



Ecommerce to UK

VAT & Duties Manual



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global delivery solutions

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Introduction

The UK will leave the European Union's VAT regime and customs union on the 31st of December 2020. Meaning that VAT & Duty charges will be applicable on all goods imported to the UK as from 1 January 2021. With this manual we strive to help you to prepare and understand these changes in the best possible way.

If this manual does not answer your specific question or does not apply to your specific situation, we strongly recommend to seek the aid of a certified tax advisor.

Please keep in mind the UK and the EU are currently still negotiating a Free Trade Agreement. They aim to reach an agreement before the end of this year. Therefore the information mentioned in this manual is always without prejudice and might be subject to amendment.



VAT & Duty

What are the main changes?

Situation until 31.12.2020

In the current situation the following regulations apply when selling goods from EU countries to the UK (now also EU):

- The sellers of the goods must report their deliveries in their own VAT declaration in EU country and / or UK (for distance sales BtoC);
- No customs formalities apply within the EU, so no EORI numbers required for both sellers as resellers (marketplace/consolidator);
- If a reseller is used, they will only invoice the seller for its services additional services like warehouse, packing and shipping fees.

Situation after 1-1-2021

As from 2021 the following regulation apply on all **goods** transactions from EU to UK:

- The seller must report an export from their EU country in their EU VAT returns;
- The seller must submit an export declaration for export from the EU (or have it made on their name), via an EU EORI number;
- For BtoC supply of goods with value below 135 GBP, the seller (or a UK based Fiscal Representative appointed by him) must register for VAT and for a UK EORI number in the UK;
- For BtoC supply of goods with value below 135 GBP, the seller (or his UK Fiscal Representative) must pay local UK VAT;
- For BtoC supply of goods with value below 135 GBP, the seller (or his UK Fiscal Representative) must file a (simplified) import declaration, although the import is exempt for VAT.

VAT & Duty

How to arrange the TAX registration?

There are 3 commonly used scenario's for arranging the required VAT registration with HMRC;

1. Seller registers directly

The seller registers his own VAT registration number in the UK. This number is applied to all shipments. The VAT charges for supplied goods below value of 135 GBP are paid by the seller to HMRC. The seller hereby also claims exemption on import VAT at arrival at the UK border.

How does it work?

- A gateway ID needs to be created on HMRC, [here](#);
- With this ID you need to register for the VAT registration number online [here](#) or by post (can take up to 30 days). You will need:
 - Bank details
 - Turnover
 - Business activity explanation
- With the ID you need to request a EORI number (takes 5 days), [here](#);
- The registration date is known as the 'effective date of registration'. So VAT will be due from that date;
- Monthly or quarterly the levied VAT needs to be registered and paid via the BIRD system;
- All relevant fiscal documentation needs to be archived for auditing purposes (retention time 6 years).

2. Deemed supplier

The seller sells its goods via a platform/marketplace who acts as deemed supplier for due VAT charges. In this case the seller does not require his own VAT registration since the registration number of the deemed supplier must be used. The deemed supplier pays VAT to HMRC and claims exemption on import VAT at arrival at the UK border.

3. Fiscal representation

Another option, which is mostly used by consolidators, is to expand their services and offer to also arrange the **export declaration** in the name of the seller of the goods.

In case a UK based consolidator will act as a UK Fiscal representative for the seller, this means they will take over the UK VAT obligations (declaration for import into the UK under its own UK EORI number, VAT registration and declaration).

The consolidator must have or establish a UK entity in order to act as UK fiscal representative.

VAT & Duty

How are VAT & duty calculated?

VAT (Value added tax)

VAT is charged by the UK government on all shipped goods.

The due VAT amount is always calculated on the total value, including: the price paid for the goods, shipping costs, packaging, insurance and **owed duty**.

The standard VAT percentage in the UK is 20% and as from 1 January 2020 there is no threshold. For certain goods a reduced or zero rate is applicable.

The actual list can be found [here](#)

Rate	% of VAT	What the rate applies to
Standard	20%	Most goods and services
Reduced rate	5%	Some goods and services, for example children's car seats and some energy-saving materials in the home
Zero rate	0%	Zero-rated goods and services, for example most food and children's clothes and printed matters (without samples)

Customs duty

Customs Duty is charged on all goods based on its total value.

The value of; the price paid for the goods, shipping and packaging costs and insurance.

The threshold from 1 January 2021 is £135.

For goods with a total intrinsic value below this threshold no duty charge is applicable. Above this threshold the rate depends on the type of good based on its HS code or classification and origin.

Type and value of goods	Customs Duty
Anything under £135	No charge
Gifts worth £135-£630	2.5%, but rates are lower for some goods
Gifts above £630 and other goods above £135	The rate depends on the type of goods and where they came from

Excise Duty

Excise Duty is charged for shipments containing alcohol or tobacco.

The excise duty should be included in the price. If it's not, the goods may be seized. Alcohol and tobacco are seen as dangerous/forbidden goods for which specific maximum quantities and packing instructions apply.

VAT & Duty

How are VAT & duty calculated?

VAT & Duties threshold UK 2021



Sales of Goods



Printed Matter

VAT Free Threshold

£ 0

Yes

Duty Free Threshold

£ 0 > £ 135

> £ 135 & Excise goods (any value)

All

Duties

No
(excl. excise goods)

Yes

Exempt

Customs clearance

Yes

Who is liable for the VAT & duties?

Seller or Online Market Place

Recipient via DAP or Seller via DDP

Recipient or Seller

Goods with a value <£135

For goods with a total value between £0 and £135 no duty costs apply but VAT charges will have to be paid.

This needs to be done **directly to the UK tax authority** (as if the seller is based in the UK), either by the seller directly or by the used selling platform/marketplace.

For this a **UK EORI number and UK TAX registration** is required.

Compliance will be enforced by the UK tax authorities directly with the sender, seller or platform. **Spring has no say or responsibility in this.**

Goods with a value > £135

For commercial goods with a value > £135 VAT **and duties** apply.

The seller can choose to either have the recipient pay these charges upon delivery (DAP- delivery at place set up) or in advance during the check out process (DDP- duty delivery paid set up).

Printed Matter

All printed matter is exempt from both VAT and duty charges. This is applicable for printed matter only, if samples are included this exception is no longer valid.

VAT & Duty

Calculation example <135 GBP

An UK customer buys a leather bag from a German webshop.

Description	Amount
Price of the leather bag	€ 100
Shipment costs	€ 15
Insurance costs	€ 10
Duty costs	€ 0
VAT costs 20% on: € 100 + € 15 + € 10 = € 125	€ 25
Total (price, costs, taxes)	€ 150

Explanation

- The total value is **below** the threshold of 135 GBP of total purchased goods, therefore **duty is not applicable**
- The applicable VAT rate for a leather bag is 20%
- In this example the seller, the German webshop, will have to declare and pay the due VAT costs of € 25 directly to HMRC
- The receiver, the UK customer, will not have to pay any additional charges above his purchase price of 150 GBP when receiving the shipment

VAT & Duty

Calculation example DDU shipment >135 GBP

An UK customer buys a ski jacket and a helmet from an Italian webshop. The shipment is send with the DDU service

Description	Amount
Price of the ski jacket	€ 80
Price of the helmet	€ 90
Shipment costs, € 10 p/content item	€ 20
Insurance costs	€ 0
Duty costs 12% on € 80 + € 10= € 10,80 5,7% on € 90 + € 10= € 5,70	€ 16,50
VAT costs 20% on € 80 + € 90 + € 20 + € 16,50= € 206,50	€ 41,30
Royal Mail customs admin fee 12 GBP	€ 13,36
Total (price, costs, taxes)	€ 261,16

Explanation

- The total value is **above** the threshold of 135 GBP of total purchased goods per item therefore both **VAT & duty** is applicable
- Duty costs are based on the HS code of the item. In this example 12% for the ski jacket and 5,7% for the helmet, and the shipments costs p/item.
- The import VAT rate for all items is 20%
- In this example the seller will not have to pay any charges
- The receiver, the UK customer, will have to pay the VAT & duty charges and additional admin fee of 12 GBP (the Royal Mail customs fee) when receiving the shipment in the UK via the 'Fee to Pay card'

VAT & Duty

Calculation example "DDP" set up shipment >135 GBP

An UK customer buys a pullover made of wool and a t-shirt made of cotton from a Polish webshop. The shipment is send with the DDP service

Description	Amount
Price of the pullover	€ 100
Price of the t-shirt	€ 40
Included shipment costs, € 9 per content item	€ 18
Insurance costs	€ 0
Duty costs 10,5% on € 100 + € 9= € 11,45 12% on € 40+ € 9= € 5,88	€ 17,33
VAT costs 20% on € 100 + € 40 + € 18 + € 17,33= € 175,33	€ 35,07
Total (price, costs, taxes)	€ 210,40

Explanation

- The total value is above the threshold of 150 GBP of total purchased goods per item, because the shipment costs are in this example included in the purchase price, therefore both **VAT & duty** is applicable
- Duty costs are based on the HS code of the item. In this example 10,5% for the pullover and 12% for the t-shirt and the shipment costs per content item
- Import VAT for all items is 20%
- In this example the seller will have used the landed cost calculator to add the VAT & duty charges to the shopping cart of the receiver. The actual costs for this shipment will be invoiced by Spring to the seller
- The receiver, the UK customer, will pay the VAT & duty charges as part of his shopping cart during the check out process. There will not be any additional when receiving the shipment

VAT & Duty

How to request a refund of payed charges?

information about returned goods relief process has not been disclosed by HMRC yet

If you sold goods worth less than £135 (€150) and need to make a correction, the proof that you will need includes track and trace together with credit/reimport declaration or export declaration. HMRC is still to publish details of how corrections for items worth more than £135 (€150) will operate. That's because Import VAT applies above that figure which should be refunded via HMRC (not guaranteed). The proof which you will need is the relevant export declaration, which should be retained in case of an audit anyway. We will advise you as soon as more information is available.

Q: What are the instruction for re-import into EU?

A: It is essential to check whether these shipments are treated as regular import or might be eligible for returned goods relief. Given that HMRC is still to publish details about how it will handle the process, we suggest making sure that the customer portal that you use to handle your returns is able to handle both methods. Including a simple update on the why the goods are returned is also highly recommended.



Financial flow DDU or DDP Seller to receiver <135 GBP

Packets or parcels with value <135 GBP



Applicable VAT & Duty charge

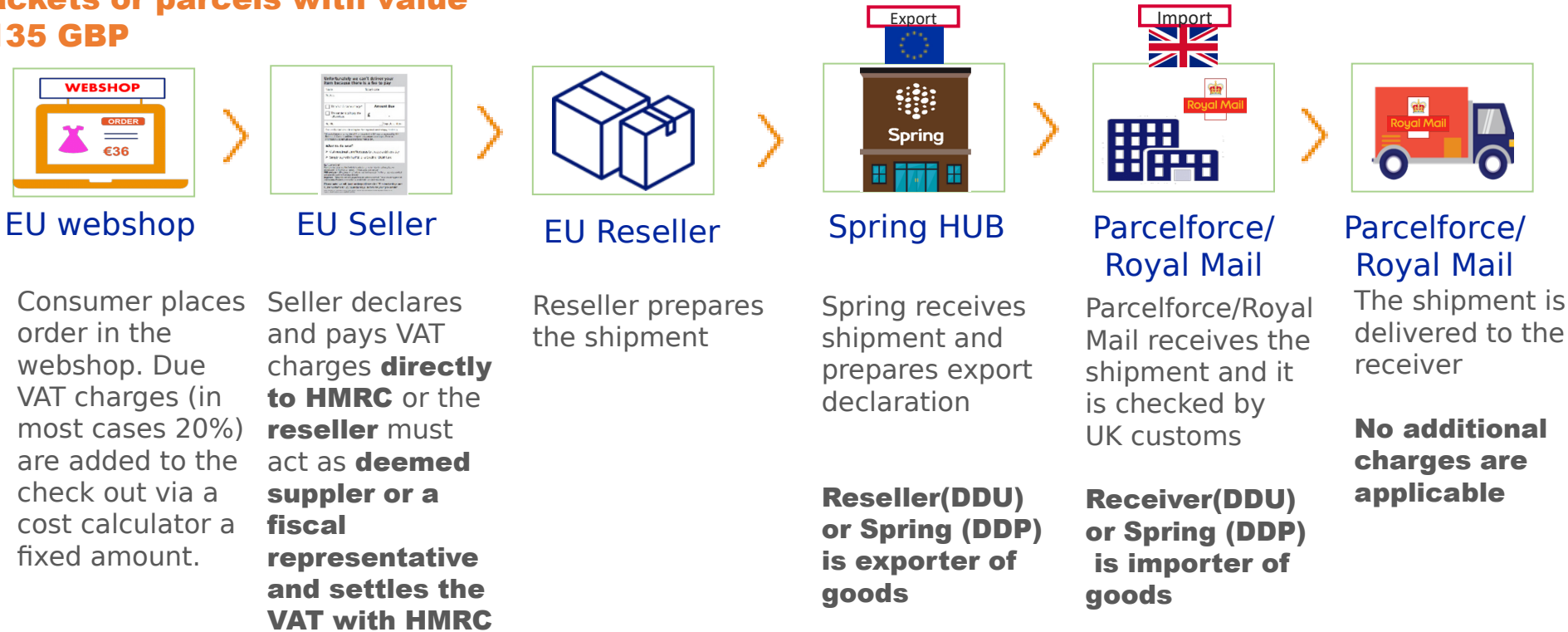
- VAT is not exempt, but it is the responsibility of the seller to settle with HMRC (UK government) via the UK EORI and TAX registration outside the costs settlement with Spring
- Duties are exempt since the total value is below the threshold
- No VAT & duties will be invoiced by Spring to the seller regarding the goods transactions

Financial flow DDU or DDP

Reseller to receiver <135 GBP

Reseller= overarching name for consolidator/platform or marketplace

Packets or parcels with value <135 GBP



Applicable VAT & Duty charges

- VAT is not exempt, but it is the responsibility of the seller to settle with HMRC (UK government) via the UK EORI and TAX registration however a reseller could do this for the seller and act as a **deemed supplier**. **NO duty is applicable**
- Duties are exempt since the value is below the threshold
- No VAT & duties will be invoiced by Spring to the seller regarding the supply of goods

Financial flow DDU

(Re)seller to receiver >135 GBP

Reseller= overarching name for consolidator/platform or marketplace

Packets or parcels with value >135 GBP



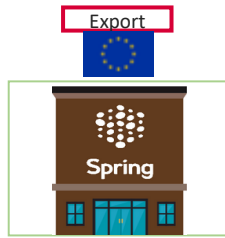
EU webshop

Consumer places order in the webshop



EU (re)Seller

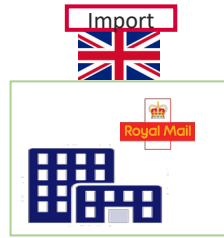
Seller/Reseller or marketplace prepares shipment



Spring HUB

Spring receives shipment and prepares export declaration

Seller is exporter of goods



Parcelforce/Royal Mail

Parcelforce/Royal Mail receives the shipment and it is checked by UK customs

Receiver is importer of goods



Parcelforce/Royal Mail

A 'Fee to Pay' card is sent to the receiver
The receiver can pay for the due VAT, duties and admin fee (8/12 GBP) online/cash at a service point or by post.
The shipment is **held 21 days awaiting payment**



Parcelforce/Royal Mail

The shipment is delivered to the receiver after payment was received

No additional charges are applicable



UK customs

UK customs receives VAT & Duty charges from Parcelforce/Royal Mail exc. the admin fee

Applicable VAT & Duty charges

- VAT is applicable, the due amount is calculated by Parcelforce/Royal Mail and charged directly to the receiver via the 'Fee to Pay' card
- Duties are applicable, the due amount is calculated by Parcelforce/Royal Mail and charged directly to the receiver via the 'Fee to Pay' card
- VAT, duties and the admin fee are directly settled between Parcelforce/Royal Mail with the receiver.

Financial flow DDP

Reseller to receiver <135 GBP

Reseller= overarching name for consolidator/platform or marketplace

Parcels with value <135 GBP



Applicable VAT & Duty charges

- VAT is not exempt, but it is the responsibility of the seller to settle with Spring however a reseller could offer to do this for the seller via the **deemed supplier or fiscal representation set up**.
- Duties are exempt
- VAT & duties will be calculated by the landed cost calculator but will not be invoiced by Spring to the seller since the value is below the threshold

NO duty applicable

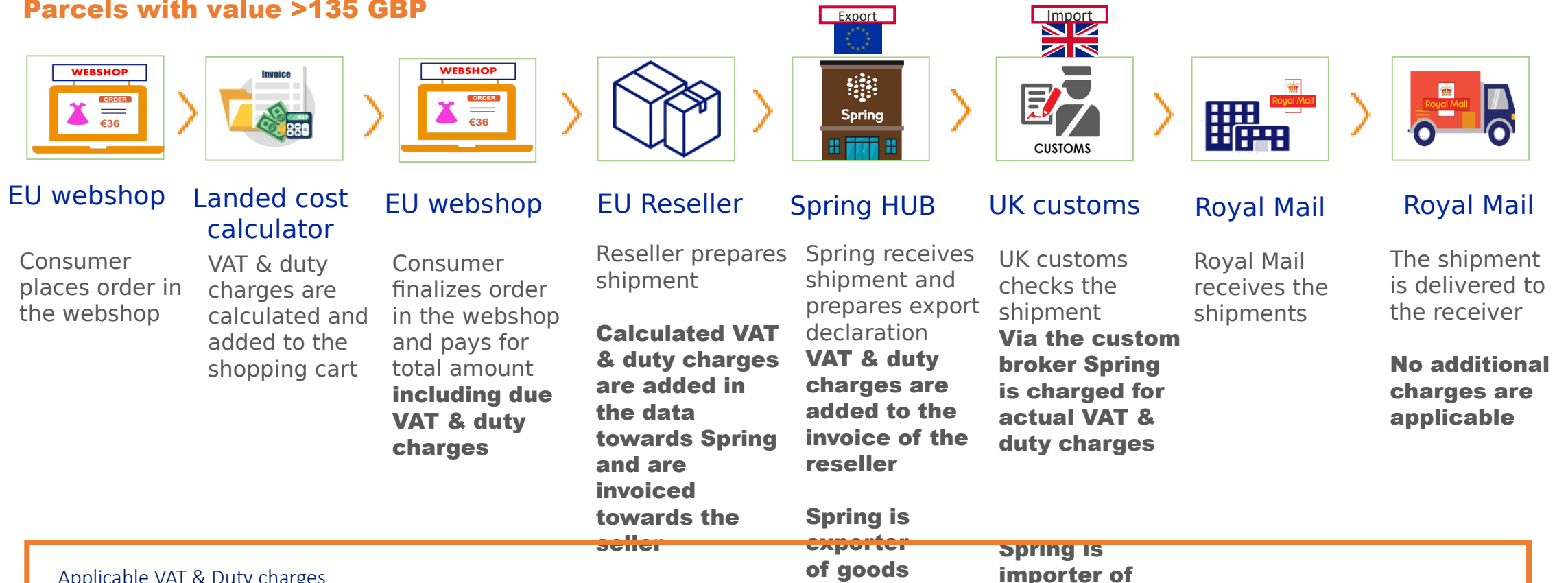
(UK government) via the UK EORI and TAX registration outside the costs

Financial flow DDP

Reseller to receiver >135 GBP

Reseller= overarching name for consolidator/platform or marketplace

Parcels with value >135 GBP



Applicable VAT & Duty charges

- VAT & duties are applicable, the reseller needs to invoice these to the receiver during the check out process with the Spring landed cost calculator, a third party landed cost calculator or a fixed amount per item;
- VAT & duties are always calculated with the Spring landed cost calculator and invoiced by Spring to the reseller;
- Via a broker Spring will settle due VAT & duty charges with HMRC. If **actual VAT & duty charges** differ from calculated charges the difference will be settled in a next invoice.

VAT & Duty

What is postponed accounting?

Postponed accounting

For businesses registered for VAT in the UK, it will be possible to account for import VAT on VAT returns for goods imported from anywhere in the world. This will be done by declaring and recovering import VAT on the same VAT return, rather than having to pay it upfront and recover it later. This is commonly referred to as “postponed accounting” and offers a simplification and cash flow advantages compared to the current rules for imports from outside of the EU. The normal rules about what VAT can be reclaimed as input tax will apply.

Postponed accounting can be used to account for import VAT if:

- the goods are imported for use in a business;
- the business’s EORI number, which starts GB, is included on the customs declaration; and
- the business’s VAT registration number is shown on the customs declaration.





Appendices

Glossary

Customs clearance:

The act of passing goods through national customs with the proper documentation so they can circulate freely in the country and tax and duties have been hence duly paid if applicable.

Customs clearing agent:

A person or organisation who carries out the business of arranging for the customs clearance of goods who deals directly with the customs authorities on behalf of another person.

Deemed supplier:

Marketplaces facilitate sales for third party sellers on their platforms, so they become deemed supplier for importing and selling goods across EU below €150 to consumers in the eye of tax authorities. This makes the marketplace liable to report and settle the VAT in their VAT or IOSS return (not applicable for duties)

Deferred Duty Payment:

It refers to the payment of duties and taxes for goods declared over a specified period (e.g. 14 days) after the release of the goods, in one amount by bank transfer or other non-cash payment method, to the Customs bank account or by withdrawal by Customs from the trader's Customs account

Deferment Account:

A deferment account means that no further credit checks, particularly those for high-value shipments, are required. With your own deferment account, your goods can be cleared and delivered more quickly.

Fiscal Representative:

The tax or fiscal representative is appointed by taxable companies established outside the European Union to handle all formalities related to VAT registration. He is accountable to the authorities.

Delivered at Place (DAP):

This means the seller is responsible for the cost of transport to the delivery address. The buyer is responsible for any import clearance as well as duties and taxes involved.

Delivery duty Paid (DDP):

This means the retailer is responsible for the cost of transport to the delivery address, as well as the taxes and duties applicable, allowing for upfront and transparent prices to the buyer.

FAS Account:

Flexible Accounting System commonly used to pay for charges due on imported goods by using the immediate payment accounting system

HS code:

The HS code is used in customs process and helps identify the type of goods when going through customs. It has at least 6 digits, and can have up to 12 in total. The amount of digits required can vary per region and if it is import or export. The first 2 digits are the HS chapter, the second two are HS headings and the final two are the HS subheading. The next 6 are used differently depending on the country/custom union system implementation.

Appendices

Useful websites



◆ [UK EORI Registration](#)

◆ [EU VAT Registration](#)

◆ [TARIC Data Base](#)

◆ [UK VAT Registration by Post](#)

◆ [EU EORI Registration](#)

◆ [HS Code](#)

◆ [UK VAT Registration](#)

◆ [Ireland Revenue VAT Registration](#)

◆ [Incoterms 2020](#)

◆ [UK Tax Representation Registration](#)

◆ [VIES](#)

◆ [UK details of the import process](#)

◆ [Guide to VAT Mini One Stop Shop \(MOS S\)](#)

◆ [UK Government's website](#)



Appendices

Frequently asked questions

Q: How should I handle the differences in currency exchange rates?

A: For customs purposes, the relevant exchange rate will be the one which applies in the country of destination on the day which the packages that you ship arrive. Therefore, you might consider either selling goods in the currency used by the country of destination or include a margin within the sale price to take account of changes in the exchange rate.

Q: What is the difference between Import VAT and Supply VAT?

A: Import VAT applies when goods are imported into a country. The import VAT is exempted when local VAT (via IOSS for EU or a local VAT registration for the UK) is applied to shipments worth up to €150 (£135). For B2C shipments of items below that figure, on supply VAT will apply.

Q: Which VAT registration should be used if I am a Consolidator or Logistic Service Provider and my customer does not have a VAT registration?

A: If your customer does not have a VAT registration number, you could act as their fiscal representative. This is required for packages with value below €150 (£135) as supply VAT for such items must be applied either by Seller, the Online Merchant Platform if involved or alternatively an appointed fiscal representative. “Fiscal Representation” means that the consolidator acts as a tax broker and represents the seller who is ultimate source of the goods. Under this scheme, consolidators will have individual VAT registration numbers for each seller that they fiscally represent. For any customs formalities, the consolidator must have its own EORI number to handle exports from and import to the UK. For those shipments more than €150 (£135) the VAT registration depends on the type of sale (DAP or DDP).



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