable, at the rate applicable in the member state through which they are imported. Using an incorrect commodity code can result in paying the wrong amount of duty and/or VAT and other errors with customs requirements and reliefs. As with customs duty rates, commodity codes are harmonised throughout the EU. Read more on [commodity codes](#).

It is often possible to obtain a preferential duty rate when the goods have been sourced from particular countries. It can be difficult for importers to accurately determine origin of the goods and a formal HMRC ruling may have to be sought in cases of doubt.

If the customer is responsible for clearing the goods through Customs and paying any duties and VAT on importation, the selling company is not regarded as making any supplies for VAT purposes and is not liable to be VAT registered in the UK. However, if the overseas business selling into the UK is responsible for the importation of the goods and delivering them to its customer, that overseas business will be required to pay the duty and VAT. It may also be required to register for VAT in the UK in respect of the onward sale, irrespective of whether or not it has a UK presence. The agreed freight terms should specify whether the buyer or the seller is responsible for importation.

WHAT – is duty deferment relief?

If the duty and VAT due on import are significant, an importer can consider applying for duty deferment, which allows all customs charges to be paid monthly in arrears, and/or customs warehousing, which allows imported goods to be stored under customs control (without payment of customs charges) until needed. Import VAT and duty are then paid on the date the goods are released from the warehouse. Should the goods be re-exported instead of released for free circulation, VAT and duty are void altogether.

Currently, there are reliefs from import charges available for low value consignments, for instance, online sales of goods to private customers. VAT is not payable when the value of the consignment does not exceed £15, and customs duty is not payable where the value does not exceed £135. The low value consignment relief for VAT does not apply to excise goods or to goods ordered from the Channel Islands. It is expected that the low value consignment relief for VAT will be abolished in the next few years and replaced by a UK VAT registration/accounting requirement.

There are several other EU harmonised duty relief schemes intended to make EU economic operators more competitive in the global marketplace. Such schemes offer cost savings opportunities, but are tightly regulated and require the importer to put adequate controls in place.

Read about [BDO's customs duty services](#).

THE IMPORT AND EXPORT OF GOODS AND SERVICES INTO AND OUT OF THE UK

Selling goods to the UK from another EU member state

For business-to-business (B2B) transactions, VAT is accounted for by the UK purchaser on acquisition of the goods in the UK. If the seller is based within another EU member state, the supply is not subject to local VAT, provided it obtains the customer's UK VAT registration number and quotes it on the VAT invoice. Where such supplies are made, it is often possible to register for VAT for intra-EU trade in just one EU state.

For business-to-consumer (B2C) transactions, VAT is accounted for at the rate applicable in the supplier's member state until sales exceed the UK 'distance selling' threshold of £70,000. Once such sales to UK customers have exceeded that amount, the supplier must register for VAT in the UK, and account for UK VAT.

Supplies of goods between EU member states are not classed as imports or exports and, accordingly, no import duties are levied. Additionally, it is not necessary to make an import declaration on an acquisition of goods in the UK from another EU member state.

There are a few exceptions - the territories below, although part of the EU, are outside the EU Customs Territory so duties would arise:

- **Cyprus:** those areas in which the Government of the Republic of Cyprus does not exercise effective control
- **Denmark:** the Faroe Islands and Greenland
- **France:** New Caledonia, Mayotte, Saint-Pierre and Miquelon, Wallis and Futuna Islands, French Polynesia and French Southern and Antarctic Territories
- **Germany:** the Island of Heligoland and the territory of Büsingen am Hochrhein
- **Italy:** the municipalities of Livigno and Campione d'Italia and the national waters of Lake Lugano which are between the bank and the political frontier of the area between Ponte Tresa and Porto Ceresio
- **Netherlands:** territories outside Europe
- **Spain:** Ceuta and Melilla.

All businesses undertaking imports and exports within the EU must keep additional records of the transactions so that they can submit EC Sales Lists (sales to other EU states) and Intrastat returns (details of all their EU imports and exports).

All these rules are expected to remain in place until 31 December 2020 when the Brexit transitional agreement is to come to an end. From 2021, it is expected that UK businesses buying goods from the EU will have to pay import VAT on their purchases – [read more](#).

SERVICES INTO THE UK

The VAT position of cross-border services is determined by EU 'place of supply' rules, which are broadly the same, regardless of whether the services are provided to a UK recipient by an EU or a non-EU business.

For B2B transactions, the general rule is that the service is deemed to be supplied where the recipient belongs. Therefore, a UK business receiving the service from an overseas business must account for VAT as a 'reverse charge' at the rate applicable in the UK. This VAT may be recoverable by the recipient of the service. No VAT would be payable by the supplier, who is not required to register for VAT in the UK.

However, there are some specific exceptions to this rule. This includes land related services which are subject to the VAT rules of the country where the land is located; and the supply of admission to an event, which is deemed to take place in the country where the event is held. If that supply takes place in the EU, it may be necessary to register for VAT in the EU member state in which that supply takes place. If the place of supply of the service is not in the EU, no EU VAT need be accounted for. However, where the supply takes place in a country outside the EU, consideration may need to be given to the VAT (or local equivalent) rules in that country.

The place of supply of B2C services varies according to the precise nature of the supply. A supplier of B2C services may be required to register in more than one member state.

No reverse charge applies to inbound B2C transactions. Any VAT chargeable is always the supplier's responsibility.

Some B2C service providers with customers in the UK (eg suppliers of digital services such as software, music, and e-books) may either register and account for VAT in the UK (and all other EU member states where they have customers) or opt for a simplified registration in one member state under the Mini One Stop Shop (MOSS) scheme.

In practice, the VAT place of supply can be difficult to get right, and any errors in determining the precise nature of the service, or the country in which the recipient is established, can completely change the outcome for VAT purposes.

It is not yet clear how the VAT place of supply rules will change after the UK finally leaves the EU, however, it is hoped that similar arrangements will be replicated in any ongoing trade deal that the UK strikes with the EU.

Read about [BDO's customs duty services](#).

HOW – much customs duty is paid on services?

Strictly, there is no customs duty on services. However, some services related to a specific import of goods (eg selling commission, royalties and licence fees) may have to be taken into account when calculating the customs value of imported goods.

THE IMPORT AND EXPORT OF GOODS AND SERVICES INTO AND OUT OF THE UK

SELLING FROM THE UK TO OVERSEAS CUSTOMERS

GOODS OUTBOUND FROM UK

Selling goods from the UK to a non-EU destination

No VAT is chargeable on the sale of goods that are physically exported from the UK to a destination outside the EU, provided the exporter obtains and keeps official and/or commercial documentary proof of export (eg a copy of the Goods Departed Message created by HMRC's National Export System or an authenticated air waybill). It is, however, usually beneficial for the exporter to be VAT registered in the UK to recover any UK VAT incurred on the purchase of the goods or general business overheads.

Exports of certain goods, such as military and dual-use equipment, sensitive technology, artworks, plants and animals, medicines and chemicals, may require a licence from the appropriate Government department. In addition, the UK upholds trade sanctions against certain listed persons, entities and countries. Trading with such denied parties may still be possible should the goods be of humanitarian aid or where an export licence has been acquired from the UK Government.

Selling goods from the UK to another EU member state

For B2B transactions, VAT is accounted for by the EU purchaser on acquisition of the goods in its member state. A UK seller is not required to register for VAT in the EU member state of destination provided it obtains the customer's EU VAT registration number, quotes it on the VAT invoice, and retains documentary evidence that the goods have been despatched from the UK.

For B2C transactions, VAT is accounted for at the rate applicable in the member state of the supplier until sales exceed the 'distance selling' threshold of the customer's member state (either €30,000 or €100,000). Once B2C sales to customers in another EU member state have exceeded that threshold, the supplier must register for VAT in that member state and account for local VAT on subsequent sales.

As noted above, supplies of goods between EU member states are not classed as imports or exports – subject to few very limited exceptions. Accordingly, no import duties are levied in the destination country, nor is it necessary to make an import declaration on an acquisition of goods from the UK to another EU member state.

SERVICES OUTBOUND FROM THE UK

The VAT position of cross-border services is determined by EU 'place of supply' rules, which are broadly the same, regardless of whether the services are provided to an EU or a non-EU business.

Where a UK business sells a service to a business located overseas, the general rule is that the service is deemed to be supplied where the recipient belongs. Therefore, the sale is outside the scope of UK VAT and no UK VAT need be charged. The seller should obtain commercial evidence to show that the customer belongs outside the UK and receives the supply for a business purpose (eg their EU VAT registration number). It may be possible for the UK supplier to register for VAT in the UK to recover any UK VAT incurred on related purchases and general business overheads.

There are some exceptions to the general rule, such as land related services, which are subject to the VAT rules of the country where the land is located; and the supply of admission to events, which are deemed to take place in the country where the event is held. If the place of supply of the service is within the EU, it may be necessary for the supplier to register for/charge VAT in the member state where the supply takes place.

The place of supply of B2C services varies according to the precise nature of the supply. A supplier of B2C services to EU customers may be required to register in more than one member state. B2C suppliers of digital services (eg software, music, e-books) must register for and account for VAT in all EU member states where they have customers, or opt for a simplified registration in one member state under the MOSS scheme.

Some non-EU countries have similar schemes requiring foreign suppliers of B2C digital services (eg software, music, e-books) to register and account for VAT in their country.

In practice, the VAT place of supply can be difficult to get right, and any errors in determining the precise nature of the service or the country in which the recipient is established can completely change the outcome for VAT purposes.

Read about [BDO's international VAT services](#)

WHAT – impact will Brexit have?

The laws affecting sales of goods and services from the UK to EU member states will change from 2021 onwards and, depending on the terms of any future UK-EU trade agreement, there are likely to be additional costs and administrative barriers to navigate. Read more on the implications of [Brexit](#).

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