The Border with the European Union – Conforming to the new Brexit rules and requirements from 1 January 2021

Overview

This document provides additional information to the changes that Pegasus are making in Opera 3 to assist customers in conforming to the new Brexit rules and requirements as from the 1 January 2021. This is the fourth document in this series, and it is recommended that you review the first three documents to get a rounded view of this subject.

New Brexit rules commence on 1 January 2021 that introduce various new requirements for UK businesses, particularly in terms of the requirement to produce additional export related documentation and associated details.

Pegasus implemented Postponed VAT Accounting (PVA) as part of the 2.80.00 release of Opera 3, which was released in November 2020. Pegasus will be releasing additional functionality, as outlined in this document, in Opera 3 v2.80.50 and is due to be released in December 2020.

EORI Number

A company needs an EORI (Economic Operators Registration Identification) number to move goods between the UK and non-EU countries.

From 1 January 2021 companies will need an EORI number to move goods between Great Britain (England, Scotland and Wales) and the EU. Also, companies might need an EORI number to move goods to or from Northern Ireland.

If a company is moving goods between Great Britain and the EU, or Northern Ireland then they must apply for an EORI number, you can use the following link: Apply for an EORI number. This should be applied for as soon as possible as it can take five working days for it to be issued. If a company does not have an EORI number, then they may have increased costs and delays. For example, if HM Revenue and Customs (HMRC) cannot clear the goods then the company may have to pay storage fees.

Following recent clarification from HMRC, in Opera 3 v2.80.50 the Company Profiles form will have the ability to store three EORI numbers. These are:

- First (main) EORI number is for a GB EORI.
- Second EORI number can be used for a Northern Ireland specific EORI (i.e. for traders located in NI).
- Third EORI number can be used for a trader that performs declarations within other EC countries.

HMRC have stated that current EU policy advises that a trader does not need an individual EU EORI number for each member state. Once an EU EORI number has been issued (from any member State) it can be used across the whole of the EU. A person can only hold one EU EORI (i.e. that is issued under the Union Customs Code (UCC) authorisation).

EORI numbers are also stored in the Sales / Processing form for each customer in the EC VAT form. Similarly, EORI numbers are stored on the Purchase / Processing form for each supplier in the EC VAT form. Where the EC VAT application is not activated then the EORI numbers is stored on the VAT form in Sales/Purchase Processing.

Furthermore, two additional spare fields have been added to the EC VAT form or the VAT form on the customer, supplier and the Options form on the stock records, to store additional information. The customer and Partner can, for example, add the EORI numbers and these spare fields to various reports and documentation produced by Opera 3, such as the delivery and invoice stationery.

EC Intrastat Report

From 1 January 2021, GB businesses (i.e. those in England, Scotland and Wales) will still have to produce an EC Intrastat report, known as the SD (Statistical Declaration) Report within Opera 3. However, the SD Report must then only consist of imports (i.e. “arrivals”) into GB. Therefore, GB businesses must no longer include “despatches” on their SD Report from 1 January 2021.

However, for businesses located in Northern Ireland (NI) must still provide both “arrivals” and “despatches” on their SD Reports.

The Opera 3 Company Profiles form already has an EC Despatches SD option which, when de-selected, prevents despatches from being included on the SD Report. However, when this option is de-selected the user can no longer capture/input associated EC export details when posting sales transactions in the Sales Ledger, SOP, etc. For example; the Commodity Code and Net Mass details will be required on export documentation from 1 January 2021, but they cannot be entered if this option is de-selected.

Therefore, a new option will be added to Company Profiles labelled “Include Despatches on SD Report”. Once de-selected then this will exclude despatches from the SD Report, but still retain the ability to capture EC details such as commodity code, etc.

The SD Report does not currently have despatches/arrivals filtering options, these will be added. The selection options will be Despatches / Arrivals / Both.

VAT Return

As a result of the Brexit changes applicable from 1 January 2021, specifically those related to the Northern Ireland Protocol, the description of boxes 2, 8 and 9 on the UK VAT Return in general will change. All such associated references within Opera 3 (e.g. text on VAT related processing forms, reports etc.) will be changed likewise, but the changes will only apply from 1 January 2021 onwards. These changes do in fact apply to the VAT Return UK-wide (i.e. not just for the VAT Return within NI).

Where the “To date” of the VAT period currently selected for display in the MTD VAT Centre is less than 01/01/2021 then the VAT box text will remain unchanged, otherwise the VAT box text for boxes 2, 8 & 9 will change such that the text “NI protocol” will be appended to the box descriptions.

Other changes added into Opera 3 v2.80.50

There are a number of changes added into Opera 3 v2.80.50 to support the requirements of the Brexit version of Opera 3. These can be summarised as follows:

- ***Stock Processing***
  A new Gross Weight field will be added to the Opera 3 Stock Processing form under the Options section. This Gross Weight figure could be printed on associated stock related documents such as the Delivery Note. This Gross Weight field will be included in stock reports such as the Stock Record Sheet.

  Two additional spare fields have been added to the Options form on the stock records, to store additional information. Again, these can be included on the stock related documents produced by the system.

- ***Additional Delivery Note Design***
  A new delivery note report design has been added into Opera 3, whereby the delivery note will in fact be an example of a commercial invoice being created in place of (or in addition to) a standard delivery note.

  This new delivery note is to provide Partners with a base design from which they can produce a custom commercial invoice for their customers. The actual customer design is likely to be specific to each customer’s requirements. A delivery note is likely to be produced/provided before the customer is actually invoiced and that is why we have created this new design. If the customer is not using the delivery process, then the same concept can be applied to the sales order design.

  This will include, for example: company EORI number, customer EORI number, detail line commodity codes, net mass, country of origin, new gross weight field, and so on. For those that wish to include a number of pallets on that document then they would simply add a description only item.

Recommendations

The changes made in Opera 3 to adhere to the new post Brexit rules means that there are certain prerequisites and suggestion that customers should consider. Some of these are detailed below:

- ***EC VAT Application***
  For customers who import and export from/to the European Union (EU), they will need to store additional information and produce new reports, as discussed in this series of documents. EU specific information such as Commodity Codes, Country Codes, etc. are stored within the EC VAT section of the customer and supplier records.

  Commodity Codes are created with the EC VAT application, recorded against stock records and are used on sales documentation such as delivery notes and commercial invoices.

  The EC VAT application therefore becomes a prerequisite from most customers that are importing and exporting to the EU from 1 January 2021.

- ***Implementation***
  UK companies that export to the EU should have Opera 3 v2.80.50 installed and configured ideally before 1 January 2021. This is because they will need to produce delivery documentation that will be essentially be the commercial invoice, detailing company EORI number, customer EORI number, stock details including commodity codes, net mass, country of origin, new gross weight, etc. This requires the documentation to be created, the commodity codes created and assigned to the stock records, customer EORI numbers gathered and recorded, and so on. This will require both the customer and the Partner to have sufficient time to create and record this information.

  UK companies that import from the EU and implement Postponed VAT Accounting, then they will have the option to defer Customs Duty and Import VAT until the 15th day of the following month. In which case there is additional time to implement this version of Opera 3.

  If a customer does not have enough time to implement Opera v2.80.50 then the earlier version (v2.80.00) has much of this information recorded. In which case it would be prudent to consider what processes need to have manual intervention applied to allow the import and export processes to continue. For instance, while the company has the EORI number stored in the Company Profile form, their customer’s individual EORI numbers are not stored, so how is this to be produced on the documentation that will be used by, for example, the freight forwarders? Are there unused fields on the customer record that could be used to store this information, if not, then could description only stock records be used to print this information. Similarly, if the gross weight of the items being delivered, number of pallets, etc. is not available then again, can this be provided on the documentation via the use of description only stock records?

  This could be used as an interim solution, prior to the installation of Opera 3 v2.80.50.

Core Process

This Core Process is covered in more detail in the third document in this series – The Border with the European Union – Postponed VAT in Opera 3. It is recommended that you read that document for a more detailed overview.

These principles will apply to all goods movements between GB and the EU, regardless of the mode of transport of the movement.

Customs Declarations – Importers will have to complete UK customs declarations, but can be deferred up to six months after import in certain circumstances.

Customs Duties – Importers will need to ensure that any customs duties applicable to their goods under the new UK Global Tariff are paid. In order to do this, importers will need to determine the origin, classification and customs value of their goods. There are options available to defer any payment that is due.

VAT – VAT will be levied on imports of goods from the EU, following the same rates and structures as are applied to Rest of World (RoW) imports. VAT registered importers will be able to use Postponed VAT Accounting, however, unless they are eligible to defer their supplementary declarations, they will not be compelled to do so. Non-VAT registered importers have the same options available to report and pay import VAT as they do for customs duties. VAT treatment of goods imported in consignments not exceeding £135 in value will be treated differently to those goods in consignments exceeding £135.

Postponed VAT Accounting (PVA)

Postponed VAT Accounting is being introduced from 1 January 2021 for all imports of goods. This means that UK VAT-registered traders will be able to account for the import VAT on goods imported into the UK on their VAT returns, and both pay and recover import VAT on the same VAT return. This measure will apply to goods imported from all countries, both EU and non-EU.

When PVA is in use, import VAT will now (for the first time) be accounted for on the VAT Return and not handled/paid separately at the point the goods are imported into the UK.

In most cases, traders can choose whether or not to use PVA. They can choose when to start using PVA, and can use it for some declarations, but not others.

Traders will also need to consider how they account for and pay VAT on imported goods. Traders will then have up to six months to complete customs declarations. While tariffs will be payable where due on relevant goods, payments can be deferred until the customs declaration has been made.

From 1 January 2021 to 30 June 2021, under the staged approach to import controls, there are some instances where use of PVA is mandatory. Traders who import standard (non-controlled) goods from the EU to GB can:

a) Use existing customs processes to complete a standard customs declaration at the point of entry to the GB; or

b) Use Simplified Declaration Procedures (if authorised to do so); or
c) Use Deferred Declarations: they can defer the declaration for up to six months from the point of import. They must keep sufficient records of the goods to make the declaration at a later date.

Traders using (b) or (c) must use PVA. Traders using (a) can use PVA if they wish.

If goods are initially declared into a customs special procedure (e.g. customs warehouse), PVA can be used when the goods are declared into free circulation from the special procedure.

PVA can be used for excise goods when they are released for home consumption. This includes when goods are released from an excise warehouse after being in duty suspense since the point of import.

Businesses importing and exporting goods between the UK and the EU should refer to the Border Operating Model published by the HM Government, updated October 2020.

December 2020