

Institution **CIOT - CTA**  
Course / Session **Adv Tech Cross-Border Indirect**  
Extegrity Exam4 > 23.11.8.64

Exam Mode **OPEN LAPTOP + NETWORK**  
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Institution **CIOT - CTA**  
Course **Adv Tech Cross-Border Indirect**

Event **NA**

Exam Mode **OPEN LAPTOP + NETWORK**

Answer-to-Question-\_1\_

**Q1.**

**(i) VAT**

Firstly note that from 1st January 2021, Great Britain is no longer treated as part of the EU for VAT purposes for goods or services whilst NI is still treated as part of the EU for goods under the NI Protocol.

In either case, self-service checkouts shipped from the US supplier into the UK will be imports subject to UK import VAT.

**Self-service checkouts shipped from third party supplier in US to Birmingham branch**

The shipment of the self-service checkouts from the US to Birmingham will be an import of goods into GB. As such, import VAT will be payable when the goods arrive.

It is recommended that the import VAT is dealt with under Postponed Import VAT Accounting ("PIVA"). With PIVA, the import VAT payable when the goods arrive is initially postponed, it becomes subsequently payable on receipt of the PIVA statement with the VAT amount entered in box 1 and the VAT reclaimed in box 4 subject to the normal VAT rules.

**Configuration services provided by staff**

Where configuration services are provided by the UK staff of the UK subsidiary to the Irish subsidiary, these services will be subject to the general place of supply rules for business-to-business services.

As such, the place of supply will be determined by where the customer is based.

Therefore, the place of supply will be Ireland and if a fee is raised by the UK subsidiary for it's staff costs configuring the self-service checkouts, the fee will be outside the scope of UK VAT and subject to reverse charge VAT in Ireland.

**Self-service checkouts shipped from Birmingham hub to Ireland**

When self-service checkouts are shipped from the Birmingham hub to the Ireland subsidiary, this will be an export from the UK and an import into Ireland.

It can be zero-rated provided the UK subsidiary retains sufficient official and commercial export evidence.

The Irish subsidiary will then need to account for the import VAT.

**Installation services provided by local subcontractors**

Installation services will be subject to VAT where they are physically carried out. As such, installation services provided by UK subcontractors in the UK stores will be subject to UK VAT.

For installation services provided by Irish subcontractors in the Irish store, this will be subject to Irish VAT and outside the scope of UK VAT.

Similarly, for For French and Belgium stores, installation services will be outside the scope of UK VAT and local VAT will

be charged.

This local VAT will be reclaimable via the VAT returns as we are told the subsidiaries are all VAT registered locally.

**Self-service checkouts shipped from third party supplier in US to French branch**

These will be French imports and subject to French import VAT.

**Online training courses**

If the online training courses are interactive downloadable content not involving a live tutor then they will be electronically supplied services.

The place of supply for electronically supplied services is where the customer is based.

As Tolich Ltd is based in the UK, these courses will be subject to UK VAT.

**Intercompany recharges**

Intercompany recharges by Tolich to the non-UK subsidiaries will be subject to the general place of supply rules for business-to-business services. As such, the place of supply will be where customer is based.

This means the Irish subsidiary will need to account for Irish VAT under the Irish reverse charge mechanism.

The French subsidiary will need to account for French VAT under the French reverse charge mechanism.

And the Belgium subsidiary will need to account for Belgium VAT under the Belgium reverse charge mechanism.

### **(ii) Customs Duty**

#### **Imports to GB hub**

Uk customs duty will be payable when the self-service checkouts arrive in Great Britain ("GB") as these are imports of goods.

The customs duty payable is the customs value multiplied by the customs duty rate.

The customs duty rate payable will be determined by the commodity code for the self-service checkouts.

From 1st January 2021, Great Britain ("GB") is no longer governed by the EU customs duty rules so the customs value and customs duty rate payable will be determined according to the UK rules.

The customs duty is payable on the "CIF" value under method 1 - the transaction price.

The CIF value is the Cost plus Insurance plus Freight up to the point of entry into UK, adjusted for any incidental costs such as packaging, labelling and sales commission. Note however that buying commission would be excluded from the customs value.

#### **Imports to hub in Paris**

EU customs duty will be payable when the self-service checkouts arrive in EU as these are imports of goods.

The EU rules regarding the customs value and customs duty rate will apply.

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-----ANSWER-1-ABOVE-----  
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-----ANSWER-2-BELOW-----  
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Answer-to-Question-\_2\_

**Q2.**

**(i) VAT**

**Existing arrangement**

Firstly note that when products are sold via the website these will be UK supplies as the place of supply is determined by where the goods are physically located.

For consignments above £135, Lunbur Ltd will incur UK import VAT as the goods come from China. Lunbur Ltd will then be making a subsequent domestic supply.

It is recommended that the import VAT is accounted for via Postponed Import VAT Accounting ("PIVA").

With PIVA, the import VAT payable when the goods arrive is initially postponed, it becomes subsequently payable on receipt of the PIVA statment with the VAT amount entered in box 1 and the VAT reclaimed in box 4 subject to the normal VAT rules.

**Opening of retail outlets in the UK and a branch in Italy**

The opening of retail outlets in the UK and a branch in Italy is likely to create a fixed establishment ("FE") in the UK and Italy respectively.

An FE is created whenever there is a permanent presence with sufficient human and technical resource to receive and use and make taxable supplies.

**Concessions for major department stores in London and Berlin that act as undisclosed agent**

With an undisclosed agency arrangement, for VAT purposes the agent is the principal making the supply to the end customer. As such, they are treated as buying in and selling on the product.

As such, for the concessions for the major department stores in London and Berlin that act as undisclosed agent, the VAT on the agency fee charged will be subsumed into the sales price including the mark-up, less the cost of the purchase.

Because the department stores are acting as undisclosed agent, for VAT purposes they will be treated as buying in the products and selling these on at a mark-up as two separate transactions.

The VAT on their commission will be subsumed into the two transactions because it will be calculated as the difference between the output VAT on the full selling price to the customer less the input VAT on the purchase of the products.

**Department stores with call-off stock**

There is a call-off stock simplification for EU traders selling goods in Northern Ireland, and similarly for NI traders selling goods into the EU.

This simplification does not apply for a UK business with UK



customers calling off stock in UK warehouses.

For goods in UK warehouses called off by department stores, the supply of the goods will only arise when the department stores take legal title/ownership of the goods. At this point, Lunbur Ltd will need to account for UK VAT on their supply of the goods to the department store as the UK tax point for goods is when they are made available to the customer.

**Licence of intellectual property rights to Lunbur GmbH**

The licence of intellectual property rights to Lunbur GmbH will be a business-to-business service subject to the general place of supply rules.

The place of supply being where the customer is based. As such, as Lunbur GmbH is based in Germany, Lunbur Ltd should not charge UK VAT on their invoice because it will be outside the scope of UK VAT.

Instead, Lunbur GmbH should account for German VAT under the German reverse charge mechanism.

**Goods shipped into the UK before being transported to Germany**

Goods shipped from China into the UK for testing/quality control purposes that then move on to Germany can benefit from onward supply relief if they go via Northern Ireland rather than Great Britain.

Onward supply relief will mean that there is no UK import VAT suffered when the goods arrive in NI from China so long as the goods are exported within 1 month. This means the testing/quality

control would need to be completed within that time frame to enable OSR to apply.

If onward supply relief doesn't apply, for example because the goods will arrive in GB or will not be exported within 1 month, then Lunbur Ltd would need to account for UK import VAT when the goods arrive in the UK but this import VAT would be fully reclaimable on the basis it is attributable to taxable exports.

The exports to Germany can be zero-rated provided Lunbur Ltd retains sufficient official and commercial export evidence of removal, as well as supplementary evidence.

**Lunbur s.r.o finance and other support services to Lunbur Ltd**

Finance and other support services are subject to the general place of supply rules for business-to-business services. As such, they will be subject to VAT where the customer is based.

Because Lunbur Ltd is based in the UK whilst Lunbur s.r.o is outside the UK, Lunbur Ltd will need to account for UK VAT under the UK reverse charge mechanism.

It is likely that these services will be continuously supply services for VAT purposes. Therefore, the tax point is the earlier of the issue of a VAT invoice and payment, although this can only be delayed up to a maximum of 12 months.

Therefore, as a VAT invoice has not been raised and no cash settlement has taken place then if the 12 months have not lapsed yet, then VAT will not be due yet.

Given that Lunbur s.r.o will not be UK VAT registered, they will not be able to issue a valid VAT invoice and Lunbur Ltd will need to reverse charge the UK VAT when it makes payment.

**(ii) Customs Duty**

**proposal to ship goods shipped directly to UK and Italy**

Goods shipped directly to the UK from China will be imports into the UK and subject to customs / import duty.

If the goods come via Northern Ireland, they will be subject to the EU customs duty rates if they are considered 'at risk'. If not, the UK import duty rates will apply.

Goods that are shipped to Italy will be subject to the EU customs duty rates.

**Goods shipped into UK for testing/quality control before being transported to Germany**

If goods are shipped into NI for testing/quality control before being transported to Germany they will be considered 'at risk'. EU customs duty will be payable in NI but when they move on to Germany after the testing/quality control no further EU customs duty will be due as NI is part of the EU customs union.

If instead the goods go via GB then double duty will arise as there will be GB duty when the goods arrive in GB for testing/quality control, followed by EU duty when the goods leave GB and arrive in Germany as the goods won't originate in GB so they won't qualify for 0% customs duty in Germany under the Trade and Cooperation Agreement.

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-----ANSWER-2-ABOVE-----  
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-----ANSWER-3-BELOW-----  
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Answer-to-Question-\_3\_

**Q3.**

**(i) VAT**

**Existing UK arrangement**

Firstly note that the VAT education exemption will only apply for eligible bodies.

Eligible bodies are those restricted to reinvesting surplus profits from activities back into supplies of education.

The VAT education exemption for eligible bodies does not include profit-making companies as they don't have the required restrictions in their articles of association. That is why Osubu Ltd is VAT registered, because it's supplies of karate education are standard-rated.

Note that the VAT education exemption will extend to supplies of education where the subject is ordinarily taught in school if supplied by a sole trader or partner of a partnership acting in a personal capacity, as this will constitute 'Private Tuition'. However, as Osubu makes it supplies as a limited company, this VAT exemption will not apply either.

However, there is also a separate welfare exemption and in a

recent case it was held that the VAT exemption for welfare extends to holiday activity clubs as these are directly concerned with the care of children.

As such, daily karate camps for 3-10 year olds during the school holidays will be VAT exempt.

Therefore, Osubu will be partially exempt and will need to complete partial exemption calculations each quarter as part of the VAT return per the standard method prescribed by HMRC.

Dur to the welfare exemption, fees incurred by external instructors and childcare assistants will not have VAT on them.

### **Spanish subsidiary and establishment**

The Spanish subsidiary is a separate legal entity to the UK entity and will have its own VAT liabilities to consider.

If the Spanish subsudiary has a Spanish establishemnt, it will be entitled to the Spanish VAT registration threshold. As such it would only need to VAT register in Spain once it breaches that amount.

The Spanish subsidiary will have a Spanish establishment if it has either a Spanish Business Establishment ("BE") or a Spanish Fixed Established ("FE").

A business can only have one BE as it is the principal place of business and is usually where the head office is.

On the other hand a busienss can have multiple FEs as these are

any permanent presence with sufficient human and technical resource to receive and use and make taxable supplies.

Spanish VAT advice should be sought to determine if the Spanish subsidiary is actually established in Spain but if it will employ the instructors on its payroll and will lease premises somewhere in Spain on a permanent basis then it is likely it will be established in Spain and so will not need to VAT register until it breaches the threshold.

If there is no Spanish establishment, the Spanish subsidiary will need to be VAT registered in Spain with immediate effect, notifying the Spanish tax authorities within 30 days.

**Spanish subsidiary incurring UK VAT on accommodation and subsistence**

As the Spanish subsidiary will not be established in the UK it will need to complete a 13th Directive reclaim to reclaim UK VAT incurred on accommodation and subsistence.

To do this the Spanish subsidiary will need to write to HMRC showing that it is a relevant business person, attaching valid VAT invoices and explaining that it would ordinarily be entitled to the VAT recovery if it were a UK taxable person.

**Fees for Spanish instructors coming to UK to run specialised adult courses**

If the services provided by the Spanish instructors that come over to the UK constitute educational services, then the place of supply will be where the education is carried out. As such, it will be subject to UK VAT.

However, as the Spanish entity is not based in the UK it will not need to charge VAT on its invoice. Instead, Osubu Ltd will need to account for the UK VAT under the reverse charge mechanism.

The VAT will be accounted for in box 1 and to the extent it can be reclaimed in box 4, subject to the partial exemption position flagged above.

On the basis the Spanish instructors are running specialised courses for adults, and these courses would be subject to VAT in the UK, the VAT should be fully recoverable by Osubu Ltd in box 4 of its UK VAT return.

**(ii) Customs Duty**

Note that from 1st January 2021, when goods move into Great Britain ("GB") from Europe they will be imports and subject to the UK rules governing customs duty.

A UK EORI number will also be required, if the business is based in GB the EORI number will have a GB prefix, if the business is based in Northern Ireland it will have an NI prefix.

The customs Duty payable is the customs value multiplied by the customs duty rate applicable depending on the commodity code for the goods.

The customs value is the CIF value being the Cost plus Insurance plus Freight up to the point of entry into the UK under method 1 valuation using the transaction price. This value must also be adjusted to include other incidental costs such as repackaging



and labelling as well as royalty fees where the following conditions are met.

The royalty fee must be included in the customs value if:

- (1) It is part of the terms of the contract for the goods
- (2) The royalty fee relates to the goods themselves.

On the basis that both of these conditions are met the royalty fee will need to be included in the customs value. As such, it will be subject to both customs duty and import VAT.

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-----ANSWER-3-ABOVE-----  
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-----ANSWER-4-BELOW-----  
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Answer-to-Question-\_4\_

**Q4.**

**(i) VAT**

The share sale place of supply will be according to the general place of supply rules for business-to-business services. As such, it will be subject to VAT where the customer is based.

As Rostapa plc is a UK holding company, UK VAT rules will apply however, the purchase of existing shares is VAT exempt so there will be no VAT on the purchase price.

**When UK companies join existing UK VAT group**

Note that in order to become a member of a VAT group, the entity must be under common control and be UK established.

Therefore, as the UK companies will be owned by Rostapa plc following the purchase of the shares and are UK established, they are eligible to be VAT grouped.

Note that as all entities in the VAT group are fully taxable the anti-avoiding provisions when entities join a partially exempt VAT group will not apply and so there will be no VAT grouping charge when the UK companies join the VAT group.

**Rostapa UK Ltd - potential TOGC on transfer of trade, assets and**

**staff from one of the German companies**

When the trade, assets and staff of one of the German companies is transferred to the new UK subsidiary Rostapa UK Ltd, this transfer can be treated as a VAT TOGC (Transfer of a going Concern) providing:

- The trade, assets and staff being transferred are capable of operating as a standalone business
- Rostapa UK Ltd will carry on the same kind of business
- There will not be a significant break in trade
- If the German company is UK VAT registered then either Rostapa UK Ltd will be VAT registered prior to the transfer date or will need to VAT register under the turnover test

A TOGC is not a supply of goods for VAT purposes, nor is it a supply of services. As such, a TOGC is outside the scope of VAT and so no VAT would be due on the transfer to Rostapa UK Ltd if the TOGC conditions above are met.

If the TOGC conditions above are not met, VAT will be payable on the market value of the chargeable assets being transferred.

**Ability to recover VAT incurred on professional fees**

Rostapa plc will have the ability to recover VAT incurred on professional fees so long as it is the true recipient of the supply, has a valid VAT invoice, and can attribute these costs to onward taxable supplies.

If Rostapa plc is a passive holding company that doesn't actively manage it's subsidiaries, and doesn't make taxable management charges, then it may not be making any taxable supplies and so

will not be able to recover VAT incurred on professional fees.

If however Rostapa plc actively manages it's subsidiaries and will be making management charges then it will be able to reclaim VAT on the professional fees as the VAT will be attributable to onward taxable supplies, subject to the normal VAT rules.

This is providing Rostapa Plc is named on the engagemnt letter and can evidence it is the true recipient of the supply. It must also have a valid VAT invoice and be making taxable management charges to the subsidiaries to which can attribute the VAT on the acquisition costs to.

**German accountancy fees for due diligence for German fund provider but paid for by Rostapa plc**

Regarding the german accountancy fees, it appears as though Rostapa plc will not be the true recipient of the supply as the due diligence is being conducted for the use of the German company funding the acquisition and Rostapa plc doesn't directly benefit from it and wouldn't otherwise incur this cost.

As such, Rostapa plc would not be able to reclaim VAT on amounts it pays to the German fund provider.

It is lkely the German funding provider is a bank or some other financial institution and so will be making exempt supplies, and so it will be partially exempt.

Furthermore, the German company funding the acquisition will be charged German VAT by the German accountancy firm for their services as this will be a domestic supply in Germany.

The German company will be able to reclaim the VAT subject to their own partial exemption position. Therefore, they should reduce the costs they charge to Rostapa based on the percentage of VAT they can reclaim.

It is likely that because the German company funding the acquisition is partially exempt they will have a low partial exemption recovery rate and that may be why they are passing the cost on to Rostapa.

Notwithstanding this, Rostapa is still unable to reclaim the VAT even if named on the engagement letter because it is not the 'true' recipient of the Due Diligence services.

The test of who the true receipt is is not determined by the engagement letter alone, it will be determined by the object facts and commercial reality of the arrangement.

### **Intercompany management charges**

A UK VAT group is a single VAT entity therefore, charges within the VAT group are disregarded from VAT as a VAT group cannot make VATable supplies with itself.

We are told there is an existing VAT group in the UK, if the VAT group includes Rostapa plc and all of the UK companies, then because these are within the same UK VAT group the charges for strategic and back office support will be disregarded from VAT.

If there are any UK companies not in the UK VAT group, the charges will be UK supplies subject to standard-rated VAT.

To be in a UK VAT group the company must be under common control and established in the UK therefore, the German companies cannot be in the UK VAT group.

As such, when Rostapa plc raises a charge to the German subsidiaries for strategic and back office support this supply will be subject to the general place of supply rules for business-to-business services.

Therefore, it will be subject to VAT where the customer is based. As the customer is the German subsidiaries, it will be outside the scope of UK VAT and the German subsidiaries will need to account for German VAT under the German reverse charge mechanism.

**(ii) Customs Duty**

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-----ANSWER-4-ABOVE-----  
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-----ANSWER-5-BELOW-----  
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Answer-to-Question-\_5\_

**Q5.**

**Returned Goods Relief ("RGR")**

Returned Goods Relief ("RGR") can apply to reduce customs duty to nil when goods are exported from the UK but are then subsequently returned by the customer.

The conditions for RGR are that:

1. The goods must be returned within a period of 3 years.
2. When the goods were exported they must have either been in free circulation in the UK or were wholly obtained in the UK [see Note (i) for more detail]
3. The goods must be returned by the customer in the same state. Note that goods can undergo processing whilst with the customer so long as it's only done to preserve the goods such as routine maintenance.

**Note(i) - Meaning of 'free circulation' and 'wholly obtained'**

To be in free circulation the goods must have been purchased with all the customs duty and import VAT paid.

To be wholly obtained in the UK the goods must come from the land, sea or air.

**Summary of RGR availability for customs duty**

The pods were returned within 3 years and were manufactured in the UK by Pethars, and so they must have been in free circulation when they were exported. Therefore, the first two conditions are met.

Furthermore, they were returned in the same state as they have not been significantly altered and so condition 3 is met as well.

Therefore, no customs duty should be due when Morbrash returns the goods to Pethars.

**RGR for VAT**

RGR for VAT purposes requires one additional condition to the three listed above, this additional condition is that the original exporter and reimporter are the same person.

As Pethars are both the exporter and reimporter, RGR will also apply to reduce the import VAT to nil when the pods are returned.

**If Pethars purchases similar pods from Morbrash that Morbrash purchased from a competitor**

Pethars will also qualify for RGR on the import duty when it purchases different pods from Mobrash so long as these are being returned in the same state as when they were exported.

This would reduce the import duty to nil as the three conditions above are met. This is because the goods were purchased only 18 months ago, so will be returned within 3 years, and would have been in free circulation as they were manufactured in the UK.



However, RGR will not apply in respect of the import VAT as the original exporter is Hysalcont which is a different person (i.e. not Pethars).

However, Pethars should account for the import VAT under Postponed Import VAT accounting ("PIVA"). With PIVA, the import VAT payable when the goods arrive is initially postponed, it becomes subsequently payable on receipt of the PIVA statement with the VAT amount entered in box 1 and the VAT reclaimed in box 4 subject to the normal VAT rules.

As Pethars is a fully taxable manufacturer able to reclaim VAT in full, box 1 and box 4 will net to nil.

**Practical points**

Where applicable, RGR will need to be applied for by Pethars on the import declaration when the goods are returned as RGR will not automatically apply when the goods are reimported.

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-----ANSWER-5-ABOVE-----  
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-----ANSWER-6-BELOW-----  
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Answer-to-Question-\_6\_

**Q6.**

Firstly note that from 1st January 2021, under the NI Protocol, Northern Ireland ("NI") is still treated as being in the EU regarding movements of goods (but not for supplies of services).

As such, movements of goods from the EU to NI will be dispatches from the EU and acquisitions in NI.

On the other hand, Great Britain ("GB") is no longer in the EU and so movements of goods from the EU into GB will be exports from the EU and imports into GB.

However, under the Trade and Cooperation Agreement ("TCA") agreed between the UK and the EU, when goods originate in the UK and move to the EU there will be no customs duty.

Similarly, when goods originate in the EU and move to the UK there will be no customs duty.

To expand on that, when goods move from the EU to NI, EU and NI are still in the same customs territory and so no customs duty is due in NI.

Furthermore, when goods originate in the EU and move to the GB

there will be no UK import duty under the TCA.

### **Goods 'at risk'**

Goods imported into NI from somewhere outside of the UK and outside of the EU may be subject to either the UK import duty rate or the EU customs duty rate depending on whether they are 'at risk' of moving to the EU.

Goods that are considered 'at risk' are subject to the EU customs duty rates.

When the EU customs duty rate is more than 3 percentage points greater than the UK import duty rate, the goods will be automatically 'at risk'.

If goods are initially considered to be at risk when imported into NI but then remain in the UK, any additional amounts paid based on the EU customs duty rate can be reclaimed if it was incurred within the last 3 years.

### **1) Customs Duty implications**

#### **(i) Product 1**

As the product originates in GB then under the Trade and Cooperation Agreement ("TCA"), the import duty will be nil.

### **Customs Duty declarations required**

As the movement of the goods is technically an export from GB and an import into NI, an import declaration will be required via the TSS.

Note that no export declaration is required in GB.

**(ii) Product 2**

As the goods will be sold on to NI wholesalers and the GB import Duty and EU Customs Duty are both 2%, the goods will not be 'at risk' and so the GB Import Duty rate of 2% will apply.

**Customs Duty declarations required**

A UK import declaration (C18/SAD) will be required.

**(iii) Product 3**

As this product originates in the US but is in free circulation in GB, then the goods will suffer double double when they move from GB to NI.

The GB import duty rate will apply as the goods are not at risk however, this is 0% so no import duty liability will arise.

**Customs Duty declarations required**

As the movement of the goods is technically an export from GB and an import into NI, an import declaration will be required via the TSS.

Note that no export declaration is required in GB.

**(iv) Product 4**

As the EU customs Duty rate is 3 percentage points higher than the GB import duty rate, the goods will automatically be 'at risk' and therefore, the EU customs duty rate of 4% will apply.

### **Customs Duty declarations required**

As the movement of the goods is technically an export from GB and an import into NI, an import declaration will be required via the TSS.

Note that no export declaration is required in GB.

### **2) Import VAT implications**

Firstly note that import VAT is payable on the customs value plus the customs duty.

#### **(i) Product 1**

The import VAT applicable will be at the UK VAT rate and it is accounted for as if it were a UK domestic supply, and so it can be accounted for on the invoice.

#### **How to account for the import VAT.**

For Product 1, although goods that move from GB to NI are technically exports from GB and imports into NI, the import VAT is accounted for as if it were a domestic supply and so it is included on the invoice.

#### **(ii) Product 2**

The invoice from Canada will not have any UK VAT on it as it will be a zero-rated export from Canada.

#### **How to account for the import VAT.**

For Product 2, the import VAT can either be paid upfront when the goods arrive in NI from Canada and then subsequently reclaimed in box 4 in the UK VAT return (subject to the normal VAT rules for VAT recovery) on receipt of the C79.

However, it is recommended that the import VAT is accounted for via Postponed Import VAT Accounting ("PIVA") instead. With PIVA, the import VAT payable when the goods arrive is initially postponed, it becomes subsequently payable on receipt of the PIVA statement with the VAT amount entered in box 1 and the VAT reclaimed in box 4 subject to the normal VAT rules. This gives a cashflow benefit as import VAT paid via the C79 process can only be reclaimed once the C79 is received.

**(iii) Product 3**

The import VAT applicable will be at the UK VAT rate and it is accounted for as if it were a UK domestic supply, and so it can be accounted for on the invoice.

**How to account for the import VAT.**

For Product 3, although goods that move from GB to NI are technically exports from GB and imports into NI, the import VAT is accounted for as if it were a domestic supply and so it is included on the invoice.

**(iv) Product 4**

The invoice from Canada will not have any UK VAT on it as it will be a zero-rated export from Canada.

**How to account for the import VAT.**

For Product 4, the import VAT can either be paid upfront when the goods arrive in NI from Canada and then subsequently reclaimed in box 4 in the UK VAT return (subject to the normal VAT rules for VAT recovery) on receipt of the C79.

However, it is recommended that the import VAT is accounted for via Postponed Import VAT Accounting ("PIVA") instead. With PIVA, the import VAT payable when the goods arrive is initially postponed, it becomes subsequently payable on receipt of the PIVA statement with the VAT amount entered in box 1 and the VAT reclaimed in box 4 subject to the normal VAT rules. This gives a cashflow benefit as import VAT paid via the C79 process can only be reclaimed once the C79 is received.