

# VAT AND EXCISE

## WHAT WAS THE PROBLEM UNDER THE OLD PROTOCOL?

Under the Protocol, EU rules for VAT and excise apply to goods in Northern Ireland. This means certain UK tax changes which are not compatible with EU rules cannot be introduced in NI.

- For example, in 2022 the Government cut VAT on the domestic installation of insulation, solar panels and other energy saving materials in Great Britain, but this was incompatible with EU rules so homeowners in NI had to keep paying higher rates.

There will be more differences between EU and UK rules in future. Alcoholic drinks served on tap in the UK will soon pay less tax than those sold in supermarkets, and the level of tax will be based on the strength of the drink. This is impossible under EU rules, so would not be possible in NI.

The EU are also changing their rules in ways that would have an impact on businesses and consumers in NI, including reducing the number of goods we can exempt from VAT, changing VAT accounting rules for small businesses, and lowering the threshold at which businesses must register for VAT by £10,000.



## WHAT DOES THE DEAL ACHIEVE?

We have secured full, lasting powers for the UK to set VAT and excise rules on alcohol and other goods in NI. We have done this by removing existing rules and preventing other new EU VAT rules from applying in NI.

This means that installation of energy saving materials like solar panels can now be VAT-free in NI, just like in the rest of the UK.

Changes to UK alcohol rules will be introduced in both GB and NI, and the UK will be able to set all rules for goods installed in permanent property in NI.

The burdens of the SME VAT Directive will not apply in NI, saving nearly 2,000 businesses from VAT registration and reducing accounting and reporting burdens on Great Britain - Northern Ireland trade.

## WHAT DOES THIS MEAN FOR YOU?

- When the Chancellor cuts duty on a pint of draught beer at the pub or makes it cheaper for people to make their home more energy efficient, he does so for the whole of the UK.
- Northern Ireland will continue to benefit from frictionless trade on the Island of Ireland and across the UK.

## IMPLEMENTATION

The UK government will have these powers as soon as the deal comes into force, but businesses don't need to do anything now.

HMRC will provide guidance well in advance of any changes to give businesses time to prepare.

This deal means that, in future, new policies will be introduced through the normal fiscal process for both GB and NI.

We will consult and work with business over the coming months ahead of implementing any changes required by these arrangements.