



## PWYLLGOR CYLLID FINANCE COMMITTEE

<b>DYDDIAD Y CYFARFOD: DATE OF MEETING:</b>	29 April 2021
<b>TEITL YR ADRODDIAD: TITLE OF REPORT:</b>	Post-Brexit VAT and Customs Duty Accounting
<b>CYFARWYDDWR ARWEINIOL: LEAD DIRECTOR:</b>	Huw Thomas, Director of Finance
<b>SWYDDOG ADRODD: REPORTING OFFICER:</b>	Huw Thomas, Director of Finance

**Pwrpas yr Adroddiad (dewiswch fel yn addas)**

**Purpose of the Report (select as appropriate)**

Er Gwybodaeth/For Information

### ADRODDIAD SCAA

#### SBAR REPORT

##### Sefyllfa / Situation

The UK's withdrawal from the European Union (EU) brought an end to the special arrangements by which UK organisations account for VAT on the import of goods from EU countries. This paper outlines the implications of the UK's withdrawal from the EU for import VAT purposes, new special arrangements that Her Majesty's Revenue & Customs (HMRC) has put in place to ease the potential administrative burden on UK organisations and how the changes will impact Hywel Dda University Health Board (HDdUHB) and its VAT accounting processes.

##### Cefndir / Background

#### **Import VAT**

UK VAT is levied on the movement of goods into the UK from overseas countries – this VAT is termed “import VAT”. Unless special procedures are agreed with HMRC, the importer of the goods is responsible for the payment of the import VAT to HMRC at the point of entry to the UK along with any Customs Duty also payable. In practice, payment of the import VAT and any duties is made by the haulier, courier or other import agent on the importer's behalf. Unless these taxes are paid, the goods are not released into free circulation in the UK and are held at the port of entry by HMRC.

#### **Previous easement under the EU Single Market rules**

Under the EU Single Market rules, goods could typically be moved between two EU member states duty-free and without the requirement for VAT to be paid to HMRC at the point of entry to the UK. Instead, the UK customer of the goods was obliged to account for the VAT due to HMRC on their regular VAT returns. The EU Single Market therefore enabled the ‘free movement’ of goods between EU member states, avoiding the potential for delays at ports.

Goods brought into the UK from overseas EU states were termed ‘Acquisitions’ for VAT purposes, and the process by which UK organisations accounted for VAT on acquisitions via VAT returns was referred to as ‘acquisition tax accounting’.

## **Withdrawal from the EU Single Market**

The end of the Brexit transitional period on 31st December 2020 brought the UK's exit from the EU Single Market. As a result, all movements of goods into the UK from the EU would be treated the same way for VAT purposes as goods arriving from any other country, potentially resulting in a significantly greater volume of goods being held at port awaiting the payment of import VAT and Customs Duties to HMRC.

## **Postponed import VAT accounting**

In an attempt to reduce potential disruption at the ports, HMRC introduced 'postponed import VAT accounting' as an alternative means by which UK importers can make payment of import VAT to HMRC.

Postponed import VAT accounting enables import VAT to be accounted to HMRC by way of adjustments to VAT returns by a similar means to acquisition VAT accounting.

## **EU Free Trade Agreement**

The free trade agreement reached between the UK and the EU shortly before 31st December 2020 ensured that the movement of the vast majority of goods between the UK and the EU will continue to be duty-free.

## **Asesiad / Assessment**

The overall volume of purchases made by HDdUHB from the EU is very small, typically consisting of the purchase of minor consumables or devices from 1-2 suppliers per month. Higher value or bulk purchases from an overseas source are typically procured by NHS Wales Shared Services Partnership higher up the supply chain. Albeit small in volume and value, purchases from the EU are regular and so HDdUHB will need to have procedures in place to account for import VAT to HMRC post-Brexit.

HDdUHB will be making use of postponed import VAT accounting where eligible to account for import VAT due on goods purchased from overseas. Due to the similarity between postponed import VAT accounting and acquisition tax accounting, in respect of which the Health Board (HB) had an established recurring process, changes required to the HB's VAT accounting processes since following the end of the Brexit transitional period are relatively minimal. Procedures will however be fully reviewed and updated to reflect changes in terminology, new legislative references and other minor administrative changes.

The HB will be signing up to HMRC's Customs Declaration Service, from which new, helpful monthly postponed import VAT statements will be accessible, and to which the amount of import VAT accounted for in VAT returns can be reconciled. At the time of writing, HMRC has continued to face difficulties in rolling out the Customs Declaration Service. These difficulties have resulted in a large number of public organisations across the UK, including HDdUHB, being unable to register for the service. The latest update from HMRC confirmed that the issues are being investigated and will be resolved shortly.

As a result of the EU free trade agreement, it is not anticipated that the HB will be impacted by additional Customs Duties. Further developments arising from any changes to the EU trade agreement will be monitored.

Once final details are confirmed a revised VAT Financial Procedure will be brought to the Committee for approval.

### Argymhelliad / Recommendation

The Finance Committee is asked to note the overview provided in this paper.

### **Amcanion: (rhaid cwblhau)**

#### **Objectives: (must be completed)**

Committee ToR Reference: Cyfeirnod Cylch Gorchwyl y Pwyllgor:	Not Applicable
Cyfeirnod Cofrestr Risg Datix a Sgôr Cyfredol: Datix Risk Register Reference and Score:	Not Applicable
Safon(au) Gofal ac Iechyd: Health and Care Standard(s):	Not Applicable
Amcanion Strategol y BIP: UHB Strategic Objectives:	All Strategic Objectives are applicable
Amcanion Llesiant BIP: UHB Well-being Objectives:	Not Applicable

### **Gwybodaeth Ychwanegol:**

#### **Further Information:**

Ar sail tystiolaeth: Evidence Base:	HMRC guidance. Commentary from VAT consultants.
Rhestr Termiau: Glossary of Terms:	Explanation of terms is included within the body of the report
Partïon / Pwyllgorau â ymgynhorwyd ymlaen llaw y pwyllgor cyllid: Parties / Committees consulted prior to Finance Committee:	Not Applicable

### **Effaith: (rhaid cwblhau)**

#### **Impact: (must be completed)**

<b>Ariannol / Gwerth am Arian:</b> <b>Financial / Service:</b>	Negligible
<b>Ansawdd / Gofal Claf:</b> <b>Quality / Patient Care:</b>	Not Applicable
<b>Gweithlu:</b> <b>Workforce:</b>	Not Applicable
<b>Risg:</b> <b>Risk:</b>	Inherent minor VAT compliance risk but no different to previous arrangements

<b>Cyfreithiol: Legal:</b>	Not Applicable
<b>Enw Da: Reputational:</b>	Not Applicable
<b>Gyfrinachedd: Privacy:</b>	Not Applicable
<b>Cydraddoldeb: Equality:</b>	Not Applicable