



help desk

VAT after Brexit | By Wayne Howell

"In the end, it was my MP who got me a straight answer direct from HMRC: no, there was no new VAT liability for exporters . . ."



All the articles I've written here have been about, or triggered by, questions we receive on the Artistic Licence Help Desk. This month, I turn the tables and tell you about my experiences on the receiving end of multiple 'help desks' . . .

It all started back in October, with an article in *The Times* entitled *It's VAT, Jim, but not as we know it: William Shatner laments post-Brexit rules* ([//plasa.me/itsvatjim](http://plasa.me/itsvatjim)). The article was primarily about the UK government's decision to make any seller of goods into the UK responsible for collecting VAT (as opposed to the previous regime where VAT was paid by the purchaser). The article closed with a summary of changes from 1 January 2021, which included the statement: "Finally, British sellers will be liable to European VAT on products they export to the continent."

For many months, the British government had been instructing business to 'get ready for Brexit' - to understand the changes coming down the track. Whilst the available information was pretty lacklustre, I was sure that I hadn't seen anything about that change. If true, however, this could bankrupt many exporters - an additional 20% tax would wipe out margins. So began a multi-month journey through websites, help desks, trade organisations and my local MP . . .

THE OLD NORMAL

Prior to Brexit, VAT on exports to the continent was based on whether the buyer was registered for VAT. If they were, which is the case with most businesses, then exporters would not charge VAT, meaning the practice would essentially be the same as exporting to the rest of the world. If they were not registered for VAT (for example, individuals), then companies would charge UK VAT. The caveat on this is that if the total sales to individuals (known as B2C, business to consumer) in a particular country exceeded the distance selling threshold, then we must register for VAT in that country and start to charge that country's VAT instead.

My business is largely B2B (business to business) and so I had never been in danger of exceeding the B2C threshold.

The article in *The Times* had set major alarm bells ringing. We were expecting that our B2B exports would continue to be zero-rated. If they were to become liable to European VAT, could it be reclaimed? If so, how would we reclaim? Would we need to register for VAT in all 27 EU countries?

I spent many hours searching through government resources looking for answers, but there were none. I posted many questions on government help desks but when an answer was received, it essentially said 'we don't know'. I asked my

accountant - he didn't know, either. I joined our local chamber of commerce but they also didn't know. I asked PLASA, who immediately got behind the question, actively started researching and initiated a series of seminars on Brexit-related problems. In the end, it was my MP, the Rt Hon Mel Stride, who got me a straight answer direct from HMRC: no, there was no new VAT liability for exporters. *The Times* article was incorrect.

THE NEW NORMAL . . . FOR SIX MONTHS

It had taken many months to answer what should have been a pretty simple question. Whilst my panic over a new B2B tax was resolved, I still had a nagging concern about whether there was a change pending in B2C exports.

I realised that I had been asking the wrong questions because I assumed the changes were a result of Brexit. In fact, the confusion is triggered by the fact that we have Brexit and a major EU change in the same year. From 1 July 2021, the EU is withdrawing its distance selling threshold, which means until the end of June, UK B2C exports to the continent will have no VAT content (UK or EU), but the purchaser will need to pay the EU VAT when they receive the goods. While that is inconvenient for the purchaser, the total cost compared to the pre-Brexit regime is unchanged.

But from 1 July, the EU is removing the distance-selling threshold and is also introducing a pan-EU VAT return called the OSS (One-Stop-Shop). This means B2C sellers will start to charge the VAT rate applicable to the buyer's location.

UK companies will be eligible to join the OSS system, completing a single EU VAT return in addition to their UK VAT return. Apparently, the EU VAT will be paid to HMRC, who will deal with divvying it up to the EU countries.

CONCLUSIONS

So, here's what I've learnt:

- B2B exports to the EU: The VAT stays zero.
- B2C exports to the EU: From 1 January to 30 June, UK VAT is not charged - the customer pays EU VAT on receipt of the goods. So, no monetary change for the customer.
- From 1 July, UK exporters will add EU VAT to all B2C sales. Again, no monetary change for the customers.

And so to my disclaimer - I am an inventor and not a VAT expert - so do fact-check with your professional advisor or accountant before relying on what I have written. But the summary above is what I'd been trying to find out for many months and I am hoping that my research will assist other exporters in our industry - if only by detailing the questions to ask! ☺

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