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Guidance

# **VAT and overseas goods sold directly to customers in the UK**

How sellers deal with VAT for goods from overseas that they sell direct to customers in the UK.

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HM Revenue & Customs (<https://www.gov.uk/government/organisations/hm-revenue-customs>)

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There are different rules if you sell goods to Northern Ireland from the EU (<https://www.gov.uk/guidance/overseas-businesses-selling-goods-to-northern-ireland>) or move goods between Northern Ireland and the EU (<https://www.gov.uk/guidance/vat-on-movements-of-goods-between-northern-ireland-and-the-eu>).

## **Overview**

From 11pm on 31 December 2020, consignments of goods with a value of £135 or less that are outside:

- the UK and sold directly to customers (not through an online marketplace) in Great Britain (England, Scotland and Wales) will have UK supply VAT charged at the point of sale
- the UK and EU and sold directly to customers (not through an online marketplace) in Northern Ireland will have import VAT charged

The £135 limit applies to the value of a total consignment that is imported, not the separate value of individual items that are in a consignment.

These rules will not apply to the import of:

- consignments of goods containing excise goods - find out more about importing excise goods to the UK from the EU from 1 January 2021 (<https://www.gov.uk/guidance/importing-excise-goods-to-the-uk-from-the-eu-from-1-january-2021>)
- non-commercial goods (for example, gifts) - find out more about tax and customs for gifts sent from abroad (<https://www.gov.uk/goods-sent-from-abroad/gifts>)

These rules will also not apply to consignments of goods from Jersey and Guernsey, if VAT is collected and paid to HMRC under the Import VAT Accounting Scheme.

## **Goods that are outside the UK at the point of sale**

The seller must work out the consignment value of the goods by deciding their 'intrinsic value', this is the price the goods were sold for, not including:

- any transport or insurance costs, unless they are included in the price and not separately shown on the invoice
- any other identifiable taxes and charges

Unless sent individually, the seller must add the individual values of all items in a consignment together to get the total value of the consignment.

If a seller makes changes to the value of the consignment so that its total value goes above £135 they may be liable for import VAT and Customs Duty, and have to adjust the VAT already accounted for at the point of sale (<https://www.gov.uk/guidance/how-to-correct-vat-errors-and-make-adjustments-or-claims-vat-notice-70045>).

Low value consignment relief (LVCR), which is an import VAT exemption for goods valued at £15 or less, has been removed in:

- Great Britain for goods imported from outside the UK
- Northern Ireland for goods ordered remotely that are imported from outside the UK and EU

## **Consignments valued at £135 or less**

The seller must charge and account for VAT at the point of sale, unless the consignment is a business to business sale and the customer has given them their UK VAT registration number.

To charge and account for VAT the seller will need to:

- know the precise nature of the goods to find out the correct rate of VAT (<https://www.gov.uk/guidance/rates-of-vat-on-different-goods-and-services>) to charge
- register for VAT (<https://www.gov.uk/government/publications/vat-application-for-registration-vat1>) - sellers that are already registered for VAT do not need to re-register
- keep records of the goods sold, and make sure they get accurate information to apply the correct VAT treatment to them

For goods supplied into Northern Ireland from outside the UK and EU, low value consignment relief will no longer apply and the seller will be liable to account for the VAT on the VAT return instead of at the border.

### **Business to business sales to UK VAT-registered customers**

The seller will not need to charge and account for VAT if the customer gives them their VAT registration number. The seller can confirm it's correct using the online service (<https://www.gov.uk/check-uk-vat-number>).

The seller can add a note to the invoice (for example, by writing 'reverse charge: customer to account for VAT to HMRC') then send it to the UK business customer.

The business customer will then be responsible for accounting for any VAT due on their VAT Return, if the goods are supplied in:

- Great Britain using a 'reverse charge' procedure
- Northern Ireland, using Postponed VAT Accounting (<https://www.gov.uk/guidance/complete-your-vat-return-to-account-for-import-vat>)

In both cases, the seller will be able to recover the VAT as input tax on the same VAT Return under normal VAT recovery rules.

Sellers do not have to register for VAT if they only sell goods that are outside the UK at the point of sale to UK VAT-registered businesses.

### **Consignments valued at more than £135**

Normal VAT and customs rules will apply on importation of the goods into Great Britain from outside the UK or into Northern Ireland from outside the UK and EU.

Read VAT Notice 702 (<https://www.gov.uk/guidance/imports-and-vat-notice-702>) to find out more about how imported goods are treated for VAT purposes.

### **Goods that are in the UK at the point of sale**

If you are an overseas seller who owns goods of any value that are located in the UK at the point of sale you must register (<https://www.gov.uk/government/publications/vat-application-for-registration-vat1>) and account for VAT on any sales you make directly to customers in Great Britain or Northern Ireland.

There are different rules if you import goods then sell them through an online marketplace (<https://www.gov.uk/guidance/vat-and-overseas-goods-sold-to-customers-in-great-britain-using-online-marketplaces-from-1-january-2021#importing-online>).

## **VAT invoices**

The normal rules for the content and format of VAT invoices will apply.

The seller should issue a full paper or digital invoice for goods.

For goods sold in Northern Ireland from outside of the EU, the seller does not need to provide a VAT invoice.

## **VAT records**

The seller must keep full records (including VAT invoices) for 6 years from the date any goods are sold.

Find out more about VAT record keeping (<https://www.gov.uk/vat-record-keeping>).

## **The Flat Rate Scheme**

Sellers who are using the Flat Rate Scheme (<https://www.gov.uk/vat-flat-rate-scheme>) must decide if they want to remain in the scheme from 1 January 2021.

Any sales a seller makes through an online marketplace, where the online marketplace is liable to account for the VAT, will not be included in the Flat Rate Scheme calculation from 1 January 2021.

Sellers who decide to remain in the scheme will continue to be subject to its conditions, including the restrictions on recovering VAT.

A seller can decide to leave the scheme at any time.

## **Goods sold before 1 January 2021**

If a seller receives payment for an order before 11pm on 31 December 2020 and dispatches the item after that time, these rules will not apply.

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## **Related content**

- VAT and overseas goods sold to customers in the UK using online marketplaces (<https://www.gov.uk/guidance/vat-and-overseas-goods-sold-to-customers-in-the-uk-using-online-marketplaces>)
- Exports, sending goods abroad and charging VAT (<https://www.gov.uk/guidance/vat-exports-dispatches-and-supplying-goods-abroad>)
- Paying VAT on imports from outside the UK to Great Britain and from outside the EU to Northern Ireland (<https://www.gov.uk/guidance/vat-imports-acquisitions-and-purchases-from-abroad>)
- VAT rules for supplies of digital services to consumers (<https://www.gov.uk/guidance/the-vat-rules-if-you-supply-digital-services-to-private-consumers>)
- Complete your VAT Return to account for import VAT (<https://www.gov.uk/guidance/complete-your-vat-return-to-account-for-import-vat>)

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