

UK customs and VAT treatment of imports and exports after Brexit transitional period

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The United Kingdom (UK) left the European Union (EU) on 31 January 2020 (Brexit) and entered into transitional trading arrangements with the EU. The transitional period is due to end on 31 December 2020. After that date, unless a further extension to the transitional period is agreed, the UK will cease to be treated as an EU Member State for all trade purposes.

The UK Government has announced that after the transitional period, all exports and imports will be treated equally. This will mean that traders in the EU and in Great Britain¹ (GB) will have to submit customs declarations, undergo checks on their goods and pay value-added tax (VAT) at importation. However, this approach will not apply to the flow of trade between Northern Ireland and Ireland, or between Northern Ireland and GB (which will be subject to different arrangements).

The UK Government also confirmed that the policy easements that were previously put in place in 2019 for a potential no-deal Brexit have been withdrawn and will not be reintroduced for 2021, as it believes that businesses now have sufficient time to prepare for these changes. By implication, this likely means the "Transitional Simplified Procedures" (delayed customs declarations and tariff payments) and "Postponed Accounting" (deferred VAT) measures previously announced.

Therefore, effective 1 January 2021, all imports of goods into the UK will need to be accompanied by customs declarations, will be potentially liable to tariff payments and import VAT will apply at the time of importation. As a consequence, all UK importers will need to consider the implications of these changes for their future customs obligations, and the impact on their cash flow and financial arrangements (such as, the need for customs duty and import VAT deferment guarantees).

Endnote

1. England, Scotland and Wales.

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EYG no. 000704-20Gbl

1508-1600216 NY
ED None

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