

Supporting International Businesses

Australian trade with the UK – Post Brexit from 1 January 2021

Change for foreign mail order sellers

From 1 January 2021, the UK implemented a change in rules for foreign mail order sellers, insisting that they register for VAT for any items sold to UK customers, collect the correct VAT on behalf of HMRC and pay this to HMRC.

These changes coincided with the departure from the EU's single market but were not directly linked with Brexit since the UK could have applied its existing rules for non-EU mail order which applied VAT as goods entered the country. Officials believed they could not police the old rules with the EU importing as well, so decided instead to force all foreign sellers to register for UK VAT if they want to sell to British consumers.

The rules were not contained simply to EU businesses selling via mail order, but affected non-EU businesses as well, so sales by mail order from Australia will be subject to the new rules.

Importing to the UK

Rules for importing from Australia to the UK are largely unchanged as Australia was outside of the EU Customs domain previous to Brexit in any event.

The low value consignment relief has been abolished, so that import VAT is due on all goods coming into the UK.

Now that the UK is no longer within the EU Customs domain, if goods are intended for the EU as their final destination, care needs to be taken to ensure the correct documentation is completed and reliefs in the UK from duties and import VAT are taken advantage of to ensure that there is not a double charge suffered to duties.

Sale of goods through online marketplaces

From the end of the transition period on 31 December 2020 at 11pm, consignments of goods with a value of £135 or less that are outside:-

- the UK and sold through an online marketplace to customers in Great Britain (excluding Northern Ireland) will have UK supply VAT charged at the point of sale
- the UK and EU and sold through an online marketplace to customer in Northern Ireland will have Import VAT charged.

The £135 limit applies to the value of a total consignment that is imported, not the separate value of individual items within a consignment.

Where goods are sold through an online marketplace, the online marketplace will be liable for the VAT except where goods are sold from Northern Ireland to Northern Ireland, where the seller remains liable for the VAT.

Online marketplaces will also be liable for the VAT on goods of any value that are located in the UK at the point of sale and sold by an overseas business through an online marketplace.

The rules do not apply for the import of:-

- consignments of goods containing excise goods
- non-commercial goods, e.g. gifts
- goods from Jersey and Guernsey if VAT is collected through Import VAT Accounting Scheme

Services

The UK VAT rules for services are currently unchanged and rules rely on the place of supply and whether services are supplied to a business (B2B) or consumer (B2C).

The general rule for B2C supplies of services is that the place of supply is where the supplier belongs, irrespective of the location of their customer.

The B2B general rule for supplies of services is that the supply is made where the customer belongs.

There are exceptions to the general rules for certain services such as electronically supplied services or performance services for example.

Reverse charge can be used so as to pass the responsibility for accounting to the customer where supplies are B2B and the customer is registered for UK VAT.

Summary of changes for trade between Australia and the UK

Activity	Before Brexit	After Brexit
Importing goods to UK	Low Value Consignment Relief applied to exempt goods from Import VAT where value less than £15. Import VAT applied as goods entered from non-EU countries	<p>No Low Value Consignment Relief. Foreign mail order sellers required to register in the UK for VAT and VAT declared is supply VAT.</p> <p>All other goods treated as before; Customs declarations required and Import VAT payable on entry by the importer of record. Where goods are less than £135 the supplier will be responsible for the VAT as supply VAT.</p> <p>If goods are more than £135 responsibility for UK VAT can be passed to the customer to pay Import VAT.</p>
Low value consignment relief	No import VAT due on goods valued at £15 or less	This relief has been abolished. Import VAT due on all goods.
Exporting goods from UK	Goods travelling to the EU from the UK could move freely, no customs documentation required	All goods leaving the UK will need Customs documentation. Goods are treated as exports for VAT, and with the appropriate evidence of export they are therefore at zero rate.
Foreign mail order sellers	VAT applied as goods entered the country, import VAT. Incoterms of shipping determine the importer of record and therefore whether supplier or customer responsible for import VAT	VAT due as supply VAT, therefore the liability of the supplier to register for VAT in the UK and account for and pay output VAT on goods on their VAT return

Summary of changes for trade between Australia and the UK

Activity	Before Brexit	After Brexit
<p>Selling through online marketplaces – goods outside the UK at point of sale</p>	<p>VAT applied as goods entered the country, import VAT. Incoterms of shipping determine the importer of record and therefore whether supplier or customer responsible for import VAT</p>	<p>Where goods are outside the UK at the point of sale, the online marketplace responsible for VAT on consignments of £135 or less except for B2B sales under reverse charge.</p> <p>For consignments valued over £135, normal VAT and customs rules will apply on importation of the goods in to the UK.</p>
<p>Selling through online marketplaces – goods in the UK at point of sale</p>		<p>Where goods are in the UK at the point of sale, the seller remains liable for any import VAT and Customs when the goods are first imported in to the UK. When the goods are sold to the customers, the overseas seller is considered to have made a zero rated supply of the goods to the online marketplace. No invoice is required.</p> <p>UK VAT is charged at the point of sale. The online marketplace is liable to account for the VAT on the sales made through its marketplace except for B2B sales under reverse charge.</p>
<p>Services</p>	<p>Place of supply rules determined VAT treatment.</p> <p>Reverse charge on B2B supplies so that supplier not required to register for VAT</p>	<p>Place of supply rules determined VAT treatment.</p> <p>Reverse charge on B2B supplies so that supplier not required to register for VAT</p>

To discuss how we can support Australian businesses with international trade please contact:

Sudheer Gupta

Partner, Head of Alliotts' International Business Advisory Team

t: +44(0)207 240 9971
m: +44(0)7919 334259
e: sudheer.gupta@alliotts.com

Clair Dart

Senior Corporate Tax Advisor

t: +44(0)207 240 9971
e: clair.dart@alliotts.com

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Alliotts LLP

Offices:

Imperial House, 8 Kean Street, London WC2B 4AS t. +44 (0)20 7240 9971

Friary Court, 13-21 High St, Guildford GU1 3DL t. +44(0)1483 533119

www.alliotts.com

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