EORI (UK) LIMITED

Efficient, Optimised, Regulatory Integration

# POSTPONED VAT ACCOUNTING (PVA)



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HM Revenue & Customs

**"Accounting for import VAT on your VAT Return has significant cash flow benefits and will be available permanently. It means you'll declare and recover import VAT on the same VAT Return, rather than having to pay it upfront when the goods are imported and recover it later."**

## WHAT IS POSTPONED VAT ACCOUNTING (PVA)?

Prior to UK leaving the EU it would be quite normal for import VAT to be paid at the point of importation and then later recovered as an input tax (subject to the normal rules) on your next VAT return. Many importers used their deferment account to avoid cash payment at the frontier, but either way, VAT was still payable at the point of import. This would have put an enormous pressure on importer's cashflow considering the volume of transactions created by Brexit. PVA was re-introduced as a way of accounting for import VAT without actually parting with the cash or, at least, not at the point of importation.

## DO YOU NEED TO REGISTER FOR PVA?

Short answer is no. If you have a UK VAT number you are automatically eligible for PVA. Your customs agent just needs to code the import entry in a particular way to show that you wish to use PVA rather than outright payment. You do NOT need any prior approval to account for import VAT on your VAT return(s). It should be noted that PVA applies to ALL GB imports and not just those from the EU.

Once the import entry is submitted you cannot change the way you will account for VAT, it is vital that you instruct your agent accordingly and that they follow your instructions. Our default position is to claim PVA unless instructed otherwise.

## WILL YOU GET A VAT CERTIFICATE (C79)?

Short answer again..no! C79 VAT statement is not issued if/when PVA is used. If you receive a C79 it means VAT has been paid at importation and PVA has not been used. The 'VAT statement' for PVA is available online via the Government Gateway : [https://www.gov.uk/guidance/get-your-postponed-import-vat-statement](https://www.gov.uk/guidance/get-your-postponed-import-vat-statement)

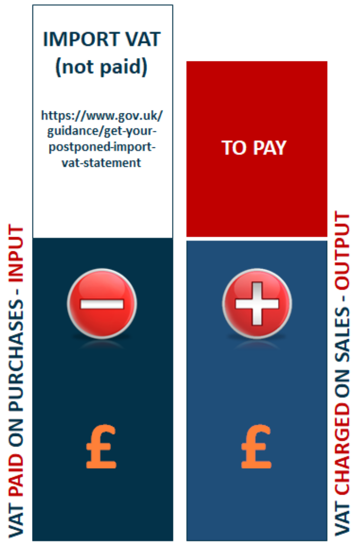
## HOW DO YOU ACCOUNT FOR VAT ON YOUR RETURN?

The simple rule on VAT is this:-

VAT that you pay (on purchases) is classed as an INPUT

VAT that you charge is classed as an OUTPUT

If, when submitting your return, the OUTPUT figure is greater than the INPUT figure you will need to make a payment to HMRC for the difference (the VAT due). Import VAT using PVA is a simultaneous pay and reclaim process, you pay the VAT and immediately claim it as an input tax deduction, thereby nullifying its affect. Because you never actually part with the cash the PVA import VAT does not count towards your final INPUT figure and is not used to offset what you owe to HMRC assuming your OUTPUT is greater than your INPUT.




## WHAT IF THE IMPORT DECLARATION IS WRONG?

Things can sometimes go wrong. If the import VAT has been over-declared (on the import entry) it can be adjusted through the next VAT return. HMRC will not normally entertain a VAT only post-clearance import entry amendment. Over-declared VAT (using PVA) has not impacted your cash in any way so there is no material loss. The Government Gateway PVA VAT statement will show the (incorrect) higher figure, this should be shown on your VAT return and simultaneously reclaimed as above, the error is then corrected.

If the VAT is underpaid the same process, technically, exists and the amendment can be handled through the VAT return process. However, HMRC take a much dimmer view of an underpayment than they might for an over-payment. We would always recommend a supplementary declaration to declare the correct VAT should an error be detected. Again this is accounted for on your next return and has no material impact. We only recommend the underpayment adjustment in order to maintain compliance.

## WHAT ABOUT GB EXPORTS?

Whilst this paper is focussed on GB imports it is worth mentioning GB exports. Exports are zero rated for VAT as they are leaving the customs territory. You should not charge VAT on exports as your [foreign] customer will not be able to recover it. There is no export VAT statement as such, the export declaration (EAD) acts as the proof of export. To export goods you create an EAD in order to receive 'Permission to Progress' (P2P). The export MRN (movement reference number) is recorded at the GB port/terminal of export and a message sent back to the EAD originator to inform them that the export has taken place – this message is your evidence of export and substantiation of your zero rating.

We hope you have found this short paper useful and we look forward to working with you on matters relating to customs and/or trade.

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