

Export of goods (Lecture B1250 – 13.47 minutes)

All goods leaving the UK from 1 January 2021 will be a zero rated export.

For larger contracts one would expect our customer to be the importer of record in the destination country and as such it is they that must deal with the import formalities in their own country (entry declarations, VAT and duty declarations). This would be under incoterms such as EXW, FOB, CIF and DAP.

Direct or indirect exports?

From an invoicing perspective we need to understand the difference between direct exports and indirect exports.

Direct exports are when the UK supplier arranges the transport of their goods to their French customer. The UK supplier can zero rate their direct exports.

Indirect exports are simply where the customer arranges the transports of the goods. To secure zero rating on indirect exports the EU customer must not have a UK establishment e.g. a UK branch. If there is a UK branch then the sale must be standard rated.

If goods were sold to a UK customer but delivered to their branch in France (say) the rules are fundamentally the same. Where the UK supplier arranges the transport we have a zero rated direct export. If the UK customer arranges the transport the supply will be standard rated as an indirect export.

It should be noted that if there are two UK parties involved with the second UK party selling goods to their French customer (say) then the supply between the two UK parties is standard rated. The supply from the second UK party to their French customer is the one zero rated supply.

Exporting under DDP terms

Some EU customers are insisting that the goods are delivered duty paid (DDP) and this will mean that the UK supplier becomes the importer of record. The UK supplier will need to be VAT registered in the destination country so that they can deal with the import formalities and then the domestic onward supply to their EU customer. UK clients would be best advised to avoid DDP terms of trade.

If they have no choice but to accept DDP terms then they should consider appointing a limited fiscal representative in the destination state. The limited fiscal representative can deal with your local obligations without the need for a formal registration of the UK supplier.

Importing into the EU

Many UK suppliers import goods into the EU for onward supply. For example, importing goods from Japan into The Netherlands for onward supply within the EU. This will invariably create a Dutch VAT registration obligation for the UK supplier but this can be discharged by appointing a Dutch limited fiscal representative. The representative can deal with the import formalities and then the onward supply. The use of limited fiscal representatives is very popular as it is a cost effective way of avoiding formal registration in the Netherlands (in this example).

Triangulation

If a UK company is the intermediary in a triangulation chain of transactions, they will normally have to register for VAT in the destination state. The triangulation simplification is no longer available to UK businesses.

It is possible to appoint a general fiscal representative to deal with your registration obligations. This is different to a limited fiscal representative as you will have your own VAT number and a responsibility to submit your own VAT return.

Article supplied by Dean Wootten (www.woottenconsultants.com)