



# Sell With Amazon in the UK and EU

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A Guide to Import Taxes and VAT

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- Learn about UK and EU import taxes
- VAT and setting up a UK LTD Company
- Fulfill your orders across the EU

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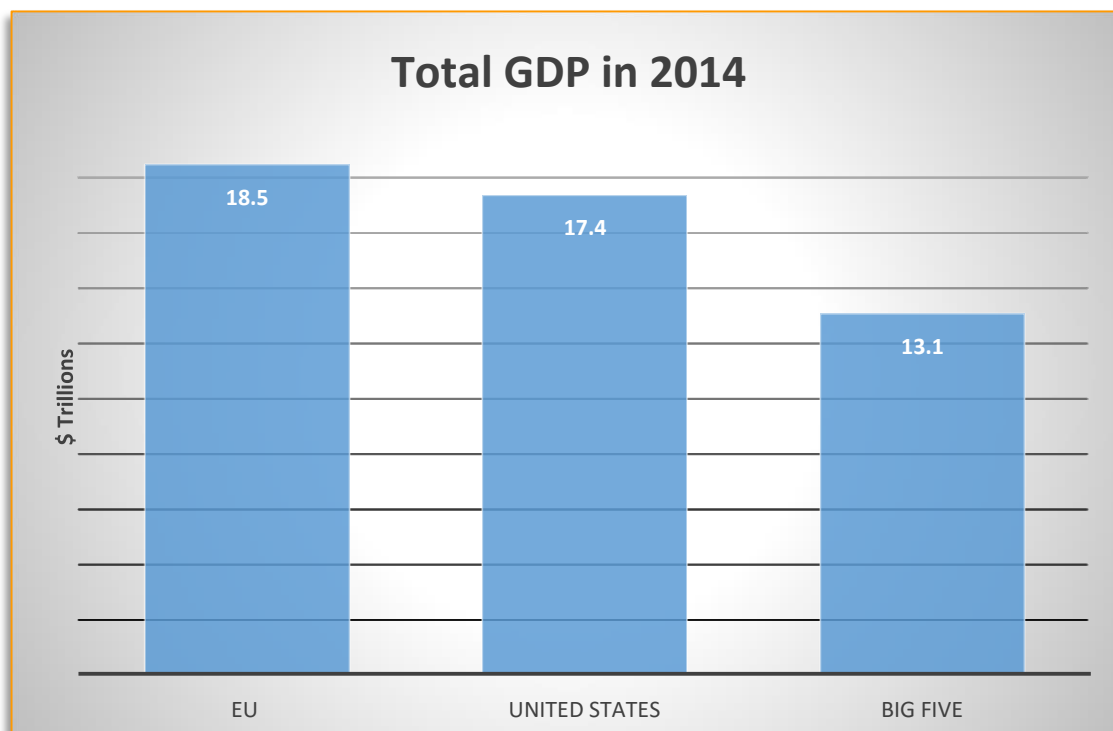
# Introduction

## Why Import to the UK?

If you're one of the many third party sellers enjoying success on Amazon.com right now you've probably considered expanding your mini empire internationally at some point. Considering how easy Amazon make it to showcase your products around the world it would be silly not to.

This book aims to show why sending your goods to FBA Fulfilment centres in the UK could be one of the smartest moves on the way to growing your Amazon business internationally.

One of the biggest advantages to selling on Amazon FBA in Europe is that your goods are automatically qualified to be fulfilled across Amazon's fantastic European Fulfilment Network (EFN). The EFN covers five of the major European economies; The United Kingdom, Germany, France, Italy and Spain. The big three EU countries (United Kingdom, Germany and France) account for around 60% of the total EU market. The EU market is huge and to put it into context the total EU GDP for 2014 equated to \$18.5 trillion which just pipped the United States, whose figure was \$17.4 trillion.



**Fig 1: Total GDP of US, EU and Big Five EU Economies in 2014**

Amazon's total European marketplace sales was close to \$3 billion a year in 2015 alone. Amazon have confirmed they expect EU sales to continue to grow and continue to invest in new staff to fulfil expected demand. Once more it's clear from the figures

that cross-border sales in the EU and across Amazon platforms are growing year on year, another great reason to get involved now.

Importing into the UK and EU isn't all plain sailing however **so this book will be giving you a run-down of all the basics you need to know to begin planning your exports and working out your costs.** Each member state in the EU has independent laws, so the tax, VAT rates and import procedures differ slightly depending on the country you will be importing into. I will be concentrating on the import procedures for the UK and the model of storing your goods in Amazon's UK warehouses for them to fulfil orders across the EU for you. This is the most popular model for sellers overseas to begin selling across the EU as the UK is an English speaking country. Once you've cleared customs in the UK and got your goods to an Amazon FBA warehouse, then Amazon will fulfil orders across its EFN. Of course this is providing you have active listings on the partner EU sites, these are easy enough to set up and Amazon can assist with the translation.

## Chapter 1:

# Fees and Taxes Involved in Importing

Aside from your production and shipping there are two additional costs to consider when importing to the UK.

1. Customs Duty
2. Import VAT

Most goods and services over the value of £15 will be subject to VAT and most over the value of £135 will be subject to both customs duty and VAT.

### Customs Duty

This is payable on imports of any goods over £135 and the rate will differ depending on the class of goods. You'll need to find out your tariff code to classify the goods and declare this to HMRC (Her Majesty's Revenue and Customs), however your freight forwarder or shipping agent should help you with this. You can calculate the exact amount you'll pay with this handy [duty calculator](#) or look for more detailed information from [HMRC](#). Duty is payable on the CIF (Cost, insurance and freight) value of goods so this means shipping and insurance are included in the total amount which you will pay duty on. Also, don't forget to add the duty to your costs before you calculate VAT as customs duty is also subject to VAT, see the example below.

### Import VAT

Value Added Tax (VAT) is a sales tax on goods and services which is added at every stage in the production and sales process. The actual rate of VAT differs depending on the individual member state of the EU. In the UK it's a flat rate of 20% for the vast majority of goods and services but there are a few goods which carry special rates and also VAT exempt goods. See [FAQ](#) for examples of goods which require different rates or look [here](#) for a full list from UK Gov.

**At the point of entry into the EU you will pay Import VAT on the total value of your goods plus shipping.** This is a one off payment and in most circumstances must be paid

to customs before they will release your goods. The shipping agent or carrier will usually pay this for you for a small fee which ensures no costly delays in port.

### **Example Calculation for Duty and VAT:**

So let's say you're shipping the equivalent of £2000 worth of goods and the shipping fee is £200. We'll use a duty rate of 2.5% and assume you pay VAT on the full value of the goods plus shipping (Actually HMRC use a slightly reduced shipping cost so you'll pay a little less than the estimate shown here).

UK Duty = 2.5% of £2200 = £55

VAT = 20% of (Cost of Goods [£2,000] + Shipping [£200] + UK Duty [£55]) = £451

So your total import costs including the Duty and VAT would be £506.

## Chapter 2:

# Registering to Pay VAT

VAT registered businesses in the UK charge 20% VAT (for usual VAT rated goods) on any sales to customers. This is collected by the business and paid periodically to UK HMRC. **The VAT rate is taken from the final sales price**, for example if you sell an item for £10, you will pay £2 of this to HMRC after submitting your VAT return.

Once you register you're responsible for filing regular VAT reports, issuing VAT receipts to customers and collecting the VAT on sales.

**All domestic sellers in the UK, both individuals and LTD companies must register for VAT when their turnover exceeds £83,000 in any twelve-month period** (For the tax year beginning in 2016). This threshold generally increases each year and is different depending on the individual EU member state.

As a foreign seller, non-resident in the UK you would be classified by HMRC as a **Non-Established Taxable Person (NETP)** and must register to pay and collect VAT as soon as your goods enter the UK. You should apply for your VAT registration number well before you plan to import as it usually takes around 10-14 working days for you to register. This means that even if your sales are below the threshold of £83,000 in a year, then you would still be collecting VAT and paying it to the UK Government. Obviously this could put you at a disadvantage compared to other small UK resident sellers. **As an alternative it may be possible for you to register a LTD company in the UK** which would then mean that the company is entitled to the same VAT threshold. So this means the company wouldn't have to register for VAT until the annual turnover exceeded £83,000. This option should be considered with care and you should be fully aware of director obligations and responsibilities.

So to recap, foreign sellers have two main options when it comes to setting up business in the UK:

1. Trading as a foreign company or individual -In this case you would need to register for VAT before importing your goods to be sold in the UK.
2. Setting up a UK LTD company -You would not be required to charge VAT until your annual turnover exceeds £83,000.

For those not considering registering a LTD company then the first step is to apply with the UK Government for VAT registration. You will also need to apply for an **EORI** (Economic Operator Registration and Identification) number which is an identification number used for Importers and exporters throughout the EU. Once you've obtained one from the UK Gov then it can be used with all EU customs officials and there is no need to reapply in each country. The easiest way to apply is to simply tick the box on your VAT application form stating you wish to also apply for the EORI number.

Ok so you've registered for VAT, have your EORI number and your goods have cleared customs and are safely in Amazon's UK fulfilment centres. Now you will need to keep a track of your total sales in order to calculate the VAT. Remember charging VAT is your responsibility as a seller and you must keep accurate records of the amount you charged your customers.

**You must also keep a record of the total VAT you have paid** for any goods and services in the UK. So for example if you use a shipping agent in the UK or an Amazon prep company they may charge you VAT, this will appear on your invoice which should be added to your VAT paid records. It's also important to note **that being VAT registered allows you to claim back the VAT you've paid for business related expenses.**

When the end of your VAT tax period approaches (either quarterly or annually depending on your accounting scheme) you will tally up the total VAT paid against the total you charged to your customers. This means **you will be able to claim back that original Import VAT** which you paid when your goods entered the country.

## **Filing your returns**

Your VAT return should be filed online here unless you have a good reason not to do it online. **Your returns will usually be due quarterly** and must be delivered no more than 30 days after the quarter-end, see your online account for the exact date. **Alternatively, you can register for the [Annual Accounting Scheme](#) if your estimated VAT taxable turnover will be less than 1.35 million.** If you choose to do this, you will still make regular VAT contributions which will be based on your last return or your estimated turnover if it's your first year. Whichever scheme you choose you must make sure you file on time to avoid paying heavy penalties.

To assist you with the calculations and reporting process you could choose to use the services of a registered accountant and / or specialist accounting software. Here is a useful [list](#) from HMRC of software which will link directly to their system and so save you filling in your figures twice. Should you choose to use an accountant then be sure to choose a registered professional who is experienced with overseas sellers importing to the UK.



## Flat-Rate VAT Scheme

The VAT system can seem like a burden but there are options available to lighten the load and possibly save you money in the process. **If your turnover will be less than £150,000 in your first year, then you can apply to pay VAT on a reduced flat-rate of your turnover.** The rate differs depending on your business activity but most general internet sellers will come under the retailing-other category, which carries a **reduced rate of 7.5%**. So this means you would only charge 7.5% on your total sales turnover rather than the full 20% if paying VAT on the default scheme. Choosing the flat-rate scheme will also make the reporting process easier as you no longer have to track the specific VAT amount you pay for each expense. Instead, under the Flat-Rate Scheme, you will just record the amount spent on expenses in total.

So what's the catch? There are a few changes to watch out for if you opt for this scheme, **the most notable being that you can no longer claim back your VAT expenses.** So now any VAT you paid for your goods can no longer be claimed back in your VAT return.

### So would I be better off?

It is possible to save a good chunk of your VAT expense on this scheme if you meet the criteria. Here's an example using the figures from earlier.

#### **Standard VAT Calculation: Flat-Rate VAT Calculation:**

Import VAT: £450 Import VAT: £450

Total Sales: £10,000 Total Sales: £10,000

Total VAT @ 20% : £2,000 Total VAT @ 7.5%: **£750**

Minus VAT Paid: £2,000 - £450 - £450 = **£1,550**

So it's worth bearing in mind that being VAT registered will not necessarily wipe 20% of your turnover as you'll be claiming back money on any VAT you pay or paying a reduced rate on the Flat-Rate Scheme. Just make sure you keep accurate records of all VAT paid. You will need a VAT receipt for any UK or EU purchases which details not only the total amount paid but also the VAT charged and the VAT number of the company you purchased from. If you are purchasing goods online from the UK or EU then most of the large retailers will send you a VAT receipt as standard, if not then be sure to request one.

Although these numbers are made up it should be clear to see the potential to save some serious money by opting for the flat-rate scheme. The actual figures will depend on your own specific business costs and you should make careful calculations before deciding which scheme would be best for you. It may also be worth consulting with a

professional accountant when deciding which scheme to use. If you choose to use an accounting practice to file your VAT reports then they should choose the best method for your business.

## **Setting up a UK LTD Company**

If you're serious about selling in the UK, then it could be worth your while to set up a UK LTD company. This way provided your turnover is under the £83,000 VAT allowance you wouldn't be required to register for VAT or charge VAT on your sales.

Of course setting up a company will come with certain legal obligations and you should read up on those obligations carefully. You must appoint at least one company director, who can be an overseas national and will be responsible for:

- Completing and returning the Annual Return (Form AR01).
- Keeping up to date accounting records and submitting them each year.
- Completing a corporation tax return each year.
- Notifying Companies House of any changes in the particulars of company director or secretary.
- Notifying Companies House if you change your registered company address.

**If you're considering this option, you should discuss it carefully with a qualified accountant who has experience with international e-commerce sellers.** There are some hoops to jump through and you may find it very difficult to open a UK business bank account without visiting the UK in person. It is essential to appoint a UK based accounting firm to handle your corporation tax and advise you on your tax and legal requirements. Contact FBA Ship UK [here](#) to be put in touch with professionals who can best advise you on LTD company set-up and tax filing.

So the hard number crunching is done with and now comes the fun part, selling your goods across EU with Amazon's European Fulfilment Network (EFN). Once your inventory is stored in any European fulfilment centre then customer orders can be fulfilled by Amazon in any of the five supported countries i.e. UK, Germany, France, Italy and Spain. Amazon will helpfully list your items on all the EU marketplaces if there are already listings available and handle the European fulfilment for you allowing you to exponentially increase your sales. If there is no product listing in the foreign Amazon marketplaces already then you can easily get your original listing translated and be up and selling in no time.



## Chapter 3:

# Selling Your Goods in the EU

### Distance Selling Rules

Thankfully if you're sending your goods from the UK to other EU countries you won't have to go through the VAT process again in each individual country. That is until your sales in each specific country exceed the relevant VAT threshold. The thresholds differ depending on the individual member state, so here's the figures as of January 2016:

France:	€35,000
Italy:	€35,000
Spain:	€35,000
Germany	€100,000

Until you reach this value of sales in each country, you will simply charge the same rate for EU sales as you would for your UK ones or not charge at all if you're not VAT registered. Once your turnover exceeds the threshold for the respective country then you will have to register in that country for VAT and charge the local rates which range from 17 - 27% across the EU.

**It's important to note these distance selling rules apply only if you're fulfilling your orders from the UK. If you store your goods in another European country then you may be liable to register for VAT immediately, regardless of your sales volume.** Your Amazon account settings should automatically be set to keep your inventory stored in the country you import to. However, bear in mind Amazon may ask you if you'd like your inventory moved to be stored closer to your customer market across the EU. Be wary of accepting the offer unless you're fully aware of the implications of doing so.

### Is it worth my while?

Whilst the potential rewards of selling across the EU with Amazon's FBA are huge you must look at the numbers carefully to ensure you can remain competitive after all your

costs are taken into account. Check out the relevant [FBA Profit Calculator](#) to see your profit margins and remember the following considerations:

- Import shipping fees
- Import duty
- Take 20% of the final selling price to account for VAT (if registered)
- Any accounting fees if you're going to use a specialist for your UK and EU VAT files

## **Step by Step to get started with FBA UK and Europe**

- 1.** Register with HMRC to pay VAT and obtain a VAT number. It's important you do this before you try to open an amazon seller account in the UK as you'll be asked for your number upon registration. The certificate should be sent to you within 14 days.
- 2.** Next go ahead and register for your seller central account in the UK or chosen marketplace. You'll need your tax information, such as an EIN for sellers in the US and a bank account in an amazon supported country and currency.
- 3.** Apply for your EORI number [here](#). You'll need this on your import documents and to communicate with any EU customs officials.
- 4.** Now you're ready to work with a freight forwarder to import your goods into Europe. Just be wary here that Amazon will not act as the consignee or importer of record for your goods. Any goods arriving with Amazon's name on the declaration or with unpaid duty may be automatically returned to sender or held up in customs and incur heavy charges.
- 5.** Also remember to think through your returns policy as customers are not going to send goods back to the US or your home country. This can be taken care of by Amazon if your using FBA however you may also want a UK based return service to help you claim back money for damaged items.

So at the end of the day it's up to you to decide what's best for your business. Yes, there are hurdles to overcome but the potential rewards are massive for those who dare to take the plunge.

\*[FBA Ship UK](#) can take care of the whole process for you from start to finish, helping you to get up and running hassle free. We offer a custom importer service which will talk you through the process step by step, ensuring all the regulations are met and your



## Chapter 4:

# Frequently Asked Questions

## 1. VAT

products arrive safely in Amazon's warehouses. We can handle any prepping, labelling or bundling that needs to be done and can also put you in touch with UK professionals to help with accounting, VAT registration and LTD company formation. [Contact us](#) now to see how we could help you grow your Amazon business internationally.

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### 1.1) What is VAT in a nutshell?

A sales tax levied on most goods and services in EU countries.

### 1.2) How much is VAT?

In the UK it's a flat 20% rate but it will differ in each individual member state.

### 1.3) I'm outside the EU, will I need to register for VAT?

Yes, you will need to register if you plan to store your goods in the UK unless you set up a UK Limited Company.

### 1.4) I live in the EU, do I need to register for VAT?

Yes, you will need to register if you plan to store your goods in the UK unless you set up a UK Limited Company.

### 1.5) Do I have to pay VAT in each country?

If you're VAT registered in the UK you sell your goods on to other EU countries (Through Amazon's European Fulfilment Network, for example) you will simply

charge VAT as you do on UK sales until you reach the distance selling thresholds for each country.

**1.6) What happens if my European sales exceed the threshold for a given country?**

Then you will need to register for VAT in that specific country and charge your sales at the local VAT rate.

**1.7) Which goods are exempt or carry special rate of VAT?**

They are many, here are some examples of exempt and reduced rate goods.

**A) VAT Exempt goods:**

- 1) Baby wear
- 2) Children's clothes and footwear
- 3) Equipment for blind or partially sighted people
- 4) Bicycle or motorcycle protective helmets

These are just a few of classes of goods which are not subject to any VAT so you could import and sell them in the UK without paying import VAT or collecting VAT on your sales.

**B) Reduced VAT goods:**

- 1) Children's car seats, booster seats and booster cushions
- 2) Mobility aids for the elderly
- 3) Maternity pads

All of the above carry a reduced rate of 5%. Please check [here](#) for a full list from UK Gov.

**1.8) Can I claim back VAT on my purchases?**

Yes, you can claim back VAT paid for goods and services such as the import VAT you paid when your goods arrived in the UK. However, if you are on the flat-rate VAT scheme you will not be able to claim any VAT back.

**1.9) What is the flat-rate scheme?**

It's a simplified way to pay your VAT where you just pay a reduced flat-rate on your total turnover.

**1.10) Are there any drawbacks to the flat-rate scheme?**

One major drawback is that you can no longer claim back expenses for any VAT paid.

## 2. Customs Duty

### 1.11) Am I eligible for the flat-rate scheme?

You are eligible to pay a flat-rate if your total expected turnover for year one is less than £150,000.

### 2.1) What is customs duty?

A tax charged on gifts and goods coming from outside the EU above a certain value.

### 2.2) Is there a minimum limit?

Customs Duty will not be charged on any goods whose value is less than £135 (including shipping. Also there is no charge if the total Duty amount is less than £7).

### 2.3) How much is customs duty?

The rate will vary depending on the class of goods you are sending. You can estimate using the [duty calculator](#).

### 2.4) When is Custom Duty paid?

## 3. Importing from outside the EU

The amount should be paid on full at the point of entry into the UK. Goods are not normally released by HMRC until all duty is paid.

### 2.5) Are there any exemptions?

Any goods less than the value of £135 (Including insurance and shipping costs).

### 3.1) What needs to be declared to customs in the UK?

You must provide HMRC with details of the goods being shipped.

This will include:

- The name and address of the sender.
- The destination address and name of the recipient.
- A description of the goods sent  Total value of the goods.

### 3.2) Who is responsible for payment of Duty and Taxes?

The named importer of record is responsible for all duty and taxes unless otherwise specified.

The shipping service you use should usually arrange for payments to be made on your behalf and will often charge a fee for this service.

### 3.3) When should I pay Duty and Import VAT?

You should pay the Duty and Import VAT as soon as the goods are declared to customs which is usually on entry into the country. HMRC won't usually release the

## 4. Tax and Accounting

goods until all taxes and duty have been paid and you can expect to pay storage fees for the time your goods are held in customs.

The shipping provider should arrange for this to be paid on your behalf.

### 4.1) Who is responsible for collecting the VAT?

You as the seller are responsible for charging VAT on each sale and collecting the amount to be paid to HMRC.

### 4.2) What records should I keep?

You should keep detailed records of all VAT charged to your customers as well as the VAT which you have paid for any goods or services bought in the UK. You should also be prepared to issue VAT receipts to your customers detailing the amount of VAT they have paid.

### 4.3) How do I submit records to HMRC?

Your VAT records can be submitted online and some accounting software will sync with HMRC and let you submit through their system. You can also use a registered accounting professional to do the work for you and ensure you are compliant.

### 4.4) How often should I submit?

You will usually submit quarterly VAT returns but you can choose to submit annually if you meet certain requirements. Whichever method you choose; you will make regular VAT contributions to HMRC.



**4.5) Do I have to use an accountant?**

No, you can choose to submit the returns yourself but make sure you know what you're doing and keep detailed records of VAT charged and paid.

**4.6) How much can I expect to pay?**

Typical charges for VAT returns alone can be around £150 quarterly or £350 annually. This is an estimate alone and will vary depending on the individual service you choose.