

A Brief Guide to Importing in to the UK

Import Procedure and Taxes

If you are based outside the European Union and import goods into the UK, you will be required to obtain an EORI (Economic Operators Registration and Identification) number, which your freight agent will provide to the UK Customs authorities (HMRC).

Your EORI number is used to declare your imports to Customs, and to pay both Import VAT (Value Added Tax) and Duty when your goods arrive in the UK.

The standard rate of VAT is currently 20%, although there are a few types of goods which are subject to a reduced rate (5%) or are 'Zero-rated', i.e. free from VAT. The main examples of imported goods which are not subject to the standard rate are printed books and children's clothing, which are both Zero-rated.

Duty is payable at the rate applicable to the commodity code for the goods.

Import VAT can be reclaimed if you are VAT-registered (see below.) Duty is not reclaimable.

VAT Registration

VAT is a type of sales tax. As a seller of goods which you have imported, you are required to register for VAT and to charge VAT (at the rates described above) on your sales. Since December 2012, for a non-UK business there is no minimum sales threshold. (By contrast, UK-based businesses do not have to register until their turnover rises above a certain level.)

You will need to obtain a VAT number, and to file VAT returns, usually on a quarterly basis. In a return, you record your total sales for the period, and the applicable VAT amount which is due. (Assuming your goods are subject to the 20% rate, VAT will be calculated as $20/120$, i.e. $1/6$, of the amount which your customer paid, because prices have to be viewed as including VAT.) You also record your total import value during the period, and the Import VAT which you paid. This Import VAT is given as a credit against your sales VAT, and only the net amount is then payable to HMRC. Alternatively, if, during the period, Import VAT exceeded VAT on sales, HMRC will repay the difference to you.

E.g. You imported a camera costing £100 and sell it for £150. You will have paid Import VAT of 20%, i.e. £20, on entry in to the UK. VAT due on the sale is £25 ($150/6$), but you have a credit of £20, so £5 is payable to HMRC when you file your return.

Note: If your annual turnover is below £150,000, it may be to your advantage to use the 'Flat Rate Scheme', under which you do not claim credit for your Import VAT, but instead you are only required to pay a fixed percentage, (usually 7.5%), of your sales.

You can file VAT returns online using HMRC's Online Services, or you can appoint a UK accountant or VAT Agent to do so on your behalf. An agent can also make the application

for VAT and EORI registration on your behalf.

When you register for VAT, you can request an EORI number, without the need for a separate EORI application. Your EORI number will then be linked to your VAT number. HMRC will issue monthly certificates showing the Import VAT you have paid, and confirming the amount available for credit or reclaim through your VAT return. If you applied for, and received, an EORI number before registering for VAT, (which is allowed as a temporary measure,) you will need to request a new EORI number when you register for VAT, and, once you obtain it, stop using the temporary number.

Sales to Customers Outside the UK

Goods which have been imported in to the UK can generally be sold to customers outside the UK, including those in other EU member states, without the need to deal with the authorities of the customer's jurisdiction.

If goods are exported to a country outside of the EU, no VAT is due on the sale, regardless of whether the customer is a business or a consumer. Similarly, if goods are sold to a business customer elsewhere in the EU, who can provide their local VAT number, no VAT is due.

Where sales are made to a *consumer* (i.e. not a business,) living elsewhere in the EU, UK VAT is due in the same way as it is for UK sales.

However, if, during any calendar year, sales to *consumers* in any particular EU state(s) exceed an amount known as the 'Distance Selling Threshold', you would immediately become liable to register for VAT in that state, and to account for VAT in that state (at what ever the rate is there.) At that point you would no longer include these sales in your UK VAT return or pay UK VAT on the sales. (But credit for Import VAT is still available in the UK.) The Distance Selling Threshold in some states is 35,000 Euros or equivalent, and in others is 100,000 Euros or equivalent.

If you move your goods to another EU state to be stored until sold from that state, the movement of goods itself is treated as if it were a sale to your own business, and the onward sale to your customer is then treated as taking place in that state. You would be required to register for VAT in that state and to account for sales VAT there. (But credit for Import VAT is still available in the UK.) The Distance Selling Threshold does not apply to this situation.

Direct Tax

Although a business which has no establishment in the UK, but imports in to the UK, is required to register and account for VAT, it is not subject to UK taxation on its profits, even those which derive from sales made in the UK.

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