



BCE Brexit - Postponed VAT Accounting - User Notes

Author: David Rustell
Date: 04/12/2020
Doc Version: 1.0.0

Advanced Computer Software Group Ltd.
The Mailbox, 101 Wharfside Street, Birmingham, B1 1RF
t: 0330 343 8000 (+44 330 343 8000) | f: +44 (0) 1932 584001

www.oneadvanced.com

Copyright © Advanced Computer Software Group Ltd 2020

This document contains confidential and / or proprietary information. The content must not be disclosed to third parties without the prior written approval of Advanced Computer Software Group Limited or one of its subsidiaries as appropriate (each referred to as "Advanced"). External recipients may only use the information contained in this document for the purposes of evaluation of the information and entering into discussions with Advanced and for no other purpose.

Whilst Advanced endeavours to ensure that the information in this document is correct and has been prepared in good faith, the information is subject to change and no representation or warranty is given as to the accuracy or completeness of the information. Advanced does not accept any responsibility or liability for errors or omissions or any liability arising out of its use by external recipients or other third parties.

No information set out or referred to in this document shall form the basis of any contract with an external recipient. Any external recipient requiring the provision of software and/or services shall be required to enter into an agreement with Advanced detailing the terms applicable to the supply of such software and/or services and acknowledging that it has not relied on or been induced to enter into such an agreement by any representation or warranty, save as expressly set out in such agreement.

The software (if any) described in this document is supplied under licence and may be used or copied only in accordance with the terms of such a licence. Issue of this document does not entitle an external recipient to access or use the software described or to be granted such a licence.

The development of Advanced software is continuous and the published information may not reflect the current status. Any particular release of the software may not contain all of the facilities described in this document and / or may contain facilities not described in this document.

Advanced Computer Software Group Limited is a company registered in England and Wales with registration number 05965280 whose registered office is at Ditton Park, Riding Court Road, Datchet, Berkshire. SL3 9LL.

A full list of its trading subsidiaries is available at www.oneadvanced.com/legal-privacy

Contents

Introduction	5
Postponed VAT Accounting.....	6
UK VAT Registered Businesses - to 31 December 2020	6
UK VAT Registered Businesses – from 1 January 2021	6
How PVA is applied in BCE.....	7
Postponed VAT Accounting – System Settings.....	7
Postponed VAT Accounting - VAT Calculation example:	8
Monthly Postponed Import VAT Statement.....	9
Postponed VAT Accounting – BCE VAT Schemes.....	11
Standard VAT Invoice Accounting	11
Cash Accounting VAT	11
Flat Rate VAT.....	11

Introduction

UK businesses accounting for import VAT on their VAT return following the HMRC guidelines for 'Postponed VAT Accounting'.

Prior to the UK's exit from the European Union postponed VAT accounting applied to imports from the European Union only.

Following the UK's exit from the European Union (Brexit), postponed VAT accounting changes were announced by the HMRC to account for all UK imports with effect from 1 January 2021.

In addition to reporting all UK imports, changes were applied to:

- The boxes to be completed on the VAT Return
- Separation of EU imports from non EU imports for UK businesses located in Northern Ireland (The Northern Ireland Protocol)

Postponed VAT Accounting

UK VAT Registered Businesses - to 31 December 2020

All UK businesses

For purchases of imported goods up to and including 31 December 2020, purchase invoices and purchase credit notes using VAT type 'EU Import' updated the following VAT Return boxes:

- Box 9: Imported acquisition value
- Box 7: Imported acquisition values included with all domestic purchases
- Box 4: Reclaimed VAT value (Relative to Stock VAT rate)
- Box 2: Postponed VAT due

UK VAT Registered Businesses – from 1 January 2021

For UK businesses not resident in Northern Ireland

From 1 January 2021, in accordance with the transition period following Brexit, the HMRC requirements for VAT registered businesses reporting postponed VAT accounting (PVA) on goods imported into the UK changed from reporting EU imports only to reporting all UK Imports.

For purchases of imported goods from 1 January 2021, purchase invoice and purchase credit notes using VAT types 'EU Import' and 'Non EU Import' update the following VAT Return boxes:

- Box 7: Imported acquisition value
- Box 4: Reclaimed VAT value (Relative to stock item VAT rate)
- Box 1: Postponed VAT due

For UK businesses resident in Northern Ireland

UK businesses resident in Northern Ireland are required to separate their EU imports from non EU imports.

This is known as the Northern Ireland Protocol where the VAT Return reporting requirements are:

For purchases of imported goods from 1 January 2021, purchase invoices and purchase credit notes using VAT type 'EU Import' continue to update the following VAT Return boxes:

- Box 9: Imported acquisition value
- Box 7: Imported acquisition values included with all domestic purchases
- Box 4: Reclaimed VAT value (Relative to stock item VAT rate)
- Box 2: Postponed VAT due

For purchases of imported goods from 1 January 2021 purchase invoice and purchase credit notes using VAT type 'Non EU Import' update the following VAT Return boxes:

- Box 7: Imported acquisition value
- Box 4: Reclaimed VAT value (Relative to stock item VAT rate)
- Box 1: Postponed VAT due

For HMRC reference see:

<https://www.gov.uk/guidance/complete-your-vat-return-to-account-for-import-vat>

How PVA is applied in BCE

UK businesses accounting for import VAT on their VAT return following the HMRC guidelines for 'Postponed VAT Accounting'.

Prior to the UK's exit from the European Union the requirement was to report imports from the European Union only.

From 1 January 2021, following the UK's exit from the European Union (Brexit), this requirement changed to report all UK imports.

HMRC require businesses to report, a value of input VAT as if the transaction had been conducted within UK shores. (A notional VAT calculation) Therefore the VAT calculated for PVA respects the VAT rate stored on the stock item.

VAT is both declared and reclaimed on the same VAT return meaning there is no actual VAT liability.

Postponed VAT Accounting is not concerned with any sales activities.

Postponed VAT Accounting – System Settings

By default BCE identifies UK imports by the use of VAT types 'UK Imports' and 'non UK Imports' on documents.

For UK businesses not resident in Northern Ireland, all imports will be reported and consolidated as required by HMRC on the VAT return.

EU imports dated before 1 January 2021 will update VAT return boxes 9, 7, 4 and 2.

UK imports dated on and after 1 January 2021 will update VAT return boxes 7, 4 and 1.

For UK businesses resident in Northern Ireland, HMRC require EU imports to be reported separately from non EU imports where:

EU Imports shall continue to update VAT return boxes 9, 7, 4 and 2.

Non UK imports dated on and after 1 January 2021 will update VAT return boxes 7, 4 and 1.

To enable the 'Northern Ireland Protocol' the following system setting must be selected from, the 'Tax and Payroll' tab in 'Company Settings':



The screenshot shows a 'VAT' settings panel with the following options:

- VAT registered
- VAT number: 12345678
- Cash Accounting
- Northern Ireland Protocol
- Advanced Business Tax Portal
- Enabled?

Postponed VAT Accounting - VAT Calculation example:

A UK import purchase invoice is created containing three stock lines in currency that when converted to base are for £100.00 each where:

- Line 1 stock item is standard rate
- Line 2 stock item is zero rate
- Line 3 stock item is exempt rate

New Purchase Invoice

General

Supplier (required) VAT type

Credit limit: no credit limit set Current balance: 0.00 GBP Currency: EUR Euro

Supplier reference: Additional reference: Exchange rate: 1.1202

Invoice date: 01/01/2021 Accounting date: 01/01/2021 Contract:

Financial period: 1/2021 Query

Payment term: Immediate payment

Payment due date: Override due date? 01/01/2021

Order Items

Item number	Supplier ref.	EUR Price	GBP Price	Price Type	EUR VAT	GBP VAT	Qty.	Unit	Unit Conv. Rate
Standard Stock Item		112.00000000000001	100	unit price	0	0	1	each	1
Zero Stock Item		112.00000000000001	100	unit price	0	0	1	each	1
Export ssk item		112.00000000000001	100	unit price	0	0	1	each	1

Net Amount: €336.06
VAT Amount: €0.00
Total: €336.06

The total net value of the purchase invoice consolidated to base is £300.00.

If this had been a domestic UK purchase document, the VAT for line 1 would have been calculated at 20% standard VAT rate. Lines 2 and 3 are zero and exempt rate and no VAT value is calculated.

The VAT return is updated as follows:

- Box 1 £20.00 VAT due in this period on sales and other outputs
- Box 4 £20.00 VAT due in this period on acquisitions from other EC Member States
- Box 7 £300.00 Total value of purchases

The input VAT of £20.00 attributed to the only vatable line is claimed in box 4 and negated in box 1:

Results

1	VAT due in this period on sales and other outputs	£20.00
2	VAT due in this period on acquisitions from other EC Member States	£-0.00
3	Total VAT due (the sum of boxes 1 and 2)	£20.00
4	VAT reclaimed in this period on purchases and other inputs (including acquisitions in the EC)	£20.00
5	Net VAT to be paid to HMRC or reclaimed by you (Difference between boxes 3 and 4)	£0.00
6	Total value of sales and all other outputs excluding any VAT. Include your box 8 figure	£-0.00
7	Total value of purchases and all other inputs excluding any VAT. Include your box 9 figure	£300.00
8	Total value of all supplies of goods and related costs, excluding any VAT, to other EC Member States	£-0.00
9	Total value of all acquisitions of goods and related costs, excluding any VAT, from other EC Member States	£-0.00

Monthly Postponed Import VAT Statement

Since 1 January 2021, the HMRC provide all VAT registered businesses with a monthly statement of UK imports.

This statement should agree with the import purchase values submitted on the VAT Return for the reporting period.

Example of a Monthly Postponed Import VAT Statement:



HM Revenue
& Customs

Monthly postponed import VAT statement

Summary of period ending 31 August 2018

Business Name
Address 1
Address 2
Address 3
Postcode

VAT registration number: xxxxxx

EORI number: xxxxxxxxxxxx

Month total: £24,163.85

Declarant	Total postponed
Declarant 1	£12,606.09
Declarant 2	£11,181.10
Declarant 3	£376.66
Total VAT postponed: £24,163.85	



HM Revenue
& Customs

Monthly postponed import VAT statement

Period ending 31 August 2018

Another Business

VAT registration number: xxxxxxxx

EORI number: xxxxxxxxxx

Date of import	Movement reference number (MRN)	Declarant	Declarant's EORI number	Declarant's reference number	Vat postponed
09/08/2018	18GB0000xxxxxxx	Declarant 1	GB98xxxxxxxxxx	AB3345MCMxxxxxxxx	£11,415.60
13/08/2018	18GB0000xxxxxxx	Declarant 2	GB98xxxxxxxxxx	AB3345MCMxxxxxxxx	£1,539.58
13/08/2018	18GB0000xxxxxxx	Declarant 2	GB98xxxxxxxxxx	AB3345MCMxxxxxxxx	£1,500.53
18/08/2018	18GB0000xxxxxxx	Declarant 2	GB98xxxxxxxxxx	AB3345MCMxxxxxxxx	£1,822.46
21/08/2018	18GB0000xxxxxxx	Declarant 2	GB98xxxxxxxxxx	AB3345MCMxxxxxxxx	£3,364.92
21/08/2018	18GB0000xxxxxxx	Declarant 2	GB98xxxxxxxxxx	AB3345MCMxxxxxxxx	£2,953.61
23/08/2018	18GB0000xxxxxxx	Declarant 3	GB98xxxxxxxxxx	AB3345MCMxxxxxxxx	£297.62
25/08/2018	18GB0000xxxxxxx	Declarant 1	GB98xxxxxxxxxx	AB3345MCMxxxxxxxx	£1,190.49
26/08/2018	18GB0000xxxxxxx	Declarant 3	GB98xxxxxxxxxx	AB3345MCMxxxxxxxx	£79.04
Month total:					£24,163.85

IMPORTANT DOCUMENT

Keep this statement as proof of input tax in your VAT return

Produced 4 September 2018

Page 2 of 2

Businesses are responsible for reconciling their monthly postponed import VAT statement with their VAT return report and for providing supporting evidence for the values submitted on their VAT returns.

In the event of any differences, BCE users may consider the following options:

1. Use the 'VAT Return Adjustments' option to adjust their VAT return values.

This can be done by completing the respective boxes within the 'New Adjustments GBP' column to agree to the import VAT statement in order to complete and submit the VAT return on time.

VAT Return Adjustments

	Row Num	Accounts Val. GBP	Previous Adjustments GBP	New Adjustments GBP	Fuel Scale Charge GBP	This Return GBP
VAT due on sales and other outputs	1	-0.00	0.00	0.00	0.00	0.00
VAT due on EC acquisitions	2	20.00				20.00
Total VAT due	3	20.00	0.00	0.00	0.00	20.00
VAT reclaimed on purchases and other inputs including EC acquisitions	4	20.00	0.00	0.00		20.00
Net VAT due	5	0.00	0.00	0.00	0.00	0.00
Total value of sales and other outputs including EC supplies	6	-0.00	0.00	0.00	0.00	0.00
Total value of purchases and other inputs including EC acquisitions	7	300.00	0.00	0.00		300.00
Total value of EC supplies	8	-0.00				0.00
Total value of EC acquisitions	9	300.00				300.00

Notes (required)

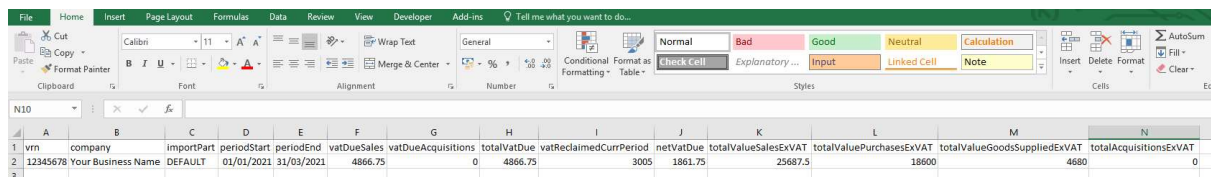
The VAT adjustments entered will be reversed on the next VAT report which shall allow users time to:

- Identify and correct any missing documents within BCE in preparation for the next VAT return
- Take up any discrepancies on the import VAT statement directly with HMRC
- Carry any further differences forward to the next VAT reporting period

2. Controlled edit of csv file prior to submitting to HMRC

Prior to submitting the VAT return using the business tax portal for making tax digital, there is an opportunity for the entries to be adjusted in the csv file to agree with the monthly statement of UK imports.

This is provided that any such changes are correctly calculated and represent a controlled change to the values submitted to HMRC.



	A	B	C	D	E	F	G	H	I	J	K	L	M	N
1	vm	company	importPart	periodStart	periodEnd	vatDueSales	vatDueAcquisitions	totalVatDue	vatReclaimedCurrPeriod	netVatDue	totalValueSalesExVAT	totalValuePurchasesExVAT	totalValueGoodsSuppliedExVAT	totalAcquisitionsExVAT
2	12345678	Your Business Name	DEFAULT	01/01/2021	31/03/2021	4866.75		4866.75	0	3005	1861.75	25687.5	18600	4680
3														

Postponed VAT Accounting – BCE VAT Schemes

BCE supports three VAT schemes:

- Standard VAT Invoice Accounting
- Cash Accounting VAT
- Flat Rate VAT

The standard VAT invoice accounting method is the only option that supports Postponed VAT Accounting.

Standard VAT Invoice Accounting

This is the most common method of VAT reporting covering a calendar period year to record input and output VAT for purchases and sales documents.

Businesses registered for VAT are generally required to submit their VAT reports on a monthly calendar or quarterly basis unless an alternative VAT reporting frequency is agreed with the HMRC tax office.

BCE documents are recorded within the current VAT period. If documents are backdated to previously submitted 'closed' VAT periods they will be forced to the current VAT reporting period.

Cash Accounting VAT

The Cash Accounting method of VAT reporting can only be used with agreement from HMRC.

The method supports a business's cashflow where the input VAT reclaimed on purchases and the output VAT due on sales do not become recoverable or payable until such time the invoices are settled.

HMRC state that businesses who trade overseas do not qualify for Cash Accounting status, therefore Postponed VAT Accounting is not supported.

Cash Accounting VAT users should not use the 'EU Import' and 'non EU Import' VAT types.

Flat Rate VAT

The Flat Rate method can only be used with agreement from HMRC.

In general, this method applies to an agreed percentage VAT rate for sales only and all purchases are excluded.

HMRC state that businesses who trade overseas do not qualify for Flat Rate status, therefore Postponed VAT Accounting is not supported.

Flat Rate VAT users should not use the 'EU Import' and 'non EU Import' VAT types.