



# Brexit deal is done!

## VAT and Customs aspects of the deal and other Brexit updates

The EU and UK will trade without tariffs and quotas on all goods that comply with the rules of origin.

The HMRC has made public the rules about cross-border B2C selling from EU countries to the Northern Ireland (NI): the distance selling threshold is **£70,000**.

In addition, a non-UK business will be able to use a UK DDA in the Great Britain (GB).

## Background

At 12pm CET on 31 December, the UK will leave the EU Customs Union and Single Market. The free movement of goods, persons, goods, services and capital between the UK and the EU will end. The trade with the GB (the UK excluding the NI) will be accompanied with customs' borders, formalities and paperwork including entry and exit summary declarations. Imports will need to comply with EU/UK product rules and be subject to checks and controls for safety, health and other public policy purposes, including all necessary SPS controls applicable between the EU and the UK. Without a deal, tariffs and quotas would have also been imposed on trade between the EU and UK. Import VAT will be due, even if customs duties are not payable. UK VAT registered businesses will be able to use the postponed import VAT accounting. See [our website](#) for more information about the trade between the EU and UK after Brexit.

UK service providers will no longer benefit from the country-of-origin / passporting principle. They will have to comply with the – varying – rules of each EU Member State (MS), or relocate to the EU if they want to continue operating as they do today. UK financial services firms will lose their financial services' passports. There will be no more mutual recognition of professional qualifications.

In light of the exceptional circumstances of the deal being made just before the end of the Brexit transition period, the deal applies on a provisional basis until 28 February 2021. It needs to be formally approved by the UK and EU various institutions.

## Trade deal between EU and UK

The [trade deal](#) (FTA) is 1,256 pages long. It provides for zero tariffs and zero quotas on all goods provided rules of origin (RoO) are met. Such rules are necessary to ensure that the products benefiting from the FTA (zero tariffs, zero

quotas) are either wholly obtained from or manufactured in the FTA itself (in this case, the EU and the UK), or sufficiently worked or processed there (e.g. by setting a limit on the value of non-originating materials that can be used in order to benefit from the FTA).

This means that the trade preferences granted under the deal benefit only UK/EU goods and not the goods from "third" countries. For companies who distribute the goods of non-EU origin in the UK via a warehouse located in the EU, it means that the UK tariffs or quotas may be applicable on their goods. This may mean **double duties** if the goods have been cleared for customs in the **EU** and will also face **UK tariffs**. However, other UK free trade agreements (such as a future US-UK trade deal which will be expected shortly) may provide a preferential treatment for non-EU goods.

The operators will benefit from additional **flexibility** in collecting documentary evidence **to prove origin during the first year**, to allow them to benefit from the preferences despite the little time available between conclusion and application of the FTA.

Businesses are allowed to self-certify the origin of goods. The RoO rules are also supported by predictable and low cost administrative arrangements for proving origin.

Traders enjoy "full cumulation" (i.e. processing activities in the EU or UK also count towards origin, not just materials used), making it easier to obtain EU/UK origin for the goods. Full bilateral cumulation between the EU and the UK allows EU inputs and processing to be counted as EU input in EU products exported to the UK and vice versa.

Other arrangements include:

- facilitations on average pricing, accounting segregation for certain products, as well as all materials, and tolerance by value.

- the mutual recognition of trusted traders programmes ('AEO').
- common reference definition of international standards and possibility to self-declare conformity of low-risk products.

#### NI trade

The special rules will apply for trade in goods with the Northern Ireland (NI). NI will remain in the EU Single Market for goods. New checks on movements of goods will emerge between Great Britain (GB) and NI.

The UK revokes the clauses regarding NI of [the controversial UK Internal Market Bill](#).

## Other important Brexit news

The HMRC has made some important policy announcements. The rules about distance selling in the NI have finally been published. Additionally, HMRC has changed its policy regarding Duty Deferment Accounts (DDAs) for non-UK businesses.

#### The distance selling threshold is £70,000.

Businesses making distance sales from EU MSs to NI must register for UK VAT if the value of their distance sales into NI during a calendar year goes over the distance selling threshold. They must keep proper records of their distance sales to NI.

If an annual value of the distance sales into NI is less than the distance selling threshold, the businesses charge VAT at the rate that applies in the EU MS of departure.

They can apply to register for UK VAT as a distance seller voluntarily, even if they do not exceed the threshold.

See more details at:

<https://www.gov.uk/guidance/overseas-businesses-selling-goods-to-northern-ireland#threshold-for-distance-selling>

#### DDAs for non-UK businesses

Existing DDA authorisations held by non-UK established businesses will be rolled over after 2020 and the UK Government will legislate shortly to allow a non-UK business to apply for a new DDA for use in the GB. Non-UK businesses will not be eligible for a guarantee waiver, and will need to provide a financial guarantee from a financial institution that is established in the UK and set up a direct debit.

Traders who import goods from the EU that qualify for delayed declarations will need to have their DDA by the time the supplementary declaration is made, if an intermediary makes their declarations. Supplementary declarations on these goods can be delayed until 1 July 2021.

---

#### Contact

Do you have questions or do you need more detailed information? Please do not hesitate to contact us.



**Aiki Kuldkepp**  
Senior Manager VAT  
T +31 (0)88 676 97 56  
E [aiki.kuldkepp@nl.gt.com](mailto:aiki.kuldkepp@nl.gt.com)



**Bob van der Steen**  
Managing Director / Head Indirect Tax  
T +31 (0)88 676 92 90  
E [bob.vander.steen@nl.gt.com](mailto:bob.vander.steen@nl.gt.com)