



Brexit and Returns of Goods

Exemption from VAT and Customs duties may apply to the return of goods which are shipped from the EU to the UK or vice versa but the conditions apply.

This leaflet looks at the VAT and Customs consequences of Brexit on returns of goods. It analyzes the effect on the businesses who ship their goods from the EU to the UK or vice versa. Overview is given about transitional measures applicable to returns of goods which have been transported from the EU to the UK or vice versa before the end of the Brexit transition period. This leaflet also looks at the relief measures available on goods which are transported from the EU to the UK or vice versa after the end of the Brexit transition period.

Background

After Brexit, the UK is not bound by the EU VAT and Customs rules (except in respect of Northern Ireland (NI) as regards transactions in goods). Where the UK is referred to below, this only includes the Great Britain since the EU VAT and Customs rules continue to apply for transfers of goods from NI to the EU, or vice versa.

Where the goods are returned from an EU Member State to the UK or vice versa, this return now qualifies as an export in the EU and importation in the UK or vice versa. The import is subject to VAT and possibly customs duties and other taxes unless special treatment applies.

Re-importation of goods originally transported from the EU to the UK

You may be eligible to claim a relief from the Customs Duty and VAT if you import goods from the UK back to the EU if the goods were previously exported to the UK. This is known as Returned Goods Relief (RGR). Relief can be used for items returned within three years. The goods must not be changed or have undergone any processes, with the exception of maintenance. The goods cannot have been upgraded to increase their value. The importer should have evidence of the export of the goods. This will normally be the export declaration.

Brexit transitional rules

Goods in the UK at the end of the Brexit transitional period may be eligible to RGR if you return goods from the UK back to the EU. The importer should have evidence of the transport of the goods. This will normally be the export declaration, however since the goods have been delivered to the UK before the end of the transition period, the transport documents should serve as proof that the Union goods were taken to the UK prior to the end of the transition period, if necessary, accompanied by other relevant documents. You should provide evidence that the Union goods (i.e. goods which have been in free circulation in the EU) were transported to the UK prior to the end of the Brexit transition period on 31 December 2020; and - return in an unaltered state.

Comments from a VAT perspective

The VAT exemption upon re-importation as returned goods is applicable only if the exporter and the importer of the goods are the same person.

Re-importation of goods originally transported from the UK to the EU

Businesses may be eligible to claim a relief from the Customs Duty and VAT if they re-import goods to the UK.

Returned Goods Relief (RGR)

You can get this relief if you're re-importing goods into the UK that have previously been exported. The goods must be re-imported in an unaltered state.

The goods must also:

- have been in free circulation in the UK when they were exported, unless they were under customs supervision
- not have been exported to be repaired or processed, if they were but the repair or process was not carried out, relief may still be available
- be re-imported within 3 years of their export. The requirement that the goods must be returned within 3 years can be waived in exceptional circumstances.

Relief from VAT can only be claimed if the exporter and the re-importer of the goods are the same person.

Brexit transitional rules

Goods in the EU at the end of the Brexit transitional period are eligible for RGR even if the normal 3-year time limit for re-importation has expired, if re-imported to the UK by 30 June 2022. This can be overridden by the normal 3-year rule if proof is available that the goods have left UK no more than 3 years before their re-importation.

Proof of export from the UK is not required, you'll only need to show that the goods were in the UK at some point before 31 December 2020. This extended time limit does not apply to goods re-imported into Northern Ireland.

Contact

Do you have questions or do you need more detailed information? Please do not hesitate to contact us. Grant Thornton's international indirect tax team and digital advisory team can assist you in your VAT / customs matters.

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