

[News story: Scheme opens to help combat VAT evasion by non-EU online traders](#)

The central part of a package of measures to combat the abuse of VAT rules by online traders based outside the European Union (EU), The Fulfilment House Due Diligence Scheme (FHDDS), opens for registration today (1 April 2018).

Fulfilment houses that are part of this scheme will be required to perform proper due diligence on the goods they fulfil and their overseas clients.

If you run a business in the UK, such as a warehouse, that stores goods imported from outside the EU that are owned by, or on behalf of, someone established outside the EU, you will need to apply to register for the scheme.

The deadline for applications from existing fulfilment businesses is 30 June 2018, and businesses that start trading on or after today to 30 June 2018 will need to apply on or before 30 September 2018. There are penalties for late applications.

Businesses that meet the FHDDS criteria will not be allowed to trade as a fulfilment business from 1 April 2019 unless they are approved by HMRC, and risk a £10,000 penalty and a criminal conviction if they do so.

The FHDDS will help HMRC identify and combat non-compliant overseas suppliers more easily and make it more difficult for them to trade in the UK.

This will make the market fairer for the many legitimate and compliant businesses trading in the UK that pay the VAT and customs duty that they owe.

The scheme was announced by the government at Budget 2016 as part of a package of measures that will disrupt and deter abuse by some overseas businesses selling goods to UK customers through online marketplaces – HMRC estimated that this was costing the Exchequer £1 billion to £1.5 billion of unpaid VAT a year.

Businesses that only store or fulfil goods that they own, or only store or fulfil goods that are not imported from outside the EU, are not required to register.

Transport businesses that need to store goods temporarily as part of their service, such as during an overnight break, are also not required to register.

Approved fulfilment businesses must complete due diligence checks on their overseas customers and maintain records about the goods they store from 1 April 2019.

Last month, [other measures took effect](#) that are helping to combat VAT fraud committed by online sellers.