



Leaving the EU 1st January –
is your Opera ready?

The leaving date for the EU is fast approaching and to be ready to continue to trade with the EU there are some things that need to be done.

HMRC has put together a lot of excellent guidelines on trading with the EU after the treaty expires and it is recommended to check the HMRC website for the latest advice.

The first thing to do, of course, is to check whether these new rules affect you. If you purchase goods or services from the EU or if you sell goods or services to the EU then this is relevant and likely to affect the way your accounts system works.

What is changing on the 1st January for UK registered Traders

At present, import VAT and customs duty is due at the same time when goods are imported from a Non-EU country and is predominantly deferred to the relevant period as per the existing legislation below.

- Customs Duty - 15th of the following month
- Import VAT – Next VAT return period

On the 1st of January 2021, HMRC is implementing Postponed VAT Accounting (PVA). This will provide the following benefits to businesses:

- Allow for VAT Registered Businesses to account for import VAT on their VAT return for goods imported from **ANYWHERE** in the world – Both Non-EU and EU.
- Maintain current cash flow position for goods imported from the EU.
- Provide a cash flow benefit for traders importing goods from Non-EU countries who currently have to pay the import VAT at (or soon after crossing) the UK Border.

Core Principles

These principles apply to all goods movements between GB and the EU regardless of modes of transport.

- **Customs Declarations** – Importers must complete UK Customs Declarations but this can be deferred for up to six months after import in certain circumstances.
- **Customs Duties** – Importers will need to ensure that any customs duties applicable to their goods under the new **UK Global Tariff** are paid.



- To do this, you will need to determine the origin, classification, and customs value of the goods.
- <https://www.gov.uk/goods-sent-from-abroad/tax-and-duty>
- **VAT** – VAT will be levied on imports of goods from the EU, following the same rates and structures as are applied to Rest of World imports.
 - VAT Registered importers will be able to use PVA.
 - However, unless you are eligible to defer your supplementary declaration you will not be compelled to do so.
 - Non registered VAT Importers have the same options available to report and pay Import VAT as they do for Customs Duties.

Note – VAT treatment of goods imported in consignments not exceeding £135 in value will be treated differently to those goods in consignments exceeding £135.

Postponed VAT Accounting – PVA

Postponed VAT Accounting is being introduced from 1st January 2021 for all imports of goods. This means that UK VAT-registered traders will be able to account for the import VAT on goods imported into the UK on their VAT returns, and both pay and recover import VAT on the same VAT return.

This measure will apply to goods imported from all countries, both EU and non-EU.

When PVA is in use, import VAT will now (for the first time) be accounted for on the VAT Return and not handled/paid separately at the point the goods are imported into the UK.

In most cases, traders can choose whether or not to use PVA. They can choose when to start using PVA and can use it for some declarations, but not others.

From 1st January 2021 to 30 June 2021, under the staged approach to import controls, there are some instances where the use of PVA is mandatory. Traders who import standard (non-controlled) goods from the EU to GB can:

- a) Use existing customs processes to complete a standard customs declaration at the point of entry to the GB;
- b) Use Simplified Declaration Procedures (if authorised to do so);



- c) Use Deferred Declarations, they can defer the declaration for up to six months from the point of import. They must keep sufficient records of the goods to make the declaration at a later date.

Traders using (b) or (c) must use PVA. Traders using (a) can use PVA if they wish.

Online Postponed Import VAT Statement

There will be access to an online monthly Postponed Import VAT statement. It will show the amount of import VAT postponed for the previous month which you should include in the VAT Return.

You may not receive this statement until some point during the next month, so there will sometimes be a need to estimate the import VAT on the VAT Return.

Where this is likely to happen then you must use estimated values on the VAT Return for the likely import VAT related values applicable to the month for which the online statement is not going to be available in time before completion and submission of the VAT Return .

You will then need to adjust the next VAT period to make good any discrepancy between the estimated import VAT values and those detailed in the online statement.

Impact on the VAT return – EU Import/Export

EU Import Purchase from the EU, **before** 1 January 2021, Product - £100, Import VAT - £20

Box 1	0.00	VAT due in this period on Sales and other outputs
Box 2	20.00	VAT due in this period on acquisitions from other EC member states
Box 3	20.00	Total VAT Due (The sum of boxes 1 and 2)
Box 4	20.00	VAT Reclaimed in this period on purchases and other inputs
Box 5	0.00	Net VAT to be paid to customs or reclaimed by you
Box 6	0	Total value of sales and all other outputs excluding any VAT
Box 7	100	Total value of purchases and all other inputs excluding any VAT
Box 8	0	Total value of all supplies of goods and related costs excluding any VAT to other EC Member States
Box 9	100	Total value of all acquisitions of goods and related costs, excluding any VAT from other EC Member States



Purchase from the EU, **on or after** 1 January 2021, Product - £100, Import VAT - £20

Box 1	20.00	VAT due in this period on Sales and other outputs
Box 2	0.00	VAT due in this period on acquisitions from other EC member states
Box 3	20.00	Total VAT Due (The sum of boxes 1 and 2)
Box 4	20.00	VAT Reclaimed in this period on purchases and other inputs
Box 5	0.00	Net VAT to be paid to customs or reclaimed by you
Box 6	0	Total value of sales and all other outputs excluding any VAT
Box 7	100	Total value of purchases and all other inputs excluding any VAT
Box 8	0	Total value of all supplies of goods and related costs excluding any VAT to other EC Member States
Box 9	0	Total value of all acquisitions of goods and related costs, excluding any VAT from other EC Member States

Purchases from the EU are treated the same as purchases from the Rest of World (i.e. Box 2 is no longer used for Acquisitions from the other EU Member States).

When a trader imports from the EU they will still need to produce an Intrastat report, but for arrivals only (not for despatches).

Sale to the EU, **before** 1 January 2021, Product - £100, Export VAT – always zero-rated

Box 1	0.00	VAT due in this period on Sales and other outputs
Box 2	0.00	VAT due in this period on acquisitions from other EC member states
Box 3	0.00	Total VAT Due (The sum of boxes 1 and 2)
Box 4	0.00	VAT Reclaimed in this period on purchases and other inputs
Box 5	0.00	Net VAT to be paid to customs or reclaimed by you
Box 6	100	Total value of sales and all other outputs excluding any VAT
Box 7	0	Total value of purchases and all other inputs excluding any VAT
Box 8	100	Total value of all supplies of goods and related costs excluding any VAT to other EC Member States
Box 9	0	Total value of all acquisitions of goods and related costs, excluding any VAT from other EC Member States



Sale to the EU, on or after 1 January 2021, Product - £100, Export VAT – always zero-rated

Box 1	0.00	VAT due in this period on Sales and other outputs
Box 2	0.00	VAT due in this period on acquisitions from other EC member states
Box 3	0.00	Total VAT Due (The sum of boxes 1 and 2)
Box 4	0.00	VAT Reclaimed in this period on purchases and other inputs
Box 5	0.00	Net VAT to be paid to customs or reclaimed by you
Box 6	100	Total value of sales and all other outputs excluding any VAT
Box 7	0	Total value of purchases and all other inputs excluding any VAT
Box 8	0	Total value of all supplies of goods and related costs excluding any VAT to other EC Member States
Box 9	0	Total value of all acquisitions of goods and related costs, excluding any VAT from other EC Member States

Sales to the EU are treated the same as sales to the Rest of World (i.e. Box 8 is no longer populated).

Impact on the VAT return – RoW Import/Export

Purchase from the RoW with PVA in use, **before** 1 January 2021, Product - £100, Import VAT - £20

Box 1	0.00	VAT due in this period on Sales and other outputs
Box 2	0.00	VAT due in this period on acquisitions from other EC member states
Box 3	0.00	Total VAT Due (The sum of boxes 1 and 2)
Box 4	0.00	VAT Reclaimed in this period on purchases and other inputs
Box 5	0.00	Net VAT to be paid to customs or reclaimed by you
Box 6	0	Total value of sales and all other outputs excluding any VAT
Box 7	100	Total value of purchases and all other inputs excluding any VAT
Box 8	0	Total value of all supplies of goods and related costs excluding any VAT to other EC Member States
Box 9	0	Total value of all acquisitions of goods and related costs, excluding any VAT from other EC Member States



Purchase from the RoW with PVA in use, **on or after** 1 January 2021, Product - £100, Import VAT - £20

Box 1	20.00	VAT due in this period on Sales and other outputs
Box 2	0.00	VAT due in this period on acquisitions from other EC member states
Box 3	20.00	Total VAT Due (The sum of boxes 1 and 2)
Box 4	20.00	VAT Reclaimed in this period on purchases and other inputs
Box 5	0.00	Net VAT to be paid to customs or reclaimed by you
Box 6	0	Total value of sales and all other outputs excluding any VAT
Box 7	100	Total value of purchases and all other inputs excluding any VAT
Box 8	0	Total value of all supplies of goods and related costs excluding any VAT to other EC Member States
Box 9	0	Total value of all acquisitions of goods and related costs, excluding any VAT from other EC Member States

Even pre-PVA, import VAT already applies, however, this is payable on import and therefore does not appear on the VAT Return to be paid and then claimed against itself.

With PVA the VAT is deferred until the Customs Declaration is made, so now appears on the VAT Return.

Sales to the RoW are not affected by PVA and therefore remain the same as there are pre-PVA.



Opera 3 Changes Required

Pegasus has an interim release of Pegasus Opera 3 to account for Postponed VAT Accounting Import and Export Changes.

Changes added into Opera 3 v2.80 are summarised as follows:

- Company Profiles - To move goods between the UK and the EU from 1 January 2021, businesses must obtain an Economic Operators Registration Identification number (EORI) HMRC. Opera 3 Company Profiles form has been enhanced to add an EORI field for the business to record their EORI.
- VAT Code maintenance – The Opera 3 VAT Code maintenance form has been enhanced to allow the user to specify whether a ‘J type’ VAT code specifically relates to PVA adjustments or not. This flag will then allow PVA specific VAT report filtering.
- VAT adjustments - Currently VAT adjustments can only be posted from the MTD VAT Centre within Opera 3; changes will be applied to make those ‘J type’ VAT adjustments available for use regardless of whether MTD is in use or not, and also available too where the Opera 3 customer trades in the Republic of Ireland (ROI).
- EC VAT reports - For those Opera customers who use the EC VAT module when they continue using their existing VAT codes for EU purchases when PVA is introduced, the postings within Opera will still calculate and record acquisition tax on the VAT Return. Therefore to make it easier to see how much acquisition tax is recorded against the VAT transactions that make up the figures on the VAT Return, the EC VAT module’s VAT Reconciliation report will have its Excel variant extended to also include (as a separate column) each transaction’s value of acquisition tax (i.e. the transactions on the VAT Return Box 2 – VAT due on Acquisitions).
- VAT reports - The various ‘detailed’ VAT reports will have their selection criteria enhanced to allow the user to report just on PVA related VAT adjustments; this will assist the user in being able to more easily reconcile estimated and actual figures for import VAT.

The VAT adjustments required relating to import VAT will vary depending upon whether the Opera EC VAT module is in use or not; e.g. where EC VAT is in use, and purchases from the EU are entered into Opera 3, the VAT Return will still be updated with values specific to the EU (acquisition tax for example) in which case the



associated VAT adjustments required for PVA will also need to undo (make good) the VAT Return boxes specific to the EU purchases (i.e. Box 2 – VAT due on Acquisitions from EU, Box 9 – Total Value of All Acquisitions).

Where the EC VAT module is not already in use, then VAT adjustments will still be needed for PVA imports, e.g. to ensure VAT Return Box 1 – VAT due in this Period, Box 4 – VAT Reclaimed on Purchases are corrected.

What do I need to do?

Apply for a GB EORI Number

An EORI Number is an abbreviation for Economic Operators Registration and Identification.

Moving forward we will be an external source of goods and services to the European Union and to facilitate this you will need to get an EORI Number.

You will need this EORI number regardless of whether you defer your customs duty or not and it will need to be shown on your paperwork.

If you have already got an EORI number, it is worth checking to make sure it is going to cover you from the 1st of January.

Create new VAT Codes to account for PVA Import and Export Duty

As per the examples above, VAT Processing on the import and export of goods to the EU will now affect different boxes, You will need new VAT codes to do this.

We will send out examples in due course when the new release of Opera 3 arrives.

Training

Users will need to understand the new postings and how to collate the information around the new requirements before updating the VAT return



Document Design updates to include EORI number

Ensuring that your EORI Number is available on all document designs that get sent to Traders/Customers in the EU.

Reporting Requirements

We have highlighted a selection of reporting requirements that you may need to use through the PVA Accounting periods.

They are summarised as:

- VAT Report to show Adjustments on VAT Returns for Estimated PVA Import Duty
- VAT Report to show actual postings on VAT Return for Estimated PVA Import Duty.
- Transaction Report allows to estimating Import Duty



Additional Actions for Customs, VAT, and Excise Processes

- Find the right commodity code for your goods.
 - <https://www.gov.uk/get-rules-tariffs-trade-with-uk>
- Businesses importing goods should check the 'Trade with the UK' tool which provides detailed information on tariffs, taxes, and rules for importing goods into the UK from 1st January 2021.
 - <https://www.gov.uk/check-tariffs-1-january-2021>
- If you export goods then check the 'Check How to Export Goods' tool, this tool has detailed information on how to export goods to over 160 countries.
 - <https://www.gov.uk/check-duties-customs-exporting>
- Engage with your supply chain early to find out what is going to be needed moving on from the 1st of January.
 - For Example, you may need to amend your documents in more ways than just adding the EORI and VAT numbers – you may need to include weights and measures and detailed product information.
 - There may be a need to include declarations and more detailed product details on paperwork for customs.

This document was created on 5th November and details from HMRC may have changed since its creation

