



HM Revenue  
& Customs



HM Treasury

## **VAT: Amending the Value Added Tax Act 1994 in order to implement the Northern Ireland Protocol**

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### **Who is likely to be affected?**

Businesses and individuals who trade in or move goods to/from Northern Ireland.

### **General description of the measure**

This measure amends the Value Added Tax Act 1994 (VATA) and other legislation relating to VAT in order to implement the Northern Ireland Protocol (the Protocol). It makes amendments to primary VAT legislation to introduce provisions relating to charges for the movements of goods to and from Northern Ireland (NI) after the end of the transition period.

This measure brings UK law in line with obligations under the Protocol. Under the Protocol, NI maintains alignment with the EU VAT rules for goods. This measure does not cover the provision of services to or from NI, as services are not in scope of the Protocol.

Under the provisions, movements of goods between GB (and the Isle of Man) and NI will be treated as imports/exports. However, accounting mechanisms will ensure that, in so far as is possible, VAT will be accounted for by businesses and individuals as it is today. Further legislation is planned to complete the implementation of the Protocol at a later date.

### **Policy objective**

Alongside other measures that will be brought forward in due course, this measure will implement the Protocol in relation to VAT while ensuring that, in so far as is possible, the VAT accounting treatment for goods moving to and from NI remains as close as possible to the current approach.

In line with the Protocol, NI maintains alignment with the EU VAT rules for goods. This means that the rules for intra-EU movements of goods that currently apply will continue to apply to NI after the end of the transition period. This, for example, includes current EU rules on distance selling, acquisition VAT and the various accounting and administrative processes.

In addition, this measure will:

- specify the VAT liable on goods moving between GB and NI, and allow HMRC Commissioners to determine with whom the liability lies
- minimise, as far as possible, changes to VAT business processes when goods are moved between GB and NI, while remaining within the parameters of EU law as applied to NI
- protect VAT revenues and ensure the efficient flow of goods between GB and NI

### **Background to the measure**

The UK left the EU on 31 January 2020 and entered a transition period during which time EU VAT rules continued to apply. The transition period ends on 31 December 2020.

In order to keep the VAT systems in line with the UK's obligations under the Protocol, some additions and exceptions with regards to NI are needed to the legislation that will be put in place for GB.

## **Detailed proposal**

### **Operative date**

The measure will have effect from the end of the transition period, i.e. 11pm on 31 December 2020.

### **Current law**

Current VAT law is contained in VATA and extensive secondary legislation made under it, as well as in other primary legislation such as various Finance Acts. In the light of the UK's exit from the EU, the Taxation (Cross-Border Trade) Act 2018 (TCTA) amended VATA. Existing law contains rules in relation to imports into the territory of the European Union, exports from the territory of the European Union and intra-EU movement of goods (see for example Sections 10-18 VATA), but not specifically in relation to NI.

### **Proposed revisions**

Clause 3 (Value Added Tax in Northern Ireland) inserts new section 40A (Application in Northern Ireland) into VATA. It introduces into VATA:

- Schedule 9ZA which makes provision about a charge to VAT on acquisitions of goods in NI from a member State, and contains modifications of the other provisions of VATA in connection with the movement of goods between NI and member States
- Schedule 9ZB which (a) makes provision about VAT charged on goods imported into the UK as a result of their entry into NI, (b) makes provision about the treatment, for the purposes of VAT, of goods that are moved to GB from NI and goods that are moved from NI to GB, and (c) contains other provisions relevant to the application of VATA in NI

The changes are introduced in a schedule to the Bill. The schedule inserts Schedules 9ZA and 9ZB into VATA and also makes further amendments to VATA (as amended by TCTA) to provide for rules in relation to the movement of goods in/out of NI and makes amendments to other primary legislation in relation to VAT.

New Schedule 9ZA to VATA contains provisions in relation to VAT on acquisition of goods in NI from member States. This schedule effectively retains existing rules, modified as required, in relation to intra-EU movement of goods (specifically acquisitions) for the movement of goods between the EU and NI.

New Schedule 9ZB to VATA covers:

- the scope of importation into NI, to provide that, with the exception of union goods, VAT will be charged on goods imported into the UK as a result of their entry into NI as if it were a relevant import duty. It also includes the rules for valuation
- the rules for the movement of goods between NI and GB (and the Isle of Man), to provide that where goods are removed from NI to GB, and vice versa, VAT will be charged on the goods as though the goods had been imported

#### Liability to account for VAT

Where the removal of goods involves a taxable supply, the VAT registered supplier will be liable for the import VAT. The legislation introduces a power for HMRC Commissioners to make provisions for any other person to be treated as importing the goods, as well as provisions regarding enforcement and notification of movements.

#### Valuation

For goods moving from NI to GB in the course of a supply, section 9 and Schedule 6 to VATA will apply in relation to valuation.

#### Reliefs for qualifying NI Goods

There will be a relief from VAT on the removal of qualifying NI goods from NI to GB, providing that the goods are not subject to a taxable supply or they have not benefitted from a specific relief on removal that would otherwise lead to non-taxation.

#### Exports

Modifying provisions relating to exports to provide that certain export provisions are modified so that, where appropriate, they include removal of goods from GB to NI or NI to GB (and the Isle of Man) (but not NI to EU member States).

#### Warehouses and fiscal warehouses

Sections 18 and 18A VATA in relation to goods subject to a warehousing regime, are modified so that, where appropriate, references to the UK are to take effect as if they referred to GB.

New legislation is introduced to provide specific rules in relation to the place and time of supply in NI warehouses and the rules for NI fiscal warehouses. These reflect that the rules for movements between warehouses in NI and the EU will continue to apply, but movements between warehouses in NI and GB will be treated in the same way as existing rules between the UK and the rest of the world.

The legislation provides that section 18B VATA should be read to include cross references to relevant provisions in new Schedule 9ZA to ensure that a charge arises when goods are removed from a fiscal warehousing regime in all appropriate circumstances. It also provides that references in section 18C also covers warehouses in NI.

#### Gas, electricity or heat supplied by persons outside Northern Ireland

Business to business supplies of gas, electricity or heat supplied to an NI business from a business outside NI will be subject to the reverse charge.

#### Time of supply

This makes provisions for the time of supply involving both a supply and acquisition.

#### Distance selling between EU and NI – place of supply

The legislation introduces distance selling provisions for goods sold to NI from an EU member State. These reflect existing distance selling provisions (modified as necessary) that apply in relation to sales between EU member States and the UK.

#### Transfer of business assets to be treated as a supply of goods

These provisions treat a movement of own goods from NI to EU and vice versa as a supply of goods. This reflects existing rules for intra-EU movements of own goods.

## Summary of impacts

### Exchequer impact (£m)

| 2020 to 2021 | 2021 to 2022 | 2022 to 2023 | 2023 to 2024 | 2024 to 2025 | 2025 to 2026 |
|--------------|--------------|--------------|--------------|--------------|--------------|
|              |              |              |              |              |              |

The Office for Budget Responsibility included the impact of this measure as part of their wider Economic and fiscal outlook published in November 2020. Once the UK transitions to its new relationship with the EU, further costings, where required, will be subject to scrutiny by the Office for Budget Responsibility and included in their forecasts at a future fiscal event.

### Economic impact

This measure is not expected to have any significant macroeconomic impacts

### Impact on individuals, households and families

This measure is not expected to have any impact on individuals. The measure does not introduce any requirement beyond what has already been agreed in the Protocol. There is not expected to be any impact on family formation, stability or breakdown.

### Equalities impacts

It is not anticipated that there will be impacts for those in groups sharing protected characteristics.

### Impact on business including civil society organisations

This measure is not expected to have any additional impact on businesses, including civil society organisations, as this measure is in line with the implementation of the Protocol, which is already part of UK law, and as such the impacts have already been considered. This assessment can be found via this [link](#).

### Operational impact (£m) (HMRC or other)

This measure does not introduce any requirement beyond what has already been agreed in the Protocol, so there are no further operational costs for HMRC or other public bodies.

### Other impacts

Other impacts have been considered and none has been identified.

### Monitoring and evaluation

This measure will be monitored through information collected from VAT returns and communication with affected taxpayer groups.

### Further advice

If you have any questions about this change, please contact Meenakhi Borooah on Telephone: 03000 512197 or email: [meenakhi.borooah@hmrc.gov.uk](mailto:meenakhi.borooah@hmrc.gov.uk)

**Declaration**

The Right Honourable Jesse Norman MP, Financial Secretary to the Treasury, has read this tax information and impact note and is satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impacts of the measure.