



# Changes to VAT for shipments under £135

At 11pm GMT on 31<sup>st</sup> December 2020, the UK government introduced new rules on VAT for goods entering the UK.

## What you need to know

**Before the change**, UK importers were responsible for paying import VAT on goods entering the UK from outside the EU at the point of import. This import VAT was charged on shipments valued over £15 and was paid using either the carrier's or the importer's deferment account.

Shipments valued at under £15 qualified for Low Value Consignment Relief (LVCR\*) with no import duty or VAT being payable.

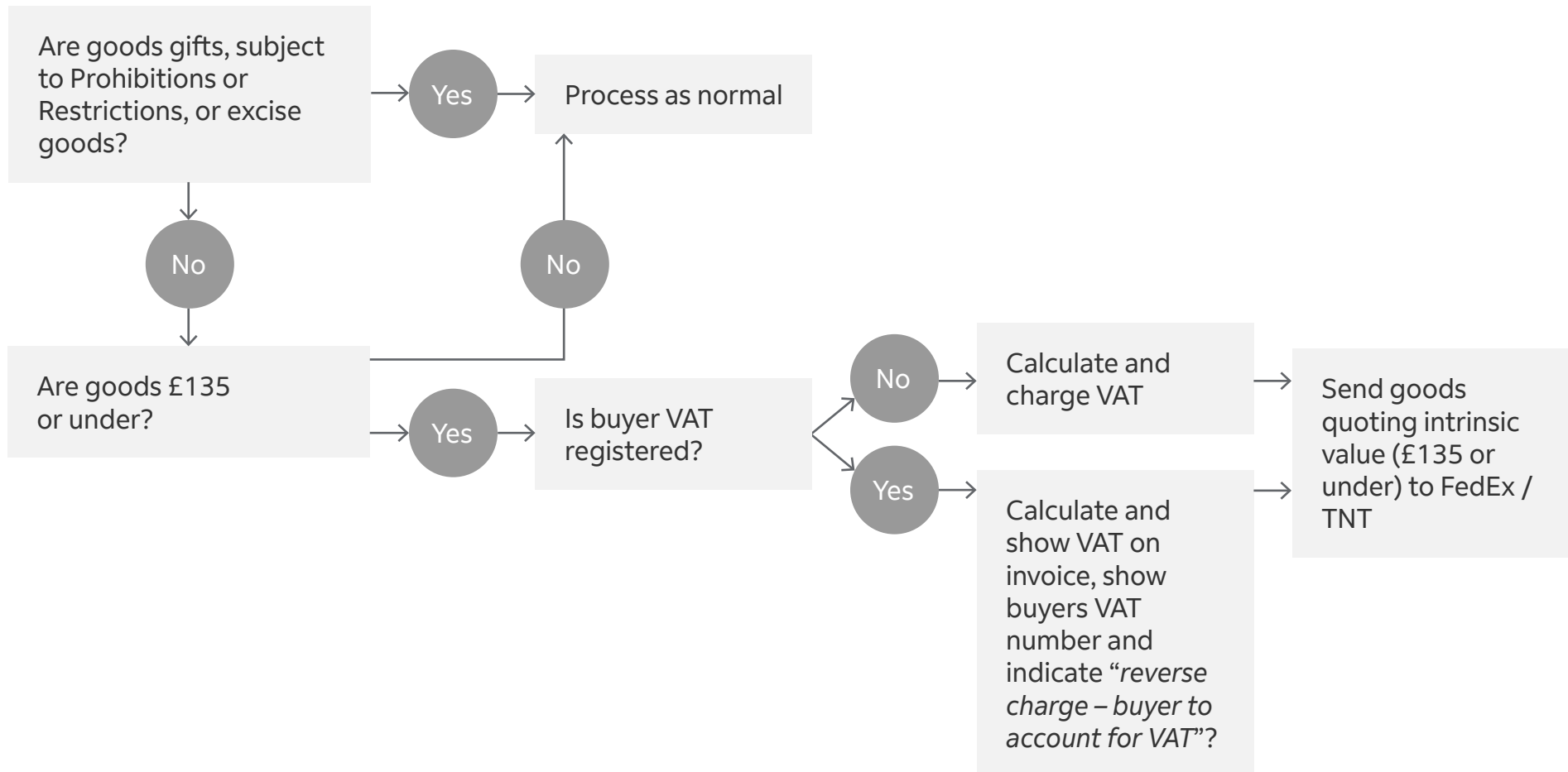
**After the change** on 31<sup>st</sup> December 2020, LVCR was removed and goods with a total value of £135 or less were liable for supply VAT, paid by the seller for goods entering England, Scotland and Wales. For Northern Ireland, import VAT became payable by the seller / buyer.

This means that VAT on shipments with an intrinsic value of £135 will no longer be collected at the time of import, but will be charged by the seller at the time of sale or by using the reverse charge method by a UK VAT registered buyer.

\* LVCR excluded goods subject to Excise Duty, restricted items and goods covered by International Conventions such as CITES.



## Goods entering UK under £135 in value



## PROCESS BEFORE FOR NON-EU SHIPMENTS TO UK:

1. Sale of goods.
2. Seller generates the commercial invoice and appoints FedEx to deliver the goods to UK importer.
3. Export customs formalities take place.
4. Transport process takes place and goods arrive in the UK.
5. Import clearance is completed, import duty and VAT (if due) is calculated and either charged to importer's deferment account or paid to HMRC using FedEx / TNT deferment account.
6. Goods are delivered.
7. If import duty and VAT are paid to HMRC using FedEx / TNT deferment account, the charges are then invoiced to the UK importer, unless upfront payment has already been secured.

## PROCESS BEFORE FOR EU SHIPMENTS TO UK:

1. Seller appoints FedEx to deliver the goods to UK importer.
2. Transport process takes place and goods arrive in the UK.
3. Goods are delivered.

## PROCESS AFTER FOR GOODS FROM ANYWHERE OUTSIDE THE UK:

1. Overseas seller registers for UK VAT if selling goods with a value of £135 or less directly to UK consumers and non-VAT registered businesses.
2. VAT is charged at this point by the overseas seller- supply VAT for GB or import VAT for NI.
3. Seller generates the commercial invoice and appoints FedEx to deliver the goods to UK importer. Commercial invoice must now include the amount of VAT that's been charged, and if selling goods to UK VAT registered business- their VAT number and a note about accounting for VAT using reverse charge method. If selling using an OMP see point 10.
4. Export customs formalities take place.
5. Transport process takes place and goods arrive in the UK.
6. Simple Import clearance with no duty or VAT to be paid is completed on arrival in UK.
7. Goods are delivered.
8. Import VAT is accounted for by the overseas seller, or by the UK VAT registered importer using the reverse charge method.
9. There is no import duty & VAT to pay so no invoice or request for payment.
10. For information on Online Market Places – see the guidance [here](#).

# Questions and answers

## Who do businesses pay the VAT to?

HMRC.

## Is this change connected to Brexit?

It is a HM Treasury initiative that has been introduced to coincide with the end of the Transition Period, but it is not directly connected to Brexit.

## Who is affected by the change?

- Any business outside of the UK sending shipments with a value of £135 or under,
- UK buyer who will be paying VAT at point of sale or VAT registered business who will account for VAT.

## What will businesses exporting goods with value of £135 or under to the UK need to do?

- If selling goods to UK consumers or non-VAT registered businesses, they should register for VAT in the UK.
- If selling to UK VAT registered businesses, they must ensure VAT is detailed on commercial invoice and state that VAT is being accounted for by UK buyer through the reverse charge method.
- Information on how to register for VAT is available here: <https://www.gov.uk/guidance/register-for-vat>.

To register for a UK VAT number, overseas sellers will need to establish their UK Government Gateway account. Only an email address is required to do this.

To apply the correct VAT rate, overseas seller needs description of goods, and the UK VAT rate. The VAT should be detailed on the commercial invoice generated at time of sale.

Overseas sellers will have to keep a record of the goods they sell and the VAT applied, they do not need to register for a UK VAT number if they only sell goods with the total value of £135 or less to UK VAT registered businesses. If the buyer is a UK business, they should provide their VAT registration number to the overseas seller which should be quoted on the commercial invoice to allow the UK VAT registered importer to account using the reverse charge method. Where the UK VAT registered business is responsible for accounting for VAT, the overseas seller must add a note to the invoice to make clear that VAT is accounted for using the reverse charge method, for example, **“reverse charge: customer to account for VAT to HMRC”**.

# Questions and answers

## What happens if businesses exporting goods to the UK do not register for VAT?

It is not the responsibility of FedEx to ensure the overseas seller is registered for UK VAT. The overseas seller will be fully liable for compliance to the scheme.

## Will UK businesses receiving goods from other countries need to do anything?

If VAT registered, they will need to provide the seller with their VAT number and account for VAT using the reverse charge method.

## What about non-VAT registered shippers / recipients?

C2C shipments (e.g. gifts) are excluded from this scheme.

## How is the £135 amount defined?

The value should be based on the “intrinsic value” of the goods, which equates to the price at which the goods are sold, excluding:

- transport and insurance costs,
- any other taxes and charges.

## How are shipments valued over £135 affected?

Shipments over £135 are not affected by these changes, however UK VAT registered importers will be able to use **Postponed VAT Accounting** to account for VAT on these shipments.

More detailed guidance can be found [here](#).