

Technical Guidance Note

Import VAT: Postponed VAT Accounting

1. Introduction

Currently, import VAT is due at the same time as customs duty on goods imported from a non-EU country. This is usually on or soon after the goods arrive at the UK border, on release of the goods into free circulation. Although payment of the customs duty and import VAT is due immediately, it can usually be deferred to the fifteenth of the following month by using a duty deferment account if available. The import VAT can then usually be reclaimed as input tax on the next VAT return (subject to the normal VAT rules on input tax deduction). From 11pm on 31 December 2020 VAT registered importers will be able (or in some instances required) to account for VAT on goods imported for use in their business on their VAT returns. This is called postponed VAT accounting (PVA).

This Technical Guidance Note outlines the changes that will apply from 11pm on 31 December 2020. Further guidance will be published in due course to cover more specific examples or scenarios.

This paper does not cover matters specified in the Northern Ireland Protocol. The Government continues to work through the implications of the Northern Ireland Protocol, including in relation to VAT and excise. The Government is committed to providing guidance on how the Northern Ireland Protocol will work ahead of the end of the transition period.

VAT collection on imported goods in consignments not exceeding £135 will change from 1 January 2021 and postponed VAT accounting will not be available for those consignments. These changes will not apply to consignments containing excise goods or non-commercial consignments. It should be noted that these changes will not be subject to the staged approach to import controls. Further information in respect of these changes can be found on [GOV.UK](https://www.gov.uk)

2. Changes to Import VAT for importers

UK VAT registered importers will be able to elect to use PVA on their customs declaration. PVA will not, ordinarily, be mandatory, and it will be possible for importers to continue to use the current process to pay, defer or (if appropriate) secure the VAT on importation if they so wish. They can then choose to start using PVA at any time after 11pm on 31 December 2020. It will also be possible for importers to use PVA for some imports and existing means of payment for others.

The introduction of PVA will enable importers to account for and recover import VAT as input tax on the same periodic (usually quarterly) VAT return, rather than having to pay it upfront and recover it on a subsequent return using the C79 VAT certificate as evidence of entitlement.



These changes will not affect non-VAT registered importers and individuals who must continue to pay (or defer) import VAT on imported goods at the same time as the customs duty, as they do now.

3. How PVA will work

All UK VAT registered Importers will be eligible to use PVA; no authorisation will be required. They will simply make the appropriate entry and provide their EORI and/or VAT registration number (VRN) on their customs declaration. This process (subject to customs clearance) will allow the goods to enter into free circulation without up-front payment of the import VAT. The customs declaration will generate an online Monthly Postponed Import VAT Statement (MPIVS) that will be the evidence required to account for and recover the import VAT as input tax on their next VAT return. (Note: The C79 will continue to be produced for those entries where any VAT is paid on importation).

PVA will only be available on declarations where import VAT would ordinarily be due and where goods are being declared to free circulation. Where goods are placed into a customs special procedure, PVA will be available on the declaration that removes them from that special procedure and places the goods into free circulation.

4. Staged Approach from 1 January 2021 until 30 June 2021

UK VAT registered Importers who import standard (non-controlled) goods into GB from the EU and who make an Entry in Declarants Records (EIDR) under the staged approach to import controls will be **required** to use PVA to account for the import VAT on those goods. Making the EIDR allows the VAT registered importer to defer submission of their supplementary declaration by up to 6 months from the point of import, and they will be required to use PVA irrespective of when they submit their supplementary declaration.

Where the importer does defer their supplementary declaration, they will not have an MPIVS when they complete their VAT return. They will therefore need to use the information on their EIDR or other commercial import records to estimate the amount of import VAT due and account for that tax on the VAT return relating to the month of import. (For example; the import VAT on goods imported in January 2021 will be accounted for on the VAT return that covers January 2021).

When the deferred declaration is subsequently submitted the actual amount of import VAT will be calculated and tax due to be accounted for will be recorded on the MPIVS for the month the declaration is submitted. This should be compared to the estimated amount and any adjustments required should be made on the next VAT return.

5. How to use PVA

If an importer is using CDS to make their customs declarations, they will be able to postpone accounting for the import VAT due by entering their VRN at header level in Data Element 3/40. VAT will be postponed against the importer's EORI and will be at declaration level only.

If an importer is using CHIEF to make their customs declarations, they will be able to postpone accounting for the import VAT due by inserting their EORI number (starting with GB) into Box 8 (Header Consignee) of the customs declaration or, if applicable, their VRN in Box 44h (Registered Consignee). They will then enter the Method of Payment code (MOP) 'G' on VAT Item Tax lines (SAD box 47e) as the method of payment.

PVA will not be available in CHIEF where:

- The individual lines on the declarations show more than one importer
- On any item CHIEF requires the input of a separate Secured VAT Tax Line

Importers using CHIEF and opting to use PVA will also need to subscribe to CDS in order to receive their online MPIVS. Practical details of how to subscribe to this service will be released as soon as they are available. Although this subscription is connected to CDS it will only provide the importer with access to their MPIVS and should not be used for any other purposes.

6. Changes for Customs intermediaries acting on behalf of an importer

For intermediaries submitting on behalf of an importer, the EORI (for CHIEF users) or VRN (for CDS users) must be that of the importer. VAT cannot be postponed against the intermediary's account on behalf of an importer. Where an agent is acting for an importer, they must ensure that they have the importer's permission to use PVA.

7. Further guidance

We can confirm that the CHIEF test environment (HMUT) is available to support your software changes. If you require any support, please email chief.operations@hmrc.gsi.gov.uk The Tariff information within HMUT mirrors current live CHIEF. Technical specifications for CDS will be made available within the next few weeks.

If you have any further questions specifically regarding Postponed VAT Accounting please contact: Software Developer Support Team: sdsteam@hmrc.gov.uk