

Import Duty and Taxes

Business Information Factsheet

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Introduction

Many UK businesses source goods from abroad, either to build a stock of reasonably priced items to supply to customers at a profit, or because they require components for products they make.

These businesses need to pay various import duties and taxes, including customs or import duty, excise duty and import VAT, on certain items bought from abroad for commercial purposes. The UK import duty and tax system is complex, and liability for these taxes generally varies according to the type of item being imported, its country of origin and its value.

This factsheet explains the main UK import duties and taxes, the rates and allowances applied, and the main duty and VAT relief schemes available.

Customs duty (import duty)

Customs or import duty is charged on goods imported to the UK. The value on which customs duty is charged is generally based on the price paid for the imported goods. Goods acquired from inside the EU are not liable for import duty; neither are goods with a value of less than £135.

Specific products are given a commodity code, providing details about the import duty rate percentage for each product. This rate differs depending on whether the item is being exported or imported. The rate also depends on what is being imported and the country of origin. The commodity codes for particular products can be found in the online trade tariff tool at www.gov.uk/trade-tariff.

Some types of goods originating from outside the EU are also subject to other duties such as anti-dumping duty (ADD). This duty is levied in addition to normal import duties when goods are sold in the EU at prices considerably below their normal market value, usually the price in their country of origin. For more information about ADD, go to www.gov.uk/guidance/anti-dumping-duty-to-protect-eu-businesses-against-cheap-imports.

The EU has various free-trade agreements (FTAs) and economic partnership agreements (EPAs) in place with certain non-EU countries or blocs of countries. These enable importers to pay less duty, or no duty at all, under duty relief schemes or trade preferences. In some cases, trade quotas or tariffs limit the amount of goods that can be imported under these preferences.

Eligibility for trade preferences and the rate of duty and amount of relief available depends on the type of goods, their country of origin and their destination. More information about the rules for establishing the country of origin is available at www.gov.uk/guidance/rules-of-origin.

To claim a trade preference, importers must establish the correct commodity code for the item, ensure the item qualifies under the rules for establishing origin, provide proof of origin, and ensure they comply with transportation rules (which usually require goods to be transported

directly from the preference country or not used in the country of transit). There is more information about duty relief at www.gov.uk/duty-relief-for-imports-and-exports.

Further information about trade preferences is available at www.gov.uk/government/publications/notice-826-tariff-preferences-imports/notice-826-tariff-preferences-imports.

More details about FTAs and EPAs can be found at www.gov.uk/guidance/importing-and-exporting-using-international-trade-preferences.

Excise duty

Excise duty is a tax on certain products such as alcohol, tobacco and perfume that are brought into the UK from both EU and non-EU countries. The duty varies according to whether the product has been purchased for personal consumption or for commercial purposes.

Alcohol and tobacco items imported to the UK for commercial purposes from both EU and non-EU countries are subject to excise duty at different rates depending on the type of product. In August 2017, rates included, for example:

- **Cigarettes:** 16.5% of the retail price plus £208 per 1,000 cigarettes.
- **General beer duty:** between 8.42 pence and 24.77 pence per litre, multiplied by the percentage alcohol by volume (ABV).
- **Wine:** £288.65 per 100 litres for still wine of between 5.5% and 15% ABV.
- **Spirits:** £28.74 per litre of pure alcohol.

To view the full table of excise duty rates for all types of alcohol and tobacco, go to www.gov.uk/tax-on-shopping/alcohol-tobacco.

Bottles of imported wines and spirits containing 35 centilitres or more and which have a strength of 30% ABV that are to be retailed to customers in the UK have to bear duty stamps. For more information about duty stamps, go to www.gov.uk/government/publications/excise-notice-ds5-uk-duty-stamps-scheme?contentID=HMCE_PROD1_025107.

Imported tobacco should bear the correct fiscal mark, indicating that duty has been paid. Go to www.gov.uk/hmrc-internal-manuals/tobacco-products-duty/tpd12000 for details about fiscal marks.

Liability for the payment of excise duty by individuals varies according to where and how the goods were purchased, as follows:

- Travellers bringing items into the UK from other EU member states can import unlimited amounts of alcohol and tobacco and do not have to pay excise duty as long as they have transported the goods themselves, the items are for their own use or for a gift, and the items have been bought 'duty paid', for example in a supermarket or cash and carry.
- Anyone travelling to the UK who has bought items outside the EU for their own use will only have to pay excise duty if the value of the purchase exceeds their duty-free allowance.
- If items are sent to the UK through the post, either as a result of an online purchase or as a gift from family or friends, then excise duty is payable on the whole value of the item.

Although travellers from within the EU can theoretically bring unlimited quantities of alcohol and tobacco into the UK, customs officers generally consider that items are being imported for

commercial purposes if they exceed certain amounts, for example 800 cigarettes, 90 litres of wine, 110 litres of beer and 10 litres of spirits.

The UK Border Agency (UKBA) can seize goods and vehicles (and not return them) if they believe that items are being imported for commercial rather than personal purposes.

VAT on acquisitions (imports) from within the EU

VAT is a tax that is charged on the supply of goods made by VAT-registered businesses in the UK and other EU member states. Items purchased by VAT-registered UK firms from VAT-registered suppliers elsewhere in the EU are referred to as 'acquisitions', and the UK importer has to account for VAT on them.

Normally, the EU-based supplier issues a zero-rated invoice; the VAT due is accounted for by the UK importer on its VAT return. The EU-based VAT-registered supplier is required by law to submit a monthly report to their tax authorities showing the VAT numbers and the value of all exports during the month. This information is transferred to the UK tax authorities, where it is matched against the purchaser's corresponding VAT return.

The VAT rate on acquisitions from within the EU is the same percentage rate that would have applied to similar goods purchased from a VAT-registered UK supplier.

The relevant date, or tax point, for VAT on acquisitions is the earlier of two dates: the date on which the EU supplier issued their invoice, or the 15th day of the month following the month in which the goods entered the UK. The UK business must account for any tax due on its VAT return for the period in which the tax point occurs.

UK firms must declare any goods they import from the EU to HM Revenue & Customs (HMRC) by recording the total of their purchases on their VAT return. In addition, VAT-registered business that receive more than £1.5 million worth of goods from other EU countries must register with Intrastat (www.gov.uk/intrastat) and make a monthly online declaration of these imports (the information in this declaration is used to collect statistics about trade between EU member states).

UK traders that are registered for VAT who are importing goods worth less than £2,000 through the post can defer the VAT payment until the time of their next VAT return.

More information about VAT on acquisitions (imports) from within the EU is available at www.gov.uk/government/publications/vat-notice-725-the-single-market/vat-notice-726-the-single-market.

Import VAT

Import VAT is levied on goods imported to the UK from outside the EU. It must be paid on all imports unless the items are brought in as part of an individual's duty-free allowance. Import VAT is paid directly to HMRC rather than to the overseas supplier of the goods.

Import VAT is charged at the same percentage VAT rate that would be applied to similar goods sold in the UK. It is charged on the total value of the items at the sterling equivalent to the price paid abroad. This value must be shown on the import declaration made to customs when the goods enter the UK, and it must include the cost of postage, packaging, transportation, insurance and any duty payable.

Some items, such as works of art, antiques and collectors' items such as stamps, are eligible for importation at a reduced value, giving an equivalent VAT rate of 5%.

The importer can reclaim the import VAT in the same way as they reclaim VAT paid on UK purchases. To do this, traders must be able to provide documentary evidence that they have paid the VAT to HMRC. This evidence is normally a VAT certificate (form C79), which HMRC sends to the VAT-registered person after the import VAT payment has been made.

Goods that originate from one of the EU's special territories are subject to import VAT. The EU special territories are:

- The Aland Islands (Finland).
- The Canary Islands (Spain).
- The Channel Islands of Jersey and Guernsey, including Alderney, Sark and Herm (UK).
- The French Overseas Departments of Guadeloupe, French Guiana, Martinique, Réunion, Mayotte and Saint-Martin.
- Mount Athos, also known as Agion Oros (Greece).

If goods are posted to the UK or ordered from a non-EU country, import VAT is generally only charged if the goods' value is more than £15. This exemption does not cover alcohol, tobacco products, perfume or toilet waters, or any imports from the Channel Islands.

More information about importing goods from outside the EU is available at www.gov.uk/guidance/importing-goods-from-outside-the-eu.

More information about the valuation of imported goods for the purposes of customs, VAT and trade statistics is available at www.gov.uk/government/publications/notice-252-valuation-of-imported-goods-for-customs-purposes-vat-and-trade-statistics.

For further details about imports and VAT, go to www.gov.uk/government/publications/vat-notice-702-imports/vat-notice-702-imports.

Duty and VAT relief schemes

HMRC operates a number of schemes that enable importers to delay payment of duty and VAT, or receive relief on duty and VAT charges to improve the cash flow of their business, as goods imported from abroad are not usually released by customs until all duties have been paid.

Traders who regularly import goods can set up a duty deferment scheme with HMRC to enable them to pay duty and VAT monthly in arrears. In order to set up a scheme, traders must provide a financial guarantee from a bank, building society or insurance company to cover the money owed; this then enables the goods to be released.

More information about deferring duty and charges is available at www.gov.uk/government/publications/notice-101-deferring-duty-vat-and-other-charges.

HMRC's schemes include:

- **Simplified import VAT accounting (SIVA):** this scheme allows importers who have already set up a duty deferment scheme to reduce the level of financial guarantee needed to operate a duty deferment account for VAT purposes. For more information, go to www.gov.uk/government/publications/notice-siva-1-simplified-import-vat-accounting.

- **Onward supply relief (OSR):** this scheme exempts traders who import goods from outside the EU to supply them to someone in another EU member state from the obligation to pay VAT. The VAT is paid when the goods are supplied to the customer in the other EU state. For more details, go to www.gov.uk/government/publications/vat-notice-7027-import-vat-relief-for-goods-supplied-onward-to-another-country-in-the-ec.

Certain specific items can also be imported free of duty and VAT, for example commercial samples that have little value. For more details, go to www.gov.uk/government/publications/notice-372-importing-commercial-samples-free-of-duty-and-vat/notice-372-importing-commercial-samples-free-of-duty-and-vat.

Hints and tips

- Freight forwarders are a useful source of advice and guidance about the importation process and documentation required. They ensure that the lowest possible customs charges are levied and some act as customs clearance agents on behalf of clients.
- The British International Freight Association (BIFA, www.bifa.org) offers support services for inexperienced importers, to help them find the most appropriate forwarders.
- HMRC provides online training covering VAT when trading with other countries, which can be accessed via regular webinars.
- HMRC also publishes regular guidance that is relevant to importers operating in specific trade sectors.
- Importers should check the HMRC website regularly to keep up to date with changes to the VAT and duty rules.

Further information

BIF184 A Guide to Incoterms

BIF208 A Guide to Export Documentation

BIF318 Choosing and Using a Business Translator

BIF396 Choosing and Using a Freight Forwarder

Useful contacts

HM Revenue & Customs (HMRC) is the government department responsible for the collection of tax. It provides information and advice about duty and taxes relating to importing.

Tel: 0300 200 3700 (Enquiries)

E-mail: classification.enquiries@hmrc.gsi.gov.uk (Tariff Classification Service)

Website: www.gov.uk/government/organisations/hm-revenue-customs

HMRC videos, webinars and e-learning on VAT

Website: www.gov.uk/government/news/webinars-emails-and-videos-on-vat#5

The British Chambers of Commerce (BCC) provides a wide range of business services covering international trade, training, information and representation.

Tel: (020) 7654 5800

Website: www.britishchambers.org.uk

The British International Freight Association (BIFA) represents the UK international freight services industry and can provide information about finding a freight forwarder.

Tel: (020) 8844 2266

Website: www.bifa.org

The Freight Transport Association (FTA) provides information and advice about road, rail, air and sea freight.

Tel: 03717 112222

Website: www.fta.co.uk

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