



HM Revenue
& Customs

VAT and Excise under the Northern Ireland Protocol

January 2021

Agenda

- VAT under the Northern Ireland Protocol
- Excise under the Northern Ireland Protocol
- Actions for businesses operating under the Northern Ireland Protocol
- Questions & Answers





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VAT under the Northern Ireland Protocol

Overview of Guidance Published

- The following policy papers have been published:
 - [Accounting for VAT on goods moving between Great Britain and Northern Ireland from 1 January 2021](#)
 - [How VAT will apply for goods imported into Northern Ireland from outside the UK or EU](#)
 - [How VAT will apply to goods moving between Great Britain and Northern Ireland for individuals and non-VAT-registered businesses](#)
 - [Check if you're trading under the Northern Ireland protocol and what to do](#)
 - [How to claim a refund of VAT paid in an EU member state](#)
- More detailed guidance is available here:
 - [VAT and overseas goods sold directly to customers in the UK](#)
 - [VAT and overseas goods sold to customers in the UK using online marketplaces](#)
 - [Overseas businesses selling goods to Northern Ireland](#)
 - [VAT on movements of goods between Northern Ireland and the EU](#)



Overview of Guidance Published

- Key Northern Ireland updates to Public Notices:
 - [Notice 700/2 \(VAT Group and divisional registration\)](#)
 - [Notice 700/12 \(How to fill in and submit your VAT Return\)](#)
 - [Notice 702/7 \(Onward Supply Relief\)](#)
 - [Notice 704 \(VAT Retail Export Scheme - Northern Ireland\)](#)
 - [Notice 718/1 \(Margin Scheme on second-hand cars and other vehicles\)](#)

EU-NI and NI-EU:

What remains the same? What has changed?

- In line with the Northern Ireland (NI) Protocol, supplies of goods from Northern Ireland to the EU, and from the EU to Northern Ireland, will continue to follow intra-EU rules for VAT.
- This refers to where a good is dispatched from an address in Northern Ireland to an address in the EU, or vice versa - business establishment is not the determining factor.
- For example, a business established in London sending a good from its warehouse in Belfast to a customer in Dublin will need to account for this transaction as an intra-EU supply.
- The supply of services is not covered by the NI Protocol, however, the rules for the place of supply of services are broadly unchanged. Exceptions are:
 - Use and enjoyment rules
 - B2C supplies of professional, technical and intangible services
 - Tour operators margin scheme
 - Specified exempt finance and insurance services



EU-NI and NI-EU:

What remains the same? What has changed?

- Businesses moving goods NI-EU or EU-NI should continue to treat these as intra-EU.
- For Business-to-Consumer (B2C), distance selling rules apply:
 - For EU-NI transactions, once a business exceeds the distance selling threshold as it applies in NI (£70,000), they must register and account for UK VAT on their NI distance sales.
 - For NI-EU transactions, each EU member states will have their own distance selling threshold in line with the EU VAT Directive, which NI businesses will have to take account of when selling to EU consumers.
- For Business-to-Business (B2B) transactions, VAT registered customers will account for the VAT as acquisitions.
- Businesses that make supplies of goods from NI to the EU will continue to be required to submit an EC Sales List. Supplies of services do not need to be reported on an EC Sales list as services are not covered by the NI Protocol.



EU-NI and NI-EU:

What remains the same? What has changed?

- There is a new requirement for businesses carrying out transactions with the EU to use the 'XI' prefix when communicating with EU systems or EU businesses (i.e. invoices)
- This applies to VAT-registered businesses which:
 - Receive goods in Northern Ireland from VAT-registered EU businesses for business purposes; and/or
 - Sell or move goods from Northern Ireland to an EU member state; and/or
 - Sell goods that are located in Northern Ireland at the time of sale.
- HMRC have identified certain businesses that require the XI prefix. However, businesses can notify HMRC to request the prefix through submitting a G-form
- Businesses that have an XI prefix will continue to appear on VIES-on-the-web so that EU businesses can continue to check their VAT status and verify that they are trading under the NI Protocol



EU-NI and NI-EU:

What remains the same? What has changed?

- The EU VAT refund system will be available to businesses:
 - with an establishment in Northern Ireland; and
 - who make supplies in or from Northern Ireland or EU intra-community acquisitions
- Businesses meeting those conditions will be able to use the EU VAT refund system for VAT incurred in an EU member state for transactions for which the invoice covers **goods only**
- If a business doesn't meet these conditions or the VAT invoice covers a transaction in services, the EU 13th Directive process must be used
- Under this process, a claim must be made to the national tax authorities in the EU member state in which the VAT was incurred



GB-NI and NI-GB:

What remains the same? What has changed?

- For most transactions, where goods are sold between Great Britain and Northern Ireland, the seller of the goods will continue to charge its customers VAT and account for it on their VAT return. However, this VAT will now be import VAT and subject to import VAT rules, including valuation. This means that VAT will be calculated on the Customs value of the good, which includes incidental expenses and any customs/excise duties.
- Import VAT will not need to be paid at the point of arrival into GB or NI.
- The customer will be able to reclaim input VAT, subject to the normal rules
- Import VAT will now be due where a business moves its own goods from Great Britain to Northern Ireland. However, the business may reclaim that VAT as input tax, subject to the normal rules
- An Import VAT charge will not arise where a business moves its own goods from Northern Ireland to Great Britain, unless this is done as part of a sale or supply of the goods



GB-NI and NI-GB:

What remains the same? What has changed?

- There are some exceptions to this principle, set out below:
 - Goods subject to domestic reverse charge rules (customer continues to account for VAT)
 - Goods declared into a special customs procedure (importer accounts for VAT when goods exit the procedure)
 - Goods subject to an Onward Supply procedure (VAT is accounted for in EU member state of destination as acquisition VAT)
 - Goods sold by a non-UK seller through an online marketplace (online market place is liable to account for the VAT)



GB-NI and NI-GB:

What remains the same? What has changed?

- VAT groups can continue to include members established in Northern Ireland as well as members established in Great Britain
- Intra-group transactions between UK members will continue as now
- However, there are a small number of exceptions:
 - Supplies between group members where the goods move from Great Britain to Northern Ireland should be accounted for in the same way as a movement of own goods (output VAT and input VAT entries on VAT return)
 - Supplies of goods in Northern Ireland between members where at least one member is not established in Northern Ireland then VAT will apply – the representative member should account for this and can reclaim subject to the normal rules



GB-NI and NI-GB:

What remains the same? What has changed?

- Goods moved or sent from Great Britain to Northern Ireland by non-VAT registered businesses or individuals will incur import VAT, though in most cases the liability will be reduced to zero. A credit will be applied, valued at the amount of VAT that has been previously paid on the goods in Great Britain
- However, where goods have not already had VAT charged on purchase, or if the value of the goods has significantly increased, the credit will not cover the full liability, and import VAT will be due.
- Individuals and non-VAT registered businesses carrying goods will need to use the relevant app to pay the import VAT
- Individuals and non-VAT registered businesses sending goods will need to use a different solution, which HMRC will roll out later this year



GB-NI and NI-GB:

What remains the same? What has changed?

- Goods moved or sent from Northern Ireland to Great Britain by individuals and non-VAT registered businesses will not incur import VAT unless subject to a VAT RES claim
- VAT RES will technically continue to be available for NI retailers to GB visitors, although the retailer must collect the GB import VAT due on behalf of the customer and account for it on their VAT return
- The retailer can only refund the supply VAT to the customer once the VAT407 form has been returned to them having been stamped by a Customs officer
- The VAT refund and the import VAT should be the same amount and net off to £0. For this reason, retailers may decide not to offer VATRES to visitors from GB



Rest of World – NI:

What remains the same? What has changed?

Consignments not exceeding £135

- Low Value Consignment Relief (relief for goods valued £15 or less) has been removed for goods ordered remotely
- VAT collection will no longer take place at the border
- For B2C, the seller of the overseas goods, or online marketplace where it facilitates the sale, is liable for the import VAT. They must be registered and account for the VAT on their UK VAT return.
- For B2B, the VAT registered business customer is liable for the import VAT and must account for it on their UK VAT return.
- These rules do not apply to excise goods or consumer to consumer (C2C) movements, which are subject to the rules for consignments exceeding £135.

Consignments exceeding £135 or excise goods

- Import VAT will continue to be due at the border as it is now. VAT registered business customers may be entitled to use postponed VAT accounting (PVA).



Goods located in the UK at the point of sale, supplied by an overseas seller through an online marketplace

- Where an online marketplace facilitates the B2C supply of goods located in the UK at the point of sale to a customer in the UK, including supplies between GB and NI, and where the supplier is not established in the UK, the online marketplace is liable for the VAT on the supply.
- There is an exception for goods located in NI supplied to an NI customer. The overseas seller is liable for the VAT on the supply in these cases, and will have to be registered for UK VAT.
- However, the rules for joint and several liability for online marketplace will apply.
- For B2B supplies, where a VAT registered business customer provides its VAT registration number, the online marketplace will not be liable for the VAT. Instead, the overseas seller will be liable.



GB-EU via NI:

What remains the same? What has changed?

- Treatment of goods sold from Great Britain to the EU via Northern Ireland depends on where the goods are when the supply (transfer of rights to the goods) takes place
- If the goods are located in GB at the time of supply, the seller should charge the customer VAT and account for it on its VAT return
- Only the customer, if using the goods for their taxable supplies, can recover the VAT, using the EU VAT refund system or a UK VAT return if registered
- If an Onward Supply procedure is used, import VAT will be due in the EU member state of destination and accounted for there as acquisition VAT
- If a Customs special procedure is used, such as transit, import VAT will be due where the goods exit the procedure
- The importer will need to tell the seller when they have used one of these procedures and provide the required references



GB-EU via NI:

What remains the same? What has changed?

- If the goods are moved to Northern Ireland before being supplied then two separate movements need to be accounted for:
 1. A movement of own goods from GB to NI by the seller (output VAT and input VAT entries on VAT return)
 2. Intra-community sale (either an acquisition and dispatch, or distance sale where customer is not VAT registered)



EU-GB via NI:

What remains the same? What has changed?

- Where goods are sold from an EU member state to Great Britain, via Northern Ireland, the EU business should charge the customer UK VAT, and will have to register and account for the VAT on a UK VAT return
- The UK customer will be able to reclaim the VAT as input tax, subject to the normal rules

Frequently Asked Questions

- Q: In light of the announcement made on the second-hand good scheme with respect to motor vehicles, can we be confident in being able to operate this scheme from the beginning of the year?
A: The Government has engaged with the EU and is confident that a derogation will be agreed that will apply from the end of the transition period. We have released guidance which allows for the scheme to be used from the end of the transition period.
- Q: We have heard some suggestions of a ‘grace period’ or ‘soft landing’ for the initial period after 1/1/21. Will this be the case?
A: HMRC will help customers to put honest mistakes right where these occur but will be taking tough action on deliberate fraudulent behaviour.
- Q: What will the VAT treatment be on the movement by a service provider (on behalf of its customer) of “customer-owned goods” between GB and NI and vice versa?
A: Where third party goods are moved from GB to NI, the business moving the goods will need to account for import VAT when the goods arrive in NI, if they have not been declared to a special customs procedure.
- Q: We have heard that HMRC are revisiting the definition of ‘ownership’ for the purposes of import VAT recovery. Please can HMRC confirm whether more guidance will be issued in this regard?
A: Only the person who has ownership of the goods, by which it is meant that there has been a transfer of ownership of the right to dispose of the goods as owner, can recover import VAT. We will look as soon as possible to clarify this in updated guidance.





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Any Questions?



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Excise under the NI Protocol

Overview of the Guidance Published

- Across two phases, HMRC published comprehensive guidance on excise goods under the Northern Ireland Protocol. This primarily covers excise goods moved as freight and can be found here: <https://www.gov.uk/government/publications/moving-excise-goods-as-freight-under-the-northern-ireland-protocol-from-1-january-2021>. It includes:
 - Phase I (October 2020)
 - **Moving excise goods as freight under the Northern Ireland Protocol from 1 January 2021**
 - Phase II (December 2020)
 - **Using the duty off-set mechanism**
 - **Customs Interactions**
 - **Changes to excise authorisations**
 - **Drawback, Distance Selling, Duty Stamps and Fiscal Marks**
- HMRC wrote to all excise traders in December to advise them of changes and actions needed.
- Further guidance is to be published soon covering non freight movements of excise goods.



Overview of Guidance Published

- Key Northern Ireland updates to Public Notices:
 - Excise Notice 196 (Registration and approval of warehousekeepers, warehouse premises, owners of goods and registered consignors)
 - Excise Notice 197 (Receive goods into and remove goods from an excise warehouse)
 - Excise Notice 207 (Excise duty drawback)
 - Excise Notice 202 (Registered mobile operators)
 - Excise Notice 203a (Registered consignees)
 - Excise Notice 204a (Temporary registered consignees)
 - Excise Notice 204b (commercial importers and tax representatives - EU trade in duty-paid excise goods)



EU-NI and NI-EU:

What remains the same? What has changed?

- As a result of the Northern Ireland Protocol, NI maintains alignment with EU rules on goods, including EU excise goods
- No customs declarations or tariffs for goods moving between NI and the EU
- NI excise traders retain the ability to move excise goods in duty suspension between NI and EU member states using Excise Movement and Control System (EMCS)
- Eligible traders, including businesses in NI, have been allocated a new 'XI' country code excise ID to facilitate movements controlled on EMCS
- EU duty paid processes (SAAD, HM4) remain in place for duty paid goods moving between NI and EU member states
- The EU Tobacco Track and Trace requirements continue to apply in NI but all NI tracking data will now be reported to both the UK and the EU systems



GB-NI and NI-GB:

What remains the same? What has changed?

What remains the same?

- Excise goods moving between GB and NI are UK movements. No ability to reclaim excise duty drawback (reimbursement) when goods move between GB and NI
- Excise goods moving in duty suspension controlled under a single EMCS entry
- No export declarations needed for goods moving directly between NI and GB

What has changed?

- A declaration is required when excise goods enter NI from GB (this direction only)
- An excise duty point arises when goods enter NI from GB, even where UK duty is already paid.
- There is a new excise duty off-set mechanism which enables traders to off-set UK duty already paid on the goods against the charge that arises in NI. In most cases, this will result in no additional payment when the goods enter NI.
- Tobacco Track and Trace – movements are now reported onto the new UK system, with data on arrivals in NI also reported onto the EU system



Rest of World - NI and NI - Rest of World: What remains the same? What has changed?

- EU excise rules continue to apply to excise goods entering or leaving NI, as NI is treated as the 'territory of the community' under the NI Protocol.
- Therefore, no changes to the rules for excise goods imported into, or exported from NI to Rest of World – i.e. import and export declarations are required
- Unlike movements between GB and the EU, EU countries are not 'Rest of World' for the purposes of NI.
- The Tobacco Track and Trace requirements continue to apply with data reported to the EU and UK systems.

Complex Movements (any combination of EU, GB and NI): What remains the same? What has changed?

- EU processes no longer apply in GB. Therefore goods moving through any combination of EU, NI and GB may require different processes
- For duty-suspended goods, in most cases, two EMCS movements will be needed to move excise goods between any combination of EU, NI and GB
- For duty-paid goods, SAAD process no longer applies in GB
- When excise goods move from GB to EU (and NI), even as part of a wider movement, the excise duty status can be changed. (e.g. from duty suspended to duty paid)
- For excise goods moving from NI to GB that start in, or pass through, the EU (EU-NI-GB or NI-EU-GB) an import declaration is required on entry to GB and excise duty must be accounted for
- Tobacco Track & Trace conditions apply to the disaggregation and reaggregation of product moving from the EU to NI via GB to comply with UK and EU requirements



Frequently Asked Questions

- Q: I am approved to use an alternative to EMCS to control movements domestically? Will I still be able to do this for goods moving between GB and NI?
A: Yes, any existing approvals will be unaffected.
- Q: Will there be two EMCS systems? One for NI and one for GB?
A: No, EMCS remains a single system - traders in NI have been issued with a new XI ID which is valid for movements within the UK and the EU
- Q: If there is an import declaration when goods enter NI from GB, could I place goods that were duty paid in GB into duty suspension in NI?
A: For alcohol and tobacco goods, yes this is possible. However, UK duty already paid on the goods would not be reclaimable, it would be held until the goods are released for consumption in NI, and then the duty off-set mechanism applies
- Q: How does the off-set mechanism work?
A: Traders will need to calculate the duty already paid on the goods and subtract this from the duty that will be charged on entry to NI. In most cases, the two amounts will be the same and no additional payment is needed.





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Any Questions?

Actions for businesses operating under the Northern Ireland Protocol

- See the [latest guidance](#)
- Check if you require an XI prefix in front of your VAT number. If you do, and you do not already have one, [notify HMRC](#).
- Register for the Trader Support Service (TSS) by visiting tradersupportservice.co.uk, and take a look at educational materials on VAT and Excise.





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Any Questions?