

# Indirect Tax Alert

## UK issues guidance on accounting for VAT on goods moving between Great Britain and Northern Ireland from 1 January 2021

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### Executive summary

The United Kingdom (UK) Government has issued [guidance](#) providing information regarding when a business that is registered for value added tax (VAT) in the UK can or must, account for VAT on its tax return for movements of goods between Great Britain (GB) (i.e., England, Wales and Scotland) and Northern Ireland. This guidance, which relates to the end of Brexit transition period, applies from 1 January 2021.

Under the obligations in the Northern Ireland Protocol, import VAT will be due on goods that enter Northern Ireland from Great Britain. The same will also broadly apply to goods entering Great Britain from Northern Ireland. However, existing flexibilities within the European Union (EU) VAT rules have been used to ensure that the Government priority to minimize business impacts is met. In particular, Articles 201 and 211 of Directive 2006/112/EC mean that it is for the UK Government to determine important practical details as to how this will operate. Our approach will preserve the integrity of both the UK and EU single markets.

## Detailed discussion

### VAT registration

- ▶ The Government stresses that Northern Ireland is, and remains, part of the UK's VAT system. There will be no requirement for a new VAT registration for sales of goods in Northern Ireland.

### VAT on goods sold between Great Britain and Northern Ireland

- ▶ UK VAT will continue to be accounted for as it is currently on goods sold between GB and Northern Ireland. This means that the seller of the goods will continue to charge its customer VAT and should show this on its invoices. The VAT charged will be accounted for as output VAT on the VAT return as it is now. If the customer receives an invoice from the seller showing that VAT has been charged, it may use this as evidence in order to reclaim the VAT as input tax, subject to the normal rules.
- ▶ If the movement of goods falls within one of these exceptions, the customer or importer will account for the VAT on its UK VAT return:
  - Goods declared into a [special customs procedure](#) when they enter Northern Ireland or GB
  - Goods currently subject to [domestic reverse charge rules](#)
  - Goods subject to an [Onward Supply procedure](#)

### Businesses moving their own goods from GB to Northern Ireland

- ▶ If a business moves its own goods between GB and Northern Ireland (e.g., for warehousing inventory) it will need to account for VAT on the movement. This should be included as output VAT on its VAT return.
- ▶ The VAT may be reclaimed as input VAT on the UK VAT return, subject to the normal rules. Where a business uses the goods for exempt activities, or where the goods are put to a taxable use and also exempt use, it may be required to make an adjustment to its [partial exemption](#) calculations

### Businesses moving their own goods from Northern Ireland to GB

- ▶ A business will not be required to account for VAT when it moves its own goods from Northern Ireland to GB unless these goods have been subject to a sale or supply to its customer.

### Sales of goods from GB to Northern Ireland, and within Northern Ireland, by members of a UK VAT group

- ▶ A VAT group is broadly a group of connected entities that are treated for VAT purposes as a single taxable person. Therefore, VAT is not generally charged on supplies between group members.
- ▶ UK VAT groups will continue to operate largely as they do now. VAT groups will continue to be able to include members that are established in Northern Ireland as well as members that are established in GB.
- ▶ However, there are a number of changes to the way in which a VAT group will operate when it moves goods from GB to Northern Ireland, or where goods in Northern Ireland are sold between members:
  - If goods are supplied by a member of a VAT group, and those goods move from GB to Northern Ireland, **VAT will now be due** in the same way as when a single business moves its own goods.
  - If supplies of goods are made between members of a VAT group, and those goods are located in Northern Ireland at the time that they are supplied, these supplies will only be disregarded for VAT purposes if both members are established, or have a fixed establishment, in Northern Ireland. Where one or both members of the group only has establishments in GB, VAT must be accounted for by the representative member of the group. This VAT may be reclaimed subject to the normal rules.

### Sales of goods on board ferries between GB and Northern Ireland

- ▶ These sales will continue to be taxed domestically in the same way as they are now. UK VAT will be due and this will be accounted for on the seller's UK VAT return.
- ▶ If goods are sold on a journey between Northern Ireland and an EU Member State, these will be taxed in the place of departure, as happens currently.
- ▶ If goods are sold on a journey that visits GB and Northern Ireland as part of a voyage to a third country (non-EU), the supply will be treated as taking place outside the UK and therefore outside the scope of UK VAT.

### Intra-EU simplifications

- ▶ EU VAT simplification measures, such as triangulation, will not be available for movements of goods involving GB.

- ▶ EU VAT simplification measures, such as triangulation, will be available for movements of goods involving EU Member States and Northern Ireland or where the intermediary is identified as moving goods in, from, or to, Northern Ireland in the course of its business.

### **VAT margin schemes**

- ▶ In line with EU rules, VAT margin schemes involving goods, (such as the second-hand margin schemes), will not usually apply for sales in Northern Ireland where the stock is

purchased in GB. The VAT on these sales will be subject to the normal rules and must be accounted for on the full value of the supply.

- ▶ Margin schemes will remain available for sales of goods that are purchased in Northern Ireland or the EU, whether sold to customers in Northern Ireland, GB or the EU.
- ▶ Margin schemes will remain available for sellers in GB selling stock originally purchased in Northern Ireland or GB.

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For additional information with respect to this Alert, please contact the following:

#### **Ernst & Young LLP (United Kingdom), London**

- ▶ Andy Bradford                      [abradford@uk.ey.com](mailto:abradford@uk.ey.com)

#### **Ernst & Young LLP (United Kingdom), Belfast**

- ▶ David Reaney                      [dreaney@uk.ey.com](mailto:dreaney@uk.ey.com)

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