

Thank you for joining us.

The webinar will begin at 11am.

Any questions? Please write them in the chat section.

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Samantha.hunter@semlep.com**

Trading with Europe: Business to Consumer



SEMLEP's
Growth Hub
Connected Business Support



Grant Thornton



Trading with Europe post-Brexit Business-to-Consumer

11 March 2021



Today's speakers



Tom Rathborn

Political and Economic Affairs



Alex Baulf

Indirect Tax



Adam Taylor

Customs



Kevin Wilson

Operational Advisory

Agenda

- Welcome and Introductions
- Overview of the Trade and Cooperation Agreement
- VAT considerations
 - Worked examples
 - One-Stop-Shop
- Customs considerations
- Summary
- Q&A



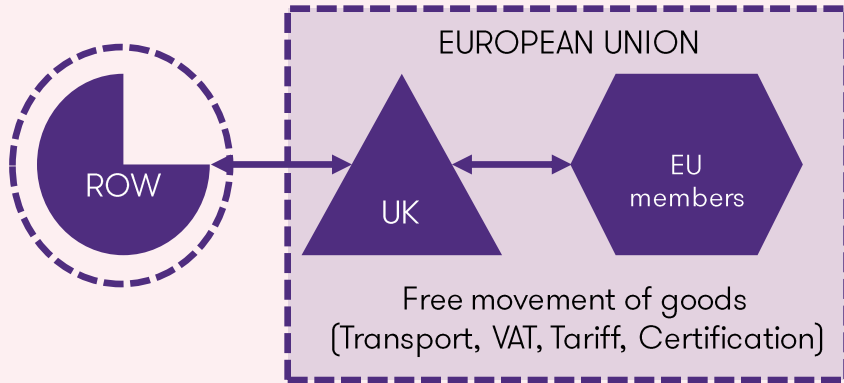
The Deal

Trade and Cooperation Agreement

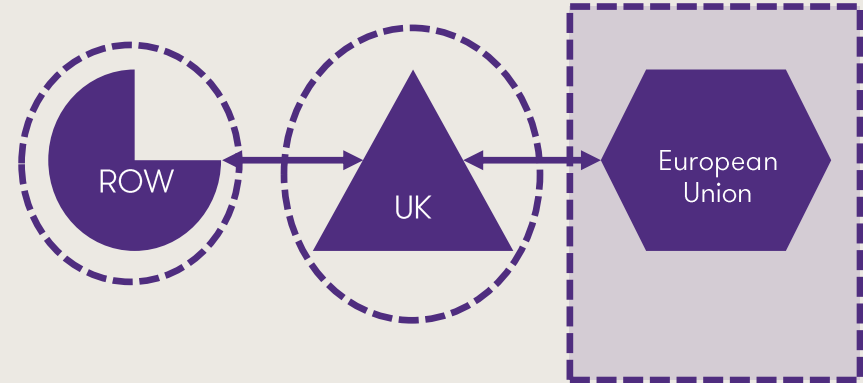
The Trade and Cooperation Agreement

A significant change

2020 - Free movement of goods



2021 - Free trade agreement



----- Customs Border

Suppliers and Supply Chain Incoterms

Source: International Chamber of Commerce

Groups	Freight Collect Terms						Freight Prepaid Terms				
	Any Mode or Modes of Transport		Sea and Inland Waterway Transport				Any Mode or Modes of Transport				
Incoterm [®]	EXW Ex Works (Place)	FCA Free Carrier (Place)	FAS Free Alongside Ship (Port)	FOB Free On Board (Port)	CFR Cost and Freight (Port)	CIF Cost Insurance & Freight (Port)	CPT Carriage Paid To (Place)	CIP Carriage & Insurance Paid to (Place)	DAP Delivered at Place (Place)	DPU Delivered at Place Unloaded (Place)	DDP Delivered Duty Paid (Place)
Transfer of Risk	At Buyer's Disposal	On Buyer's Transport	Alongside Ship	On Board Vessel	On Board Vessel	On Board Vessel	At Carrier	At Carrier	At Named Place	At Named Place Unloaded	At Named Place
Obligations & Charges:											
Export Packaging	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Loading Charges	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Delivery to Port/Place	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Export Duty, Taxes & Customs Clearance	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Origin Terminal Charges	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Loading on Carriage	Buyer	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Carriage Charges	Buyer	Buyer	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Insurance	Negotiable	Negotiable	Negotiable	Negotiable	Negotiable	*Seller	Negotiable	**Seller	Negotiable	Negotiable	Negotiable
Destination Terminal Charges	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller
Delivery to Destination	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller	Seller	Seller
Unloading at Destination	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller	Buyer
Import Duty, Taxes & Customs Clearance	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller

VAT considerations

VAT considerations

What has changed?

- Can no longer benefit from EU VAT distance selling rules and thresholds unless they are cleared into and subsequently fulfilled from an EU member state.
- All UK sales where the goods leave the UK will qualify as zero-rated UK exports (assuming the relevant evidence of export is retained).
- Charging UK VAT when below distance selling threshold no longer an option.

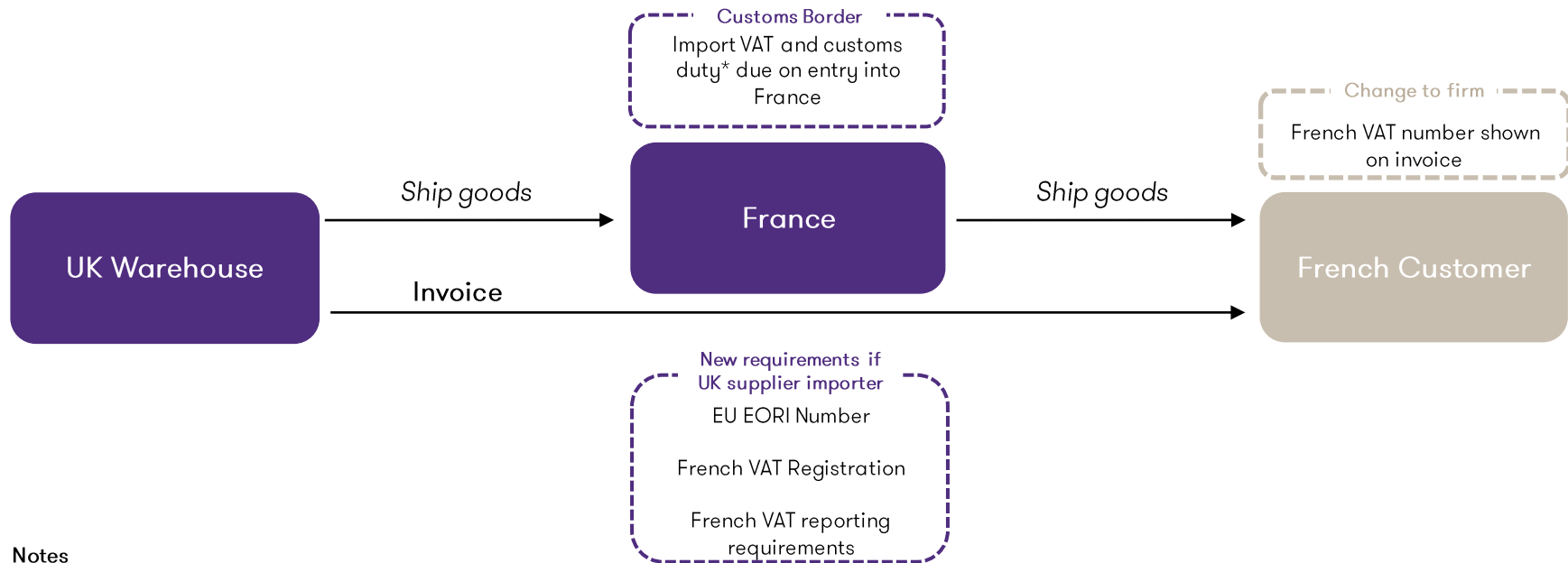
VAT considerations

New requirements

- Either UK seller or its customer (consumer) will need to **clear customs as consignee** - customs declarations will be required at EU border for goods coming from the UK.
- Where UK seller is the consignee/importer of record, it will then be making a local taxable supply in the member state where the goods are imported. For domestic sales in that member state, there is a nil threshold for non-established businesses.
- Where EU customer (consumer) is the consignee/importer of record, then they are responsible for paying for Import VAT (and sale is outside scope of EU VAT).

VAT Considerations

Selling direct to consumer now (post-Brexit)



Notes

* Customs value based on the value of the sale to the final customer – EUR 150+

VAT Considerations

Commercial issues

But commercial considerations driving model used:

- **Customer experience** – risk of goods being stopped at border, or customer receiving request for payment of Import VAT
- **Customer returns** – if customer is importer, then Import VAT lost on returns
- **Duty saving** where individual consignments imports below EUR 150
- Level of customer returns (Import VAT @ 20% +) v level of duty (UK origin?)

VAT Considerations

Models to sell into EU post-Brexit

1. Customer is consignee (non-DDP)
2. UK supplier is consignee (DDP)
3. Hybrid – customer consignee but Import VAT pre-paid
4. One-Stop-Shop with effect 1 July 2021



Pre-paying Import VAT

Customer as consignee

- Customer is strictly speaking the importer of record (the consignee) but the goods are delivered Import VAT pre-paid.
- Service offered by third party freight agents and parcel courier companies whereby they will act as the customs declarant and complete the import documentation in the name of the customer but pay the Import VAT on behalf of the end-customer at the border to the relevant European Customs.
- VAT can't be “charged” at POS to the customer as the supply of goods is outside the scope of EU VAT as the supply is ordinarily treated as being made outside of the EU.

Pre-paying Import VAT

Customer as consignee

- Any VAT collected from the customer is akin to a disbursement, collected by the supplier as agent for the customer to be paid on its behalf to tax authority.
- However, in order to fund the VAT (and duty if applicable), the seller should be able to calculate and collect an amount equal to Import VAT/Customs duty to enable the freight agent to pay the Import VAT at the border and clear the goods.
- The “VAT” amount payable to the freight agent represents a disbursement of Import VAT proper to the customer.

From 1 July 2021 EU One-Stop-Shop

From 1 July 2021, an optional scheme is to be introduced covering the distance selling of goods to EU member states with an intrinsic consignment value less than €150.

One-Stop-Shop

How will it work?

- UK supplier will charge and collect VAT at the point of sale and supplier (or if applicable the intermediary) will declare and pay that VAT to the appropriate Member State via a ‘One-Stop-Shop’ (OSS) return. This is an extension of the current MOSS for digital services.
- Goods will then benefit from a **VAT exemption upon importation**, allowing a fast release at customs (A “Green Channel” akin to new regime in Norway).
- Current €22 Low Value Import VAT relief into the EU will be abolished.
- Where the import OSS is not used by the seller, a second simplification mechanism will be available for imports. Import VAT will be collected from customers by the customs declarant (e.g. postal operator, courier firm, customs agents) which will pay it to the customs authorities via a monthly payment.

One-Stop-Shop Summary



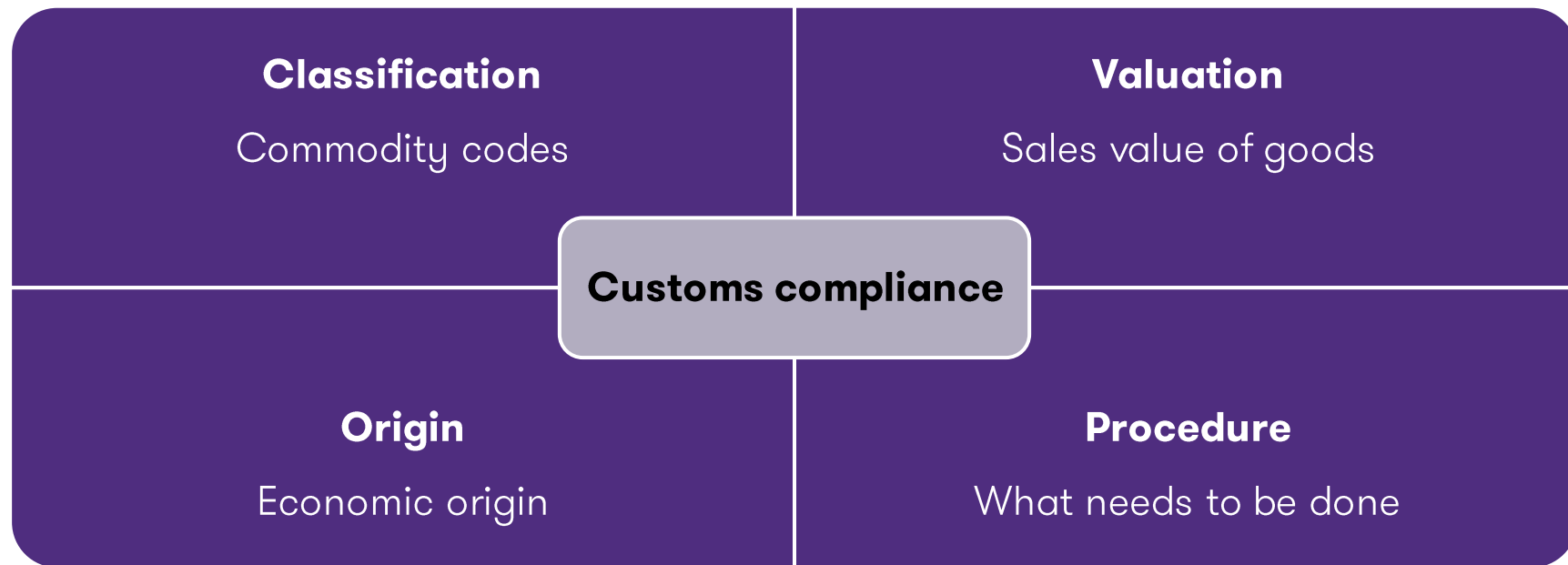
- VAT can be charged at point of sale
- VAT based on customer's country
- Select a member state for I-OSS registration
- One I-OSS return to be filed – quarterly

- European Commission releasing more information on specifics.

Customs considerations

Understanding Customs

Four pillars of customs compliance



Customs considerations

Impact of value

	Under €150	Over €150
IOSS <i>Import-One-Stop-Shop</i>	Yes	No
Simplified Import Customs Declarations	Yes	No
TCA <i>Trade and Cooperation Agreement</i>	No	Yes

Customs considerations

Key points

- If value €150 and under
 - No duty
 - Origin not relevant for duty purposes
- If value €150 and over
 - Normal customs declarations
 - Origin under TCA matters or duty payable at import
- Use of freight forwarder for entering reduced data set under IOSS

What does it all mean?

Summary

Key takeaways

Understand new compliance issues

- New VAT requirements
- Four pillars of customs

Understand the financial impact

- Cost of VAT changes
- Cost of tariffs and customs declarations
- How much will your profit be affected?

So what?

- Does your business-to-consumer model still work?
- Does this change the way you operate and is there something more you can do?

Q&A

With thanks to our guests for speaking today.

For further business support, if you would like to give any feedback or have any more questions please call or email the Growth Hub:

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