

Brexit, VAT & Origin of goods – impact on used cars





NI Protocol The basics



The Northern Ireland Protocol reflects the outcome of negotiations between the UK and the EU in October 2019.

It underlines a joint commitment to no customs and regulatory checks or controls and related physical infrastructure at the border between Ireland and Northern Ireland

“HAVING REGARD to the importance of maintaining the integral place of Northern Ireland in the United Kingdom’s internal market”

ART 8 of the Protocol explicitly confirms that the provisions of EU VAT Directive concerning goods shall apply to and in the United Kingdom in respect of Northern Ireland.



The EU VAT Directive



Article 314

The margin scheme shall apply to the supply by a taxable dealer of second-hand goods..... where those goods have been supplied to him within the Community by one of the following persons:

- (a) a non-taxable person;
- (b)
- (d) another taxable dealer, in so far as VAT has been applied to the supply of goods by that other taxable dealer in accordance with this margin scheme.



Practical Outcomes



Buying a Second-hand car for £9000 and selling for £10,200

- a) From a private individual or dealer selling under margin scheme in NI or Ireland:

Margin:	£1,200
VAT due:	£200
Net Profit:	£1,000

- b) From GB – sale not eligible for margin scheme

VAT Due:	$£10,200/6 = £1,700$
Net Sale Price:	£8,500
Net Loss:	£500



Used Cars sold

To NI Dealers

Michael Gove in Parliament on 13/01/2021:

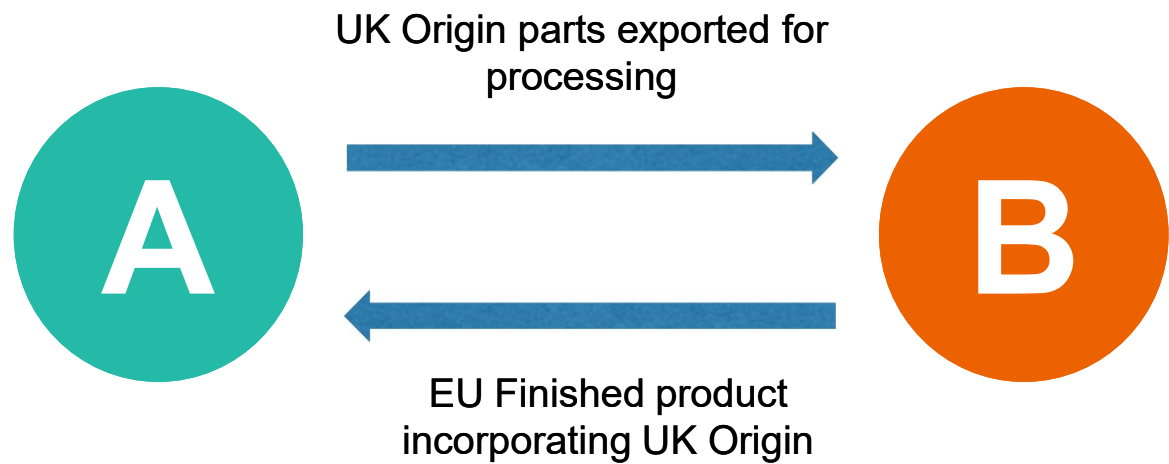
I can confirm today that Her Majesty's Treasury and HMRC will reinstate a margin scheme in order to ensure that Northern Ireland customers need pay no more than those in any other part of the United Kingdom.



Cumulation

Under the UK/EU Trade agreement Bilateral Cumulation has been accepted.

This means:

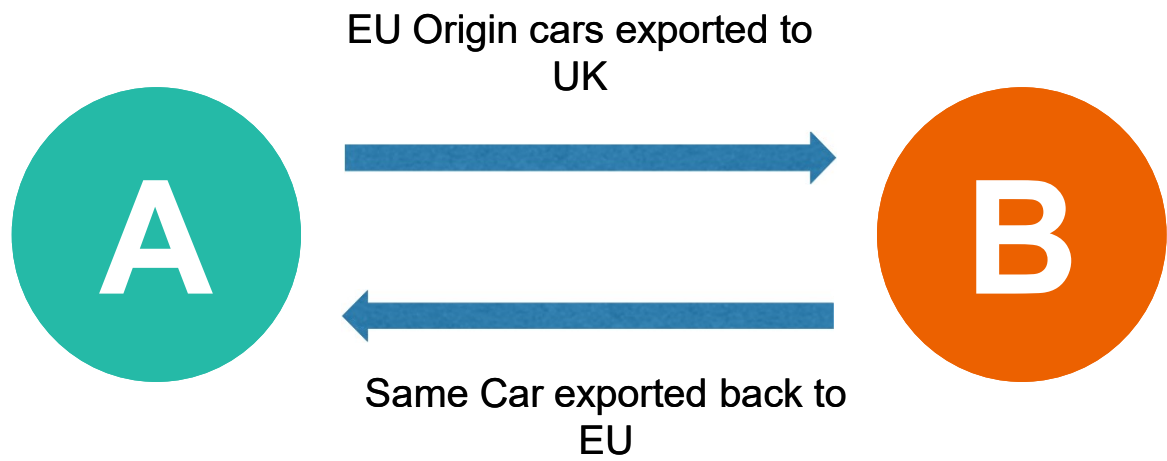


Origin of Goods



Loss of Origin Status

Origin of
Goods





Ireland's Position

Supplier's Declaration

Customs Duty and VAT payable

Origin of Vehicle	Customs Duty Payable	VAT Payable
UK	0%	21%
Third Country such as the USA or Japan	10%	21%
EU such as German or French	10%	21%



Import NI to Ireland

- First registered in NI – no Customs requirements into Ireland
- First registered in GB – must prove Customs declaration into NI or pay duty and VAT on import into Ireland



**Export via NI to
Ireland**

- GB Supplier to add 'import VAT' when selling to Irish Customer
- Unclear what rate of VAT
- Only applies if ownership transfers in GB?
- How does this fit with Irish position?



Exports

Generally

- Account for VAT as normal e.g. margin scheme or full VAT
- Use Personal Export Scheme
- Export Directly



Origin of Goods

Export issues:

1. Ensure goods originate.
2. Make sure a correctly completed commercial invoice is issued.
3. Retain all supporting documents



Origin of
Goods

Supplier's Declaration

Two types:

- Single Declaration – Covers one consignment.
- Long-term Declaration – Covers a period of up to 12 months.



**Origin of
Goods**

The exporter of the products covered by this document (Exporter Reference No ... ⁽²⁾) declares that, except where otherwise clearly indicated, these products are of ... ⁽³⁾ preferential origin.

.....⁽⁴⁾

(Place and date)

.....

(Name of the exporter)