



HM Revenue
& Customs

Jon Thompson
Chief Executive

The Rt. Hon. Nicky Morgan MP
Chair of the Treasury Committee
House of Commons
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Dear Ms Morgan,

Thank you for your letter of 9th January concerning the future of the UK's VAT regime.

As the Chancellor set out at Autumn Budget, he is aware of the potential changes to VAT accounting treatment, which could affect the point at which import VAT is due to be paid, after EU Exit. To be clear this could potentially change the timing of when VAT is due to be paid, but it would not change the amount of VAT. He will consider these potential impacts on businesses as part of any decision on import VAT accounting. The Government's aim is to keep VAT processes as close as possible to what they are now, providing the best continuity and certainty for businesses. The Taxation (Cross-Border Trade) Bill provides the ability to pursue the aim of keeping future treatment consistent with existing processes, and caters for a range of outcomes.

We recognise the importance for businesses of postponed accounting for VAT when importing goods from the EU, due to the cash flow advantages it provides. We are actively engaging with stakeholders to make sure that businesses have their voices heard and have significant opportunity to feed into the Government's decision making on VAT accounting treatment. This is subject to the outcome of negotiations with the EU, which are ongoing.

We will continue to analyse options and advise Ministers on the best way to mitigate cash flow impacts, and Ministers will be looking closely at this issue going forward.

Yours sincerely,

JON THOMPSON
CHIEF EXECUTIVE