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accountants & adviseurs

Brexit - the VAT Implications

- Services
- Deliveries
- Miscellaneous
- Our advisors

Introduction

The current transition period for the Brexit will end on 31 December 2020. This means that the United Kingdom (hereinafter: "the UK") will then no longer be part of the internal market of the European Union (hereinafter: "the EU"). This will have consequences for the VAT classification of transactions between parties based in the EU and in the UK. We will discuss this further below, limiting ourselves to the business to business aspects.

Services

Services provided to customers based outside the European Union are deemed to take place in the country of the customer. Invoices to customers in the UK do not include VAT, but should state the remark "vat out of scope". This turnover generated by services to customers in the UK is not mentioned in the Dutch VAT return.

In the event that you purchase a service from a UK entrepreneur, this invoice will also state "vat out of scope". You have to state this purchase in the Dutch VAT return under question 4a, and also under question 5b if the VAT is eligible for advance deduction.

The main rule does not apply to all services. We advise you to ask your advisor whether the main rule applies in your situation.

Deliveries

Export

As from 1 January 2021, deliveries of goods to customers in the UK qualify as export deliveries. An export delivery is subject to the 0% rate. In order to apply the 0% rate, it is important that you have documents in your records that you can use to prove that the relevant goods have actually left the Netherlands. The application of the rate therefore does not change, but the export deliveries must be accounted for under another question in the VAT return, namely under question 3a (instead of 3b).

If you as a supplier import the goods yourself into the UK, this will lead to a compulsory registration in the UK. After all, in the UK you will have to pay the VAT on importation. If this is common practice for your line of business, we advise you to apply for a UK VAT registration as soon as possible.

We also advise you to use your forwarding agent for export. After all, he is familiar with all export formalities and can ensure that the export takes place efficiently and in accordance with the applicable rules.

import

If you purchase goods from the UK, the delivery of these goods will qualify as an import. In the case of an import, you will owe import duties and VAT at the time of importation. If your forwarding agent declares and remits both import duties and VAT, he will invoice you for them. You can then deduct the import VAT in question 5b in the VAT return for the period in which the import took place.

VAT on importation does not become due at the time of importation if you have a so-called ‘Article 23 Permit’.

If you have an Article 23 Permit, you are permitted to transfer the import VAT to your turnover tax return. In that case, you will have to declare the import under question 4a and also under question 5b of the turnover tax return. In case of such a permit, you therefore do not have to pre-finance the VAT.

The application for an Article 23 Permit is subject to conditions. We advise you to discuss with your advisor whether such a permit is an option for you.

Miscellaneous

EORI Number

As a Dutch entrepreneur, you need an EORI number to do business with entrepreneurs outside the EU. We advise you as an entrepreneur to check whether you already have such a number. If you do not have an EORI number yet, you will have to apply for one to the tax authorities as soon as possible.

Invoicing

For invoicing purposes, the date on which the service or delivery took place is relevant. It may be that services or supplies took place before 1 January 2021, but are invoiced after 1 January 2021. In that case, the rules prior to the Brexit still apply to those services and supplies. Ideally, all services and supplies to customers in the UK taking place before 1 January 2021 have already been invoiced on 31 December 2020.

Our advisors

If you have any further questions and/or comments, please feel free to contact one of our VAT advisors, or send an e-mail to btw@crop.nl.



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