

The UK's new VAT system on imports has not the s...

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The [Byline Times](#) is amongst many media organisations reporting one of the most crass consequences of Brexit, so far. As they note (and the whole story is worth reading):

Businesses in the UK have been left reeling from a post-Brexit change in VAT that has already left many with gaps in their supply chains just days into their new trading relationship with the EU.

Changes in VAT rules introduced by HM Revenue and Customs on 1 January mean that VAT is now being collected at the point of sale rather than at the point of importation. The result is that companies all over the world that deal directly with the public now have to register with HMRC and collect VAT on goods over £15.

In response, a growing number of firms have decided to boycott the UK rather than register with the country for VAT — leaving people unable to order goods including materials not manufactured here.

There are a number of things to say.

First, this change in the law slipped through Parliament without any effective scrutiny, or warning, in December as part of the Internal Markets Bill, on which the attention was elsewhere, for good reason.

Second, the complaint made by overseas traders is entirely fair. The requirement that they be registered for UK VAT to make a single sale to the UK is absurd, not least when the UK's VAT registration limit is £85,000. Not only does this smack of an unlevel playing field, it is administratively absurd. A business could, if this arrangement was replicated around the world, be registered in well over 150 countries and have to do VAT returns for each once a quarter. That is clearly impossible. It is the UK's job to collect its tax owing, and not that of those who might wish to sell to us. It is entirely reasonable that companies are now refusing to sell to the UK.

Third, there is no way of enforcing this tax collection system, of course, or of effectively recovering the VAT paid to foreign companies, which makes the whole arrangement

even more ridiculous. It is hard enough to collect VAT in the UK, not helped by the fact that HMRC now almost never send VAT officers out to actually visit VAT registered businesses. Collecting money due from overseas registered businesses will only happen on a voluntary basis, and that is not a reasonable way to run a tax system.

So what should be happening? Either a UK paying agent must be appointed, and Amazon and eBay can play that role, or VAT has to be collected on all imports by the person making delivery i.e. the Royal Mail or the courier company. And yes, they should have the right to charge.

Collecting VAT outside the EU was always going to be harder; their compromise arrangements for this worked as well as any system might. But we seem to have gone for the worst of all possible options here. But then, on Brexit nothing surprises me. The aim would appear to be maximisation of red tape as if the aim is to drive business into the shadow economy.