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Deputy David Johnson
Chair
Brexit Review Panel
States Greffe: Scrutiny
Morier House
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10 February 2021

Dear Deputy Johnson *David,*

During the public hearing held on 8th February 2021, I had an exchange with Deputy Higgins regarding the payment of UK V.A.T on goods entering the UK from Jersey. I committed to seek further information and respond to the Panel.

I regret that my initial interpretation of this matter, which was that goods being sent from Jersey to the UK should not be subject to UK V.A.T, was not correct. I am pleased to clarify the position in this correspondence.

Changes to the UK's import V.A.T regime did indeed come into effect from 11pm on 31st December 2020, but these did not affect how V.A.T is collected on goods from the Channel Islands. I can confirm that all commercial goods entering the UK from Jersey are subject to the prevailing import V.A.T rate. Commercial consignments of goods sent from Jersey, if V.A.T is collected and paid to HMRC under the Import V.A.T Accounting Scheme administered by Jersey Post, continues as normal.

Gifts valued under £39 can be posted to the UK from Jersey without attracting V.A.T, so long as the customs declaration is completed correctly; the gift is sent between private persons in Jersey and the UK; there is no commercial or trade element and the gift has not been paid for (directly or indirectly) by anyone in the UK; and the gift is of an occasional nature only (e.g. for a birthday or anniversary).

I understand that the Minister for Treasury and Resources has previously answered written questions regarding the V.A.T prepayment scheme which is offered by Jersey Post to minimise the delays and extra costs to Island residents and businesses caused by the need for HMRC to inspect items entering the UK from Jersey (in order to determine whether UK V.A.T is payable).

An MoU is in place between HMRC, Jersey Customs and Jersey Post which is known as the UK Import VAT Accounting Scheme (IVAS). The IVAS Scheme makes arrangements for UK import V.A.T to be paid on all commercial consignments (excluding alcohol, tobacco and tobacco products) not exceeding the statistical threshold of £873 in value, that would otherwise be chargeable on goods on importation into the UK. HMRC established the

Scheme to allow locally registered IVAS traders to pay VAT on mail order goods only, exported to the UK via Jersey Post.

Being party to the Scheme removes friction at the UK border meaning consignments can move unhindered by HMRC fiscal checks. This enables goods to be delivered directly to the customer without incurring any further charges or delay.

It should be noted that the pre-payment of V.A.T is optional, Jersey Post does not decide on when V.A.T is or is not payable, and it is for the individual sending the item to determine whether they wish to prepay it to avoid any further delay.

Separately, I also wish to take this opportunity to inform the Panel that, as of 1st January 2021, Jersey Post have implemented the collection of Electronic Advance Data (EAD). This is a result of a new regulation from the Universal Postal Union.

From 1st January, any customer, whether a business or individual, wishing to send a parcel (not letter mail) will need to provide electronic pre-advice customs information. This includes information on the physical item, the sender and the recipient. Initially this will affect international parcels, but it will be expanded to also cover those going to the UK from 1st April. Inevitably, this means more paperwork for the general public to complete because more detail is needed on the customs export declaration. It is important, however, to emphasise that this is unrelated to Brexit.

I trust that this provides the Panel, and Deputy Higgins in particular, with the information that was being sought. Given that this is clarifying a discussion which took place during a public hearing, I would be supportive should the Panel decide to place this correspondence in the public domain.

I am copying relevant ministerial colleagues

Yours sincerely



Senator Ian Gorst
Minister for External Relations

cc Deputy Susie Pinel, Minister for Treasury and Resources

cc Senator Lyndon Farnham, Minister for Economic Development, Tourism, Sport and Culture