



Fulfilment House Due Diligence Scheme



In late 2017, HMRC announced a new registration scheme for companies and warehouses that store goods in the UK to fulfil orders on behalf of sellers established outside the EU.

What is the Fulfilment House Due Diligence Scheme?

The Fulfilment House Due Diligence Scheme ("FHDDS") means that companies that currently function as fulfilment houses or wish to begin operating as a fulfilment house face a new compulsory registration scheme and must be registered and approved before 1 April 2019 to continue to trade in that role.

HMRC believe that there are between 300 to 5,000 fulfilment houses operating in the UK and view this business model as a major risk to the revenue in terms of VAT loss by non-EU traders failing to meet their VAT obligations.

Penalties for continuing to operate without registration and acceptance by HMRC could result in large penalties of £10,000 and a criminal conviction besides being prohibited from trading as a fulfilment house in the future.

Any fulfilment house that currently stores goods that were either imported from outside the EU, stored on behalf of someone established outside the EU and are offered for sale in the UK will need to apply for registration by the deadline of 30 June 2018.

The new FHDDS scheme will place the onus on the fulfilment house to monitor their clients' VAT status and registration numbers and inform HMRC of any breaches; although it is likely that further due diligence will be expected of the fulfilment house as the scheme develops. Failure to meet the requirements after registration will attract further individual penalties on specific breaches of between £500 to £3,000.

How we can help

Our specialist customs and excise services team, led by partner Simon Sutcliffe, can help businesses and individuals ensure their compliance to minimise any adverse financial and reputational impact.



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