



Answer-to-Question-\_1\_

Opfyl Lyd is a fulfilment business which stores imported goods, owned or on behalf of other business, including non-UK established businesses, with the goods being offered for sale in the UK.

Opfyl must

Opfyl must ensure that they have been approved to act as a fulfilment business, which includes satisfying HMRC that they are fit and proper to carry on such a business. This is because a business which carries on an imported goods fulfilment business and is not approved, is committing an offence which may see imprisonment up to 7 years and/or a fine not exceeding £3,000.

99YP -

99YP has a business and fixed establishment in the UK and is VAT registered therefore must be charging domestic VAT on their sales.

Opfyl must verify their VAT number within 60 days of beginning the fulfilment business with the customer. If this cannot be verified, Opfyl must report this to HMRC.

Fuz87 Sarl -

Fuz87 Sarl has no UK establishment as it has no presence or human and technical resources in the UK capable of making or receiving supplies. Therefore, the fulfilment procedure is able to be used.

Therefore, they are obliged to register as soon as they begin making taxable supplies. They have no establishment and therefore have no registration threshold.

GRitZ GmbH -

GritZ sales into the UK are subject to UK domestic VAT if the

consignments are below £135.

Gritz is not VAT registered in Germany, but it makes sales to UK customers of £70,000.

The business establishment for this company is Germany, however they may have a fixed establishment in the UK due to a director having his usual place of residence in the UK, and business decisions being made from the UK.

Businesses with no business establishment in the UK do not have a VAT registration threshold of £85k, and instead must register as soon as they begin to make taxable supplies in the UK.

However, businesses with an establishment can make use of the VAT registration threshold. As the business has a fixed establishment in the UK, they can use the £85k VAT registration threshold.

Opfyl should contact the business and ensure that they are aware once they breach the £85k threshold for sales to UK consumers, they must register for VAT.

Opfyl's duties include providing its customers with notices of their UK obligations, that they are obliged to tell HMRC if the customer is not meeting their UK obligations

Where its customers are not meeting its UK obligations, they must notify HMRC within 30 days of having reasonable grounds to suspect that their customer has not met their obligations.

If after 60 days, they are still not complying, Opfyl must cease to carry on the fulfilment business with that customer as soon as reasonably practicable.

The consequence of not doing the above is that Opfyl will incur a penalty of £3000 for each failure, and the whole fulfilment business may be revoked.

Opfyls must maintain a record of the name and contact details of each customer, their VAT number, a description of the type and quantity of goods held, an import entry number, the country the goods were imported from and any other specific information. This information must be maintained for 6 years and made available at the request of HMRC.

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

The Northern Ireland (NI) protocol, means that for goods, NI is treated as being within the EU and therefore subject to EU rules for the movement of goods.

53APPS have a business establishment where it carries out its main functions of the central administration, this will be where its head office is and where the day to day decision making is carried out.

53APPS will have a fixed establishment in any country in which it has the human and technical resources necessary for providing or receiving services of a permanent presence.

The fact that 53APPS have staff in both countries, and potentially with a warehouse in each country, means that they may have a fixed establishment in both GB and NI.

The NI establishment will be used for trade with the EU where it is most closely connected with the supply.

Great Britain Warehouse -

When the goods are sold in GB, normal domestic VAT at 20% will be charged.

When the goods are sold in the EU, these are below £135 and therefore local VAT is due, with no import VAT due.

53APPS will be able to use Import One Stop Shop to sell the accessories to EU consumers. This prevents them having to register for VAT in each individual member state. 53APPS must be registered in an EU member state and apply to use IOSS. A monthly IOSS return is due, with the value of sales to consumers in each member state, then the VAT amount due for each country with the

corresponding local rate.

Input VAT cannot be claimed via IOSS, therefore see below about recovery of input VAT in EU.

#### Customs Duties -

Goods when exported to EU will normally be subject to customs duty because they will not benefit from the Trade and Cooperation Agreement GB and the EU have for 0% tariffs, because the accessories do not originate from GB, but from China. However, there is a low consignment relief for imports into the EU below EUR 150, and as long as the consignments are below this value, then no customs duty will be due.

The goods will incur import VAT which 53APSP should use PIVA to postpone the import VAT at import, and account for it on the next VAT return as an output and recover it as an input, subject to being a fully taxable business.

If 53APPS were to use a GB warehouse, they should apply for customs warehousing which allows them to suspend/delay import VAT and duty on the import of the accessories from China, and for the goods which will be sold onto the EU, only EU customs duty will be due as the goods would never have been released into free circulation.

53APPS should apply for a full authorisation, rather than a limited customs declaration authorisation.

53APPS will need to request that the warehouse can be used as a private warehouse for them to store their own goods. They will need to be UK established, with EORI numbers, be financially solvent, have a good compliance record and prove that there is a business need to the warehouse, must be able to keep stock records and run the warehouse to health and safety standards, and provide a guarantee.

The proven business need is the fact that without using a CW, 53APPS will incur import duties on the accessories on import to GB, and again import duties when they import in the EU country.

Customs Warehousing allows traders to carry out usual forms of handling, such as packaging, and the goods do not have to leave packed up the same as they came in all together, i.e. individual accessories may leave.

#### Northern Ireland Warehouse -

If a NI warehouse is used, there will be no import VAT when the goods are sold into the EU.

Goods sold from NI to UK consumers will be subject to normal domestic VAT at 20%.

Goods sold from NI to EU consumers will be subject to desintation VAT in the member state on any sales above EUR 10,000 each year. Up to EUR 10,000, NI will be able to charge UK VAT and account for this on the UK VAT return. However, any sales exceeding EUR 10,000 in each country will be liable to destination VAT. NI can either register in each member state, or it can use the union One Stop Shop to account for destination VAT in each member state.

Any input VAT incurred will be recoverable as normal on the UK VAT return.

#### Customs Duties -

Goods when exported from NI to the EU will be subject to the EU Global Tariff where the goods are at risk of being moved to the EU. As some of the accessories are intended to be sold within the EU, they will be subject to the global tariff. Which when imported from China, will incur customs duties and import VAT.

There would be no point using a customs warehouse procedure if using the NI warehouse as if the Chinese goods are imported into NI, they will incur import duty at some point whether the duty is defferred or not. This is because whether the goods are sold to

GB consumers or EU consumers, they will incur the import VAT into the EU, and then no customs duty on sales to EU consumers, and only import duty on sales to GB consumers if the consignment is above £135 - which they are not.

Therefore, it is suggested that they use a GB warehouse and opt for customs warehousing procedure.

Import duty will not be due on the accessories at first. When the goods are sold to GB consumers into free circulation, import duty will become duty on the accessories, based on the rate at the time.

When the goods are sold to EU consumers into free circulation, there will be no import duty as the goods are sent in consignments below EUR 150.

#### Input VAT Recovery -

As 53APPS is established in both GB and NI, they must look at which establishment is most closely connected with the supply.

If the GB establishment is most closely connected, they will only be able to claim input VAT incurred in the EU at exhibitions, by a 13th VAT Directive Claim.

This claim will entitle 53APPS to input VAT recovery on costs, when supplies were made in the EU on services other than transport of freight, and services subject to the reverse charge. 53APPS should supply evidence of the expenses such as a VAT invoice, plus a certificate issued by the fiscal authority that they are an established business. They must make the claim no more than 12 months after incurring the VAT.

If the NI establishment is most closely connected, they will be able to claim via the Cross-Border Refund Scheme. Similar provisions apply.

For both types of recovery, input VAT is not able to be claimed



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if it is the type normally excluded from input VAT credit or if  
it relates to exempt supplies.

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

GB Co -

If Elordy sets up a UK Ltd company it will have a UK business establishment as long as the main functions and admin is carried out in the UK.

Elordy will be able to sell the jewellery without becoming VAT registered in the UK, up to a £85,000 in the preceding 12 months. She should check her sales values at the end of every month going back 12 months to assess if she is close to the registration limit.

Elordy should ensure that the main functions and admin plus the business records are carried out from the UK in order to benefit from the £85,000 threshold.

The Press seller will clear the press from customs, meaning they will act as importer of record and therefore there will be no VAT registration obligation here. Elordy should ensure any imports into GB she does not act as importer of record, otherwise she will be required to VAT register and all her supplies will be subject to 20% VAT.

The additional customisation price must be included within the sales turnover value.

French Co -

The French Co would need to VAT register on sales of jewellery

for less than £135 into GB. This is because the place of supply of imported consignments with a value equal to or less than £135 is the UK, meaning the French company would have a GB place of supply. The French Company would not receive the £85,000 VAT registration limit unless it had a UK fixed establishment. If Elordy sets-up a French Co, they will not have a UK fixed establishment as business records will be held in France and it will not be able to be deemed as her usual place of residence either. The French Company would have no permanent presence in the UK capable of receiving or making supplies and therefore as per Schedule 1A, Elordy would need to VAT register as soon as she starts sending jewellery to GB.

Where there is additional customisation included within the price, this may mean the consignment value exceeds £135, and this will mean the import into GB will be subject to import VAT and duty. The duty should be 0% as long as the materials used are EU originating.

It means import VAT will be due by the importer of record. To meet customers expectations, Elordy may want to deal with the importing, however this would mean she has an VAT registration obligation in the UK, and can recover the import VAT, but would charge domestic VAT at 20% on the sale to the customer in GB.

The goods posted by the customers will be imports into France, and Elordy will be expected to deal with this. This will not be subject to import VAT or customs duty.

When Elordy posts the jewellery back to GB, this will be an import into GB and another VAT registration obligation under S. 7(6) as she would be the importer of record. Alternatively, she could ask the customer to be the importer of record, however this is a bad customer experience.

Customs duty will be due on the import of the press into France as the press originates from China, unless France has a Free-

Trade Agreement with China.

No customs duty would be due on the materials sourced locally when imported into GB due to the Trading and Cooperation Agreement with the GB and EU. This is as long as the goods originate from the EU then customs duty will be 0%.

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

UK VAT -  
Physical Course -

The course is a supply of services, with different components.

The supply is being made to farm owners, who although may not be VAT registered, will be classed as business persons for VAT purposes as they carry out economic activity.

The general place of supply rule (being where the business customer is established) is overridden by the B2B override of admission to cultural, educational and entertainment activities. This is because the course is education on sustainable farming, including teaching how to take samples and gaining practical experience - therefore educating the recipients.

The key part to this override is that it must include an admission to an event. An event is characterised by a gathering of people to take part in an activity for a limited time and not on an ongoing basis. The activity falls within this as a maximum of 15 participants will go, and they will take part in the activities.

The next part is the admission. Admission is any payment that gives an individual/group the right to attend an event. The supply is an admission as they pay to be able to go on the course.

This override says that the place of supply is where the service is performed, and this is in Nigeria. Therefore, NigAgri Ltd does

not have a UK VAT liability for this supply.

The override also covers ancillary services relating to the event, which is covered below.

#### E- Manuals -

E-manuals are normally classed as electronically supplied services (text, images or information, with minimal human intervention, supplied over the internet). The e-manuals provided by NigAgri would fall within this meaning.

The place of supply of this type of service for B2B is subject to the use and enjoyment rules, which state that if the service is used and enjoyed in the UK, then this overrides any other place of supply rules, and the place of supply would be the UK.

However, the e-manuals are an ancillary service to the course, this is because they are information used on the course, which would be artificial to split and part of the predominant supply of the course. Schedule 4A 9A states that ancillary services relating to the educational event will also be treated as a place of supply being where the event is - Nigeria. So there is no UK VAT supply for NigAgri here.

The physical manuals will also be classed as ancillary to the course.

#### Physical Manuals -

The physical manual is below £135, therefore there would be no import VAT due on the import of the manuals into the UK. However, it would create a VAT registration obligation for NigAgri.

Import VAT would normally be due on imports, however if the consignment value is below £135, then there's a relief from import VAT. Plus, import VAT follows the VAT rate of the supply. Paper-based manuals are subject to 0% VAT, therefore the import VAT rate would be 0%.

NigAgri should request that the GB farmers act as importer of record, as if they act as importer of record they will be required to become VAT registered.

#### Remote Tutor -

Where additional calls are required, a separate charge is made and therefore this is a separate supply which should be considered for VAT purposes.

This supply will be subject to the general B2B rule which says that the place of supply is where that business customer is located, for GB customers this means that the place of supply is the UK.

However, the obligation to account for VAT is on the UK business recipient, who will account for the VAT through the reverse charge mechanism. They will account for the VAT in box 1 as output VAT, and recover in box 4 as input VAT, subject to normal partial exemptions restrictions.

Therefore, there's no UK VAT liability here for NigAgri.

For the farmers who use the flat-rate scheme, they will not be entitled to recover the VAT from the reverse charge as the flat-rate scheme, and therefore the reverse charge will be a cost to them.

The reverse charge will also affect unregistered UK farmers potentially if it was a lot, as the value of the supply reverse charged counts towards their VAT registration threshold, and therefore should be included within their monthly calculations.

#### Chemicals -

NigAgri will have a VBAT registration obligation in UK for the chemicals as they are less than £135 which means they escape import VAT, but will be subject to domestic VAT in GB, meaning they must VAT register.

There is no VAT registration threshold for non-UK Established businesses under Sch 1A, therefore they must register and charge UK VAT.

Customs Duties -

Physical manual-

NigAgri should request that the GB farmers act as importer of record, as if they act as importer of record they will be required to become VAT registered.

There will be no import VAT due on the manuals as subject to 0%.

There may be customs duty payable on the manuals, and the duty will be due on the CIF value of £130.

If the GB farmers act as importer of record, they will be required to go to the post office to pay any customs duty due on the manuals.

Chemicals -

The goods must be converted into sterling when entered onto the import declaration (£100).

The GB farmer should check whether there's any restrictions on the goods, such as an import licence. This means in order to import it, the farms would need to show a licence obtained.

The import of chemicals may require an import licence, such as a specific import licence in order to import the chemicals in. This may be to protect GB industry and economy, plus for safety and security reasons.

There may be a double licence (from the exporting country and importing country), or just a single licence from the importing country.

If the GB farms act as the importer, they should check the UK Tariff, or check with HMRC whether the import of these chemicals require a licence.



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If the importer does not obtain a licence where applicable, the chemicals may be subject to forfeiture, or worse penalties and potentially prison sentences.

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

Inward Processing

Inward Processing -

Bspokit Ltd will be able to benefit from Inward Processing (IP) which is a customs duty suspension relief. IP allows an importer to import goods and suspend any import VAT and duty due, process them, and re-export these goods with the import VAT or duty becoming due because the goods were not released into free circulation.

Bspokit will need to be authorised to use this procedure and must declare to HMRC that the goods are being imported into the UK to be processed, and that they will be re-exported in a compensating product. There are 2 methods of authorisation for IP; a full authorisation or a customs declaration authorisation.

The customs declaration authorisation would not be recommended for Bspokit as they likely intend to import goods into IP more than 3 x a year and potentially with values exceeding £500k. Therefore, a full authorisation would be recommended, however there are some conditions which must be met; the applicant must be established in the UK (which Bspokit is), the applicant must be financially solvent, have a good history of customs compliance and must be capable of adequate record-keeping. Additionally, the goods being subject to IP must meet the economic conditions which state that subjecting the goods to IP will not adversely affect the interests of UK producers, this condition is assumed to be met unless they are sensitive goods (such as agricultural products).

Bspokit should apply for the full authorisation within 30 days of wishing to begin IP, this can be done via their government gateway account. But they may also request a retrospective authorisation for the last 1 year. They must show HMRC that the goods were eligible, there was a business need and a list of imports that they wish to include in the retrospective period. By applying for a retrospective authorisation, they will be able to claim duty relief on the

Bspokit will also need to provide HMRC with some additional information. Firstly, they will need to agree a throughput period, which is the period Bspokit think they will need from the time of the non-EU components being imported, the time to manufacture the television from these components, to then export them - generally the throughput period agreed will be 3-6 months. Bspokit will also need to advise HMRC the rate of yield; this is for a certain amount of components imported, the number of processed products which will be made from the quantity of goods entered into IP.

The quantitative scale method can be used to consider the relief on the re-exported goods as only one kind of compensating product is made and no by-product is produced.

The value scale method should be used should a compensating product be produced.

A benefit of using IP, is it allows equivalent goods to be stored together, to reduce any administrative burden. This is relevant for Bspokit as they receive components from both the UK and imports from non-EU, and these goods are allowed to be stored or processed together, and Bspokit can 'pretend' the UK goods are the non-UK imported goods for the purposes of re-exporting under IP, subject to the goods having the same 8 digit commodity code, the same characteristics and quantity.

Bspokit will need to retain records to show customs should they

request, and should contain information regarding the how they identify the goods, the processes carried out, their movements and customs status.

Bspokit will also be required to submit quarterly bills of discharge with information about the goods processed and the goods that have been re-exported. With information about any goods which have been released into free circulation (i.e. sold to GB consumers) and where customs duty becomes due.

All types of processing is allowed under IP, with no restrictions to usual forms of handling.

#### IP - Processing under Customs Procedure

There's also another IP which Bspokit will benefit from. The rules on authorisation above still apply, but the relief works differently.

This procedure will allow Bspokit to import the components, which may be liable to a duty rate of say 7%. However, the duty rate of the manufactured TV may be 5%. This type of IP will allow Bspokit to import the components, suspend the import VAT and duty, and then once the goods have been produced, release these goods into free circulation in the UK, pay import VAT but pay import duty at the lower rate of the compensating product. This will allow Bspokit to benefit from lower duty rates.

#### Source components from EU -

Bspokit may want to consider sourcing components from the EU. This may be beneficial as GB and the EU have a Trading and Cooperation Agreement which allows originating goods from EU/GB to be imported at a 0% tariff. This therefore means there would be no duty to pay on imports from the EU.

For the components to originate from the EU, they must be wholly obtained, be manufactured from EU only originating products, or be manufactured from products which meet the specific EU origin rules for that product.

Indirect Representative -

Bspokit must advise their representative of these procedures they wish to use, who will ensure the correct customs procedure code is entered, which tells customs which procedure the goods are going into.

Bspokit should sign up for the Trader Support Service which will help with some of the import declarations, therefore potentially minimising the fee from the representative.

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

The rules for becoming normally resident are where someone usually lives for at least 185 days in a 12 month period, has occupational (work) ties and personal (family) ties. Therefore, Jeff's normally resident in South Africa because his work is there, his family live there and assuming he lives there for more than 186 days in a year.

Some of Jeff's goods will be eligible for the persons transferring their normal residence from another country relief. This relief relieves the individual of paying import VAT or duty on property imported into the UK on certain conditions.

Firstly, Jeff has normally been resident in South Africa for a continuous period of 12 months, as per the above 'normally resident' rules, and living in South Africa for the past 8 years. Jeff intends to become normally resident in the UK.

The following rules depend on what Jeff does:

The property must have been in his possession and used by him in South Africa for at least 6 months prior to importation, and the property must be intended for his personal/family use in the UK.

The property can be declared 6 months prior to him becoming normally resident in the UK. But the property must be declared no later than 12 months following him becoming normally resident in the UK, in order to obtain relief.

If Jeff puts his possessions into temporary storage in South

Africa, he will risk not meeting the condition of the property being in his possession and being used by him for at least 6 months prior to importation. Therefore, Jeff should consider importing the goods into the UK and using temporary storage in the UK, he will still claim relief as he is intending to become a UK resident still, and he can prove this by showing HMRC he is selling and buying a house in the UK.

The furniture, personal possessions, antiques, artifacts and trophies will be eligible for import VAT relief.

Import duty relief?

The new furniture purchased in South Africa will not be eligible for relief unless he purchases and uses the furniture 6 months prior to importing into the UK, which is he is going to sell his South African house and put the goods into storage, this will not be met.

As Jeff is not yet 'normally resident' in the UK, HMRC may request security for the potential import VAT due.

Jeff will not be allowed to lend, hire or sell any of the goods where import VAT has been relieved for the following 12 months.

The wine is not included as it is a beverage including alcohol. Import duty, import VAT and excise duty will be liable on the wine.

The excise duty on the wine will be dependent on the strength of it, for example wine with a strength not exceeding 4% will incur a duty of £91.68 per hectolitre. If the wine is sparkling also affects the excise duty, for example sparkling wine with a strength exceeding 5.5% but not exceeding 8.5% will incur excise duty of £288.10 per hectolitre.

The import VAT will be 20%.

Jeff may be able to import his hunting rifles if he applies for an import licence regarding the gun.