

VAT Procedures and Returns

Returns

There goods are acquired by a business from within the European Union, the details must be entered on the VAT return in the country of acquisition. If imported by a VAT registered business, VAT can be reclaimed by a simultaneous credit and debit with no cash flow consequences.

It is possible for regular importers to delay paying VAT for up to thirty days by opening a deferment account with HMRC. A lump sum direct debit is paid monthly. This means payments do not have to be undertaken for each transaction, so that clearance is quicker.

The simplified import VAT accounting system (SIVA) can help reduce the level of financial security or guarantee required to operate a deferment account for import VAT on import transactions. There are conditions for use of SIVA and not all businesses are eligible. Under the excise payment security system, traders can apply to make deferred payments of excise duty without an excise duty deferment guarantee.

Goods dispatched to other European Union countries or exported outside the EU are normally zero rated. The details must be entered on the VAT return. If one sells to countries outside the European Union it is necessary to submit details to HMRC and complete them on the VAT return.

It is necessary to keep proof of export documentation that identify the exporter, the customer, the goods and their value, the export declaration, the mode of transport and the route. Special procedures apply to the holding and moving of excise goods. These are goods such as alcoholic drinks, tobacco, mineral oils which attract excise duty over and above standard VAT.

Intrastat return

A VAT registered business which sells and moves goods to other VAT businesses within the EU, must record and report certain data. Intrastat is a statistical system of the European Union designed to ascertain trading patterns and values and to provide essential statistical data.

Prior to the EU single market in 1993, information was available through import and export returns. However, with the free movement of goods within the EU, the Intrastat system became necessary in order to compile statistics on movements of goods. Intrastat relates only to goods and not to the value of services.

If the value of arrivals exceeds £260,000 annually, a monthly return is required. It is necessary to report the value of goods counted as arrivals or dispatches. Duties are not included. It is not necessary to report goods which are not moved for trade purposes which are in transit or which are sent for or returned after repair.

The return requires details of VAT registration, certain transaction codes, the values of goods, country codes, delivery terms (mandatory for certain larger traders) commodity codes and details of the quantity and mass of goods.

It is necessary to keep the records including the following:-

- a copy of each Intrastat return
- copies of papers and documents that have been used to complete the return

It is required to keep records for six years and produce them to Revenue when required. Supplementary declarations can be returned by the internet or in paper format.

European Community Sales List

A business which is VAT registered and supplies goods to other EU countries must provide details of sales for use on a European Community sales list. This information is used throughout the European Union to ensure that VAT has been correctly accounted for.

The European Community sales list must include details of the VAT registration number and details, the country code, the customer's VAT registration, total value of goods and certain other information. The ECSL can be returned via the internet or in paper form. The obligation to commence returns starts once the level of trade with other EU member states reaches the requisite threshold.

The information required includes the following:-

- details of the business;
- commodity codes;
- value;
- transaction codes depending on nature of transaction;
- delivery terms.

This return is necessary where turnover exceeds £14.5 million.

This Guide is intended as an overview and broad outline of the matters covered in it. Its purpose is to inform and raise awareness. We are happy to offer specific legal advice on particular circumstances. This Guide should not be relied on as a substitute for comprehensive legal advice with reference to the particular circumstances.

While we have taken care in the preparation of this publication, we do not accept legal liability as a result of any reliance placed on anything in this Guide. The reader should rely only on specific legal or taxation advice.