

# UK VAT and International Trade

Course book



...market leaders for VAT training



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## Course book

This document contains the text of the PowerPoint displays that are used during the online presentation of the course

### UK VAT and International Trade

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UK Training (Worldwide) Limited  
17 Duke Street  
Formby  
L37 4AN

**Website:** [www.uktraining.com](http://www.uktraining.com)

**Email:** [info@uktraining.com](mailto:info@uktraining.com)

**Telephone:** 01704 878988





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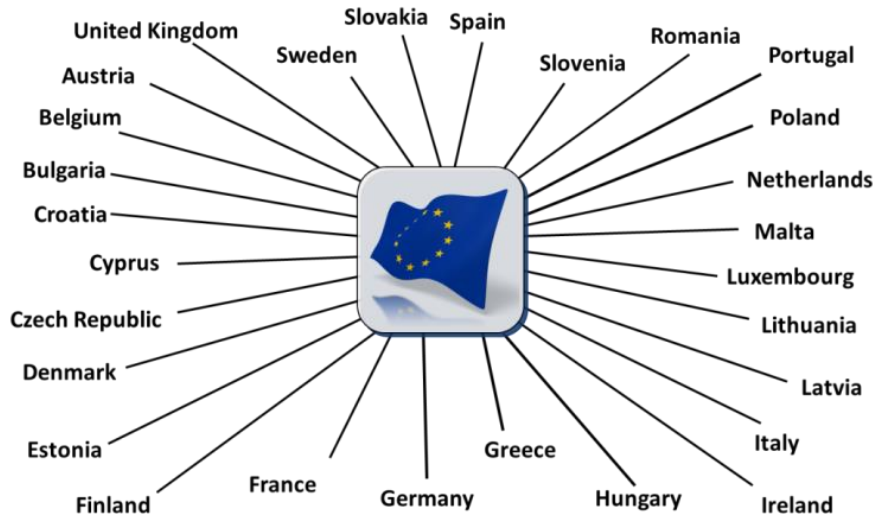




## UK VAT and International Trade – Day 1

### Session 1: An Introduction to international trade

#### WHICH COUNTRIES ARE IN THE EUROPEAN UNION?



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#### WHAT IS VAT?

##### Value Added Tax

- A European tax
- A tax on consumer purchases
- It's levied on the value additions at each stage of production

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## WHAT ARE SUPPLIES OF GOODS AND SERVICES?

- **Supply** - Anything done for a consideration
- **Goods** – Transfer of title
- **Services** – Done for consideration but not supply of goods

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## SUPPLIES OF GOODS IN THE EU

- EU Acquisition = Purchasing goods from the EU
- EU Sale = Selling goods to the EU

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## WHICH EUROPEAN COUNTRIES ARE NOT IN THE EU?

Iceland  
Liechtenstein  
Switzerland  
Andorra  
Turkey

Serbia  
Norway  
Belarus  
Moldova  
Montenegro

Macedonia  
Russia  
Ukraine  
Bosnia-Herzegovina  
Albania

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## DEFINITIONS

- Imports = Purchasing goods outside the EU
- Exports = Selling goods outside the EU

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## ANOMALIES

- Channel Isles
- Canary Islands
- Heligoland

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## QUIZ - *Which territories are in the EU?*

Madeira \_\_\_\_\_

\_\_\_\_\_

Monaco \_\_\_\_\_

\_\_\_\_\_

Gibraltar \_\_\_\_\_

\_\_\_\_\_

Vatican City \_\_\_\_\_

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## SUMMARY

- What is a supply of goods?
- What is the difference between EU Sales and Acquisitions and Exports and Imports?
- What is the EU and which countries are part of it?

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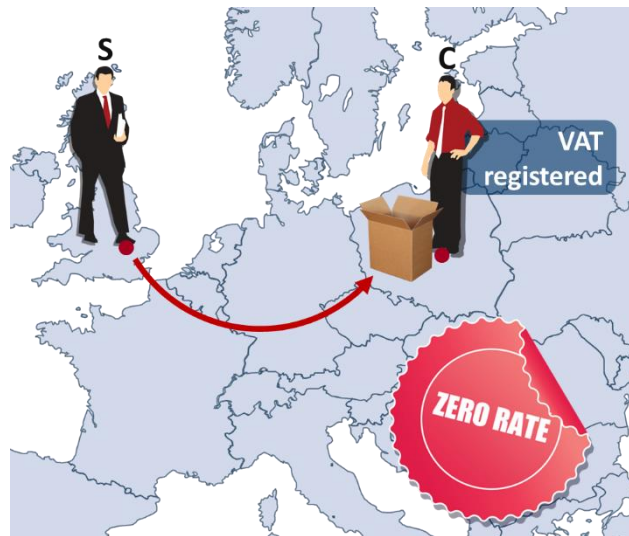
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## Session 2 : EU Sales and Acquisitions

### WHAT IS THE VAT TREATMENT OF AN EU SALE?

- Customer VAT registered in another EU country
- Goods removed from UK & arrive in another EU country

If both conditions are met the goods can be zero-rated



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## SCENARIO 1

A UK company sells and delivers goods to a company in Bulgaria.

<b>Oakdales Ltd</b>		<b>INVOICE</b>
10 Kings Road Crosby Liverpool England		
VAT Number: GB 914367223		
<b>Invoice to:</b> Peipae Jop 15a Dondukov Blvd Sofia Bulgaria		<b>Invoice Number:</b> 200910 <b>Invoice Date:</b> 13 <sup>th</sup> April 2010  <b>Payment Due Date:</b> 13 <sup>th</sup> April 2010
Quantity	Description & Price	Amount (£)
30	Tables @ £200	6000
80	Chairs @ £50	4000
	Sub Total	10,000
	Tax Rate	-
	<b>Total</b>	<b>10,000</b>

**What should appear on the invoice?**

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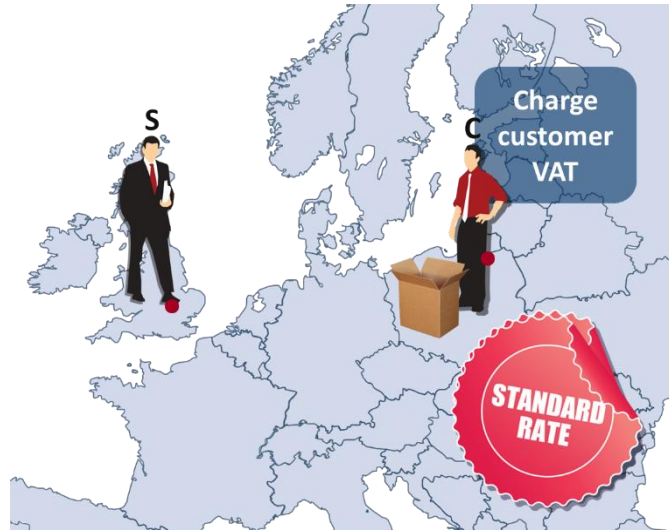
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## WHAT HAPPENS IF YOUR CUSTOMER IS NOT VAT REGISTERED?

- Customer VAT registered in another EU country
- Goods removed from UK & arrive in another EU country

If the customer is not VAT registered, the goods must be standard-rated.



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## HOW DO YOU CHECK THE VAT NUMBER?

- Online – search for VIES ([www.ec.europa.eu/taxation\\_customs/vies/](http://www.ec.europa.eu/taxation_customs/vies/))
- VAT notice 725, Para 16.19

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## DO THE GOODS HAVE TO BE REMOVED WITHIN A TIME LIMIT?

- Once the invoice is sent, the goods must be moved within 3 months of the time of supply

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## WHEN IS THE TIME OF SUPPLY?

Whichever is earlier of...

- the date on the invoice, or
- the 15<sup>th</sup> day of the month after goods are sent

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## SCENARIO 2

A UK supplier sends goods to a customer in France on 25<sup>th</sup> June and invoices on 21<sup>st</sup> July.

**When is the time of supply?**

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## SCENARIO 3

Goods are invoiced to a customer in Italy on 26<sup>th</sup> September. The goods have not yet been dispatched.

**What date must the goods have been dispatched by?**

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## HOW CAN YOU DEMONSTRATE THE GOODS HAVE MOVED?

The evidence must identify...

- the supplier
- the consignor
- the customer
- the goods
- an accurate value
- the mode of transport and route of goods
- the destination

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## WHAT IF THE CUSTOMER WANTS TO COLLECT THE GOODS?

If the supplier has...

- confirmation of how the goods will be removed and
- evidence that the goods have left the UK

...the goods can be zero-rated

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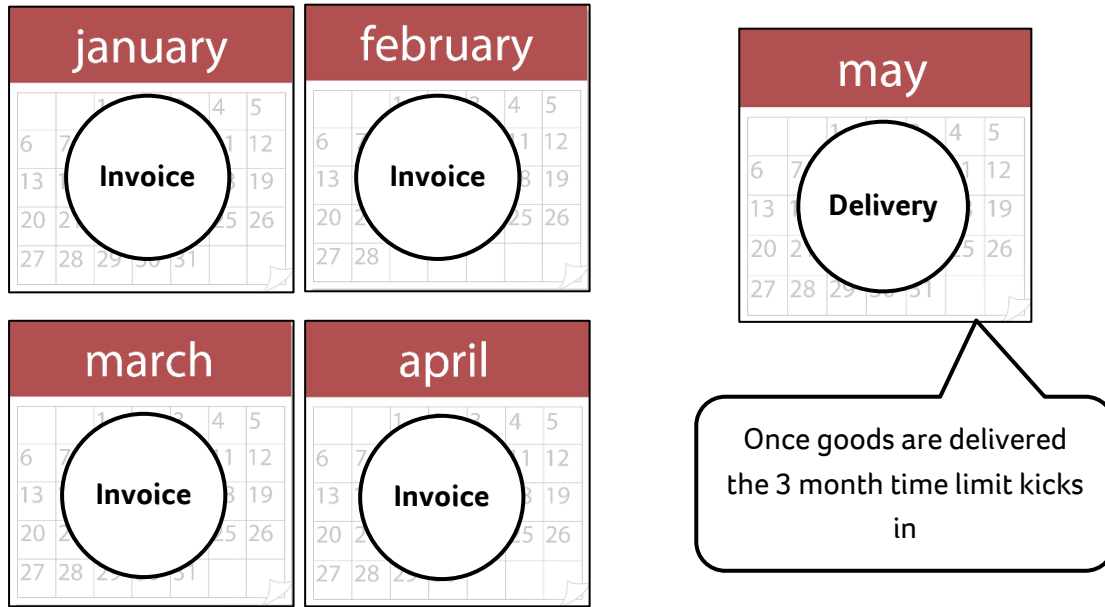
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### HOW DO YOU DEAL WITH STAGE PAYMENTS?



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### MUST THE GOODS BE SENT TO THE CUSTOMER'S COUNTRY?

- The goods don't have to be sent to the customer's country
- The goods can be zero-rated provided:
  - Customer VAT registered in another EU country
  - Goods removed from UK & arrive in another EU country



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## HOW ARE EU SALES DEALT WITH ON THE VAT RETURN?

VAT due in this period on <b>sales</b> and other outputs (Box 1): *	<input type="text"/>	?	<b>Box 1:</b> Includes all VAT charged – zero-rated EU Sales NOT included
VAT due in this period on <b>acquisitions</b> from other <b>EC Member States</b> (Box 2): *	<input type="text"/>	?	
Total VAT due ( <b>the sum of boxes 1 and 2</b> ) (Box 3):	<b>Calculated value</b>		
VAT reclaimed in this period on <b>purchases</b> and other inputs, (including acquisitions from the EC) (Box 4): *	<input type="text"/>	?	
Net VAT to be paid to HM Revenue & Customs or reclaimed by you ( <b>Difference between boxes 3 and 4</b> ) (Box 5):	<b>Calculated value</b>		<b>Box 6:</b> Includes net value of EU Sales
Total value of <b>sales</b> and all other outputs excluding any VAT. <b>Include your box 8 figure</b> (Box 6):	<input type="text"/>	?	
Total value of <b>purchases</b> and all other inputs excluding any VAT. <b>Include your box 9 figure</b> (Box 7):	<input type="text"/>	?	<b>Box 8:</b> Value of EU Sales
Total value of all <b>supplies</b> of goods and related costs, excluding any VAT, to other <b>EC Member States</b> (Box 8):	<input type="text"/>	?	
Total value of all <b>acquisitions</b> of goods and related costs, excluding any VAT, from other <b>EC Member States</b> (Box 9):	<input type="text"/>	?	

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## ARE THE RULES THE SAME FOR EU ACQUISITIONS?

Goods can be zero-rated provided:

- Customer VAT registered in another EU country
- Goods removed and arrive in another EU country

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## ARE THE RULES THE SAME FOR EU ACQUISITIONS?

- The invoice should say ‘Zero rated inter EU Sale supply’.
- Add VAT to the supply and add this to Box 2 and Box 4 of the VAT Return

Quantity	Description & price	Net amount
30	Tables @ £200	6,000
80	Chairs @ £50	4,000
		10,000
Net Amount	VAT Rate	VAT Amount
£10,000	20%	£2,000

VAT due in this period on <b>sales</b> and other outputs (Box 1): *	
VAT due in this period on <b>acquisitions</b> from other <b>EC Member States</b> (Box 2):	+ £2,000
<b>Total VAT due (the sum of boxes 1 and 2) (Box 3):</b> Calculated value	
VAT reclaimed in this period on <b>purchases</b> and other inputs, (including acquisitions from the EC) (Box 4):	+ £2,000
<b>Net VAT to be paid to HM Revenue &amp; Customs or reclaimed by you (Difference between boxes 3 and 4) (Box 5):</b> Calculated value	
Total value of <b>sales</b> and all other outputs excluding any VAT. <b>Include your box 8 figure</b> (Box 6):	Whole pounds only
Total value of <b>purchases</b> and all other inputs excluding any VAT. <b>Include your box 9 figure</b> (Box 7):	+ £10,000 Whole pounds only
Total value of all <b>supplies</b> of goods and related costs, excluding any VAT, to other <b>EC Member States</b> (Box 8):	Whole pounds only
Total value of all <b>acquisitions</b> of goods and related costs, excluding any VAT, from other <b>EC Member States</b> (Box 9):	Whole pounds only

## SUMMARY

- What are EU Sales and Acquisitions?
- When can you zero rate EU Sales?
- What is the impact of EU Sales on the VAT Return?
- How do you deal with EU Acquisitions on your VAT Return?



### Session 3: Exceptions

#### Distance Sales

#### WHAT ARE DISTANCE SALES?

Sales in the EU to customers who are not VAT registered, e.g.

- Private individuals
- Consumers
- Non-VAT registered businesses

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#### HOW IS VAT ACCOUNTED FOR ON DISTANCE SALES?

- You charge VAT at the rate it would be in your own country
- This is only up to a certain threshold

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## DISTANCE SALES THRESHOLDS

Austria	€100,000	Italy	€35,000
Belgium	€35,000	Latvia	LVL 24,000
Bulgaria	BGL 70,000	Lithuania	LTL 125,000
Croatia	€35,000	Luxembourg	€100,000
Cyprus	€35,000	Malta	€35,000
Czech Republic	CZK 1,140,000	Netherlands	€100,000
Denmark	DKK 280,000	Poland	PLZ 160,000
Estonia	€35,000	Portugal	€35,000
Finland	€35,000	Romania	€35,000
France	€35,000	Slovakia	€35,000
Germany	€100,000	Slovenia	€35,000
Greece	€35,000	Spain	€35,000
Hungary	€35,000	Sweden	SEK 320,000
Ireland	€35,000	United Kingdom	€70,000

## HOW IS VAT ACCOUNTED FOR ON DISTANCE SALES?

- Once you exceed the threshold you must register for VAT in that country and charge VAT
- Must stay registered in country for remainder of year and whole of next year





## HOW ARE DISTANCE SALES RECORDED ON THE VAT RETURN?

If a transaction is under the threshold, the sale is entered in...

- Box 1
- Box 6

If a transaction exceeds the threshold in an EU country the sale is entered in...

- Box 6
- Box 8

... and you must complete the appropriate foreign VAT Return

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## SCENARIO 4

A UK business makes sales over the internet to private individuals in Germany.

On 31<sup>st</sup> August it's sales to date in that year are €99,500.

It then makes sales in the first few days of September.

1<sup>st</sup> = €250 | 3<sup>rd</sup> = €400 | 4<sup>th</sup> = €100

**On which sales will the UK business need to charge German VAT?**

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## ***Installation and assembly***

### **WHAT IF YOU INSTALL OR ASSEMBLE GOODS?**

- The supply is taxed in the country where the customer belongs
- There was a relaxation of the rule in the UK, but since 1<sup>st</sup> December 2012 suppliers must register and charge UK VAT

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### ***Goods sold from UK place of business in other country***

#### **HOW DO YOU ACCOUNT FOR VAT?**

The supply is taxed where the goods are situated



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### Transfer of own goods

#### HOW DO YOU DEAL WITH TRANSFER OF YOUR OWN GOODS?

- Transfer of own goods is considered a supply
- Register for VAT in country of transfer
- Zero rate

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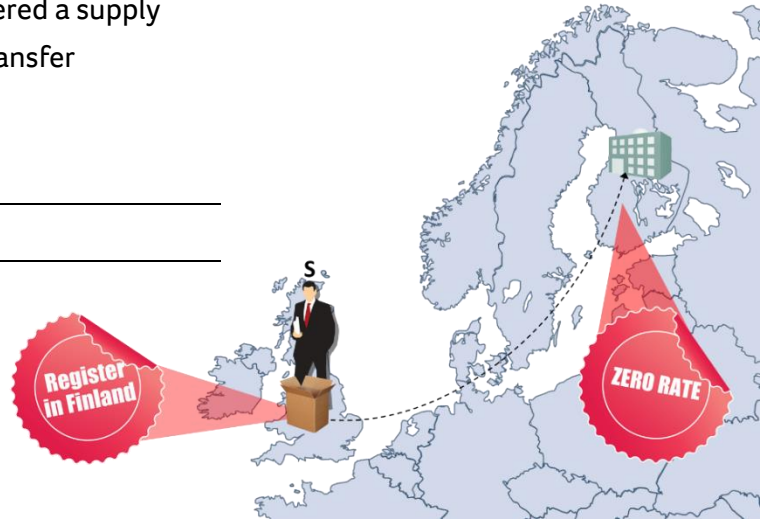
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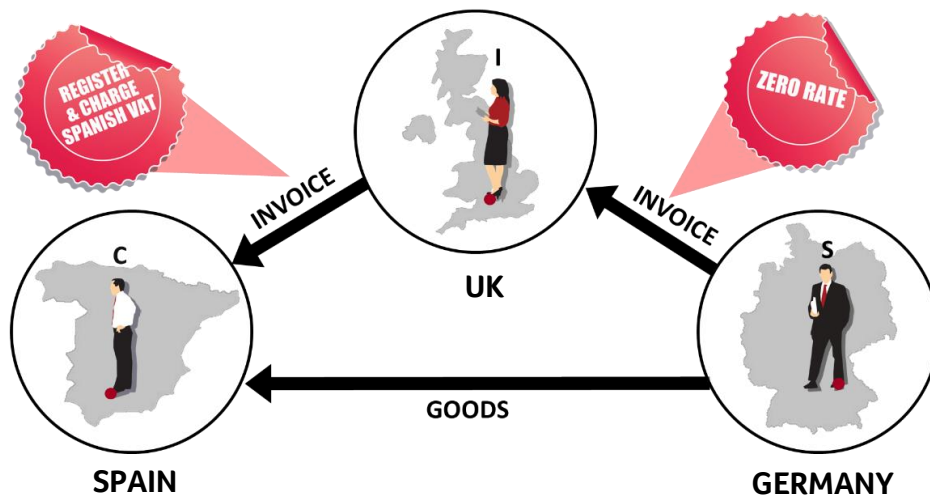
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#### WHAT IS TRIANGULATION?

Transactions involving 3 VAT registered businesses

*Default position...*



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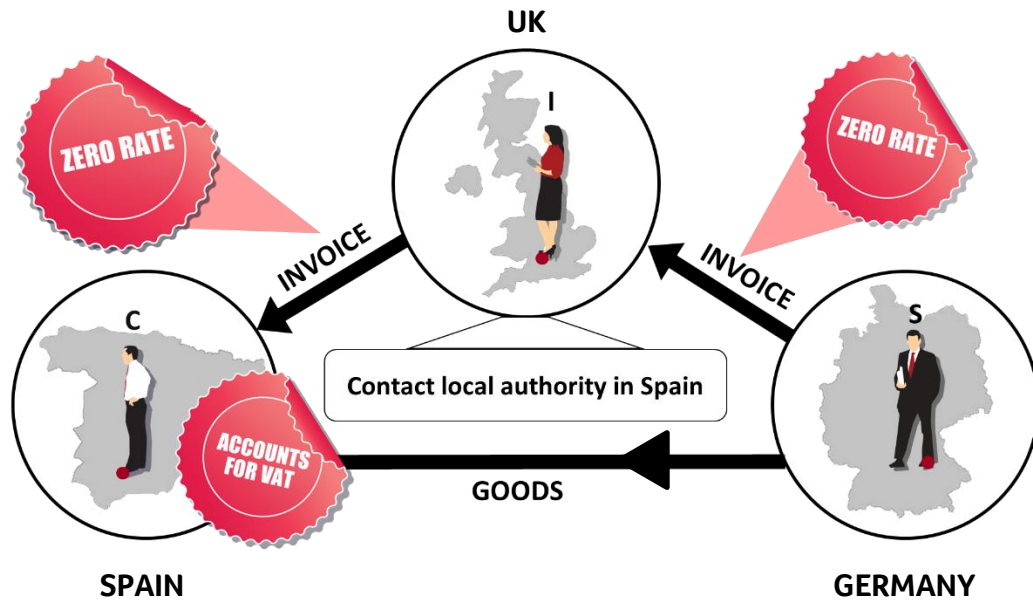
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## WHAT IS THE SIMPLIFICATION PROCEDURE?



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## HOW IS VAT ACCOUNTED FOR?

If UK company was...

- **A. Supplier**
  - Box 8 of the VAT Return
  - Include supply on EC Sales List
- **B. Intermediary**
  - Include supply on EC Sales List
- **C. Customer**
  - Account for acquisitions VAT
  - Box 2, 4 and 9 of the VAT Return

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## **SCENARIO 5**

A UK company purchases a machine from Poland that is shipped directly to the UK company's customer in Germany.

**Who is the intermediary?**

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**Can the simplification procedure be applied?**

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## **SCENARIO 6**

A UK company purchases a machine from a company based in Algeria to be flown directly to the UK company's customer in Germany.

**Who is the intermediary?**

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**Can the simplification procedure be applied?**

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## SESSION SUMMARY: WHAT SHOULD GO IN BOX 8 OF THE VAT RETURN?

- EU Sales
- Transfers of own goods to other EU member states
- Goods supplied on sale or return
- Distance Sales above the threshold

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## SESSION SUMMARY: WHAT SHOULD GO IN BOX 9 OF THE VAT RETURN?

- EU Acquisitions including freight and insurance
- Receipt of separate supplies of services **NOT** included

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## SUMMARY

- What are the exceptions to the general rules for EU Sales and Acquisitions?
- What are distance sales and thresholds?
- What is Installation and Assembly?
- How do you deal with goods being sold from a UK place of business in another country?
- What is triangulation and how do we apply the simplification process?

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## Session 4: Administrative Tasks

### WHAT SHOULD BE INCLUDED ON THE EC SALES LIST?

Include...	Don't include...
<ul style="list-style-type: none"> <li>EU sales of goods</li> </ul>	<ul style="list-style-type: none"> <li>Distance sales</li> <li>Supplies to registered customer with no VAT number</li> <li>Good sent for processing</li> <li>Temporary movement of own goods</li> </ul>

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### HOW DO YOU COMPLETE AN EC SALES LIST?

#### Supplier needs to complete for each VAT registered customer...

- country code
- customer's VAT number
- cumulative sales made to customer during reporting period
- indicator
  - for EU Sales where the business is the intermediate supplier show figure 2

... to the top of this page. Please leave blank.  
... [www.hmrc.gov.uk](http://www.hmrc.gov.uk) or phone our Helpline on 0845 010 9000 (Monday to Friday 8am to 6pm).

Country	Customer VAT Registration Number	Total value of supplies in pounds sterling	Indicator
N L	1 2 3 4 5 6 7 8 9 B 0 3	3 4 1 7.00	2

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## WHEN SHOULD THE EC SALES LIST BE SUBMITTED?

- Must be submitted monthly for goods
- Unless you have EU Sales of goods less than £35,000 in the current and previous 4 quarters

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## HOW SHOULD YOU SUBMIT THE EC SALES LIST?

- **Paper**
  - Must be submitted within 2 weeks of the period end
- **Electronically**
  - Must be submitted within 3 weeks of period end

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## WHAT IS THE INTRASTAT?

- It monitors the movement of goods within the EU
- There are two forms:
  - One for dispatches of goods
  - One for arrivals of goods

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## WHAT ARE THE INTRASTAT THRESHOLDS?

- Dispatches form - £250,000
- Arrivals form - £1,500,000

*Both must be completed monthly*

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## WHAT IS INCLUDED ON THE INTRASTAT FORM?

- Goods bought or sold
- Returned goods
- Stage payments
- Transfer of own goods
- Goods sent for or returned after processing
- Goods supplied as part of a contract for services
- Long term hire

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## WHAT IS EXCLUDED FROM THE INTRASTAT FORM?

- Temporary movement of goods
- Commercial samples provided free of charge
- Goods in transit through the UK

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## WHAT GOES ON THE INTRASTAT?

- Commodity code
- Value of transaction
- Delivery
- Nature of transaction
- Net mass
- Supplementary units
- Where goods come from
- Trader reference (optional)

	Commodity code	Value £ sterling	Delivery terms	Nature of transaction	Net mass (kg)	Supplementary unit	Goods from (country)	Trader reference
1	8 5 4 5 9 0 1 0	15444	CFR	10	125	0	DE	05673
2								

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## WHAT GOES ON THE INTRASTAT?

You can group...

- Types of goods to same country
- Transactions less than €180

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## SCENARIO 7: EC SALES LIST AND INTRASTAT IN PRACTICE...

- A UK company dispatches a consignment of grain to France and issues a sales invoice in July for €3000.
- The grain is found to be below the standard required and is returned in August. A credit note is issued for the full amount.
- The company completes its quarterly VAT returns to 30 September and the monthly sales list.

What goes in box 8 and 9 on the VAT return?

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What goes on the monthly EC Sales list for

July & August?

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How do you complete the intrastate for

July & August?

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## SUMMARY

- |  |
|--|
| <ul style="list-style-type: none"><li>• What is the purpose of EC sales lists and Intrastat declarations?</li><li>• How do you complete the EC Sales list and Intrastat?</li></ul> |
|--|

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## **Session 5: Exports**

### **DEFINITIONS**

- Selling goods outside EU = Export

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### **HOW DO YOU DEAL WITH EXPORTS?**

Exports can be zero-rated provided...

- Goods are removed from the EU
- Time limits are met
- Documentation requirements are met

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### **WHEN IS THE TIME OF SUPPLY?**

Whichever is earlier...

- Delivery/collection date, or
- Date full payment is received

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## WHAT ARE THE DIFFERENT TYPES OF EXPORTS?

- Direct Exports
- Indirect Exports

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## WHAT IS A DIRECT EXPORT?

- Complete export transaction is under the control of the supplier
- Can be zero-rated provided there is evidence that the goods have left the EU within three months of the time of supply

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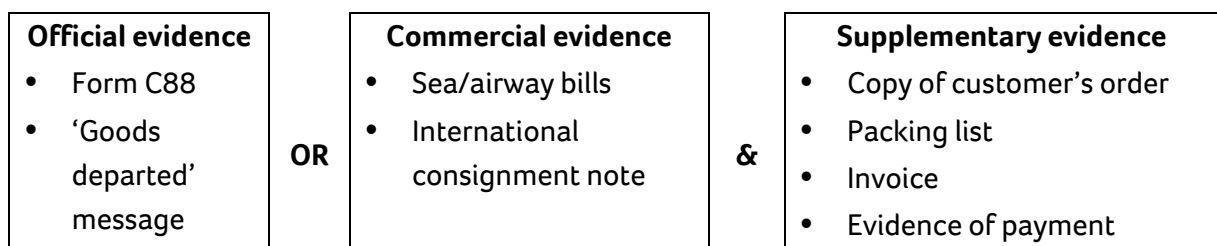
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## WHAT EVIDENCE MUST YOU KEEP?

- Evidence of all exports must be kept to prove the time of supply.
- Documentation must be obtained within 3 months of the time of supply.



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## SUPPLEMENTARY EVIDENCE

Must identify...

- Supplier
- Customer
- Goods
- Value of goods
- Transportation details

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## WHAT IF THE INVOICE IS SENT SOMEWHERE IN THE EU?

- Invoicing someone in the EU but exporting the goods
- Zero-rated if:
  - You provide evidence that the goods have left the EU within 3 months of the time of supply
  - You state delivery address on the sales invoice

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## WHAT ARE INDIRECT EXPORTS?

- The supplier isn't responsible for exporting goods
- Can be zero-rated provided there is evidence that the goods have left the EU within 3 months of the time of supply

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## SCENARIO 8

On 25<sup>th</sup> May a Swedish company receives a 20% deposit with an order for goods to be shipped on 20<sup>th</sup> June to a customer in Australia. The balance is received in full on 15<sup>th</sup> June.

**What is the time of supply?**

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## ***Session 6: Imports***

### **HOW DO YOU DEAL WITH IMPORTS?**

- When goods enter the EU they must be declared
- You then pay duty and import VAT

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### **WHAT IS DUTY?**

- A charge for bringing goods into the EU from outside the EU
- You cannot reclaim duty

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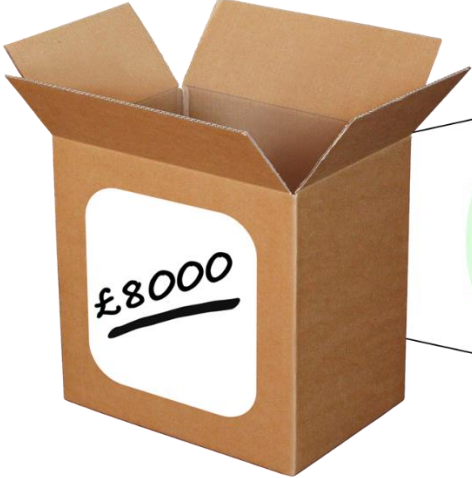
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## HOW ARE DUTY AND IMPORT VAT CHARGED?



Net Amount £	VAT Rate %	VAT Amount £
8,000		
Duty @ 25% <u>2,000</u>		
<u>10,000</u>	20	2,000

**IMPORT VAT:** Not payable to the supplier but the VAT authorities - HMRC (*can reclaim in most cases*)

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## WHAT IS THE C79 FORM?

- HMRC send out C79 form which shows import VAT from previous month
- You need a C79 form to be able to recover input tax

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## WHAT IS THE DUTY DEFERMENT SYSTEM?

- Agreement that duty and VAT will be direct debited the following month
- Must provide bankers guarantee for maximum liability of duty and import VAT
- At time goods are imported, deferment approval number sent – goods can then go into free circulation
- You can agree with HMRC to have duty and VAT direct debited the following month

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## SIMPLIFIED IMPORT VAT ACCOUNTING (SIVA)

Importers can apply for SIVA provided they have...

- been registered for 3 or more years
- good compliance and payment history
- a 12 month record of international trade

*You get a lower guarantee which covers duty – not import VAT*

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## WHAT ARE THE DIFFERENT RELIEF SCHEMES?

- Inward processing relief
- Temporary importation relief
- Outward processing relief
- Processing under customs control
- Reimported goods
- Rejected goods
- Onward supply relief

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## WHAT IS INWARD PROCESSING RELIEF?

- Importing goods on a temporary basis
- Goods are only imported to process them and re-export
- There are 2 forms of IPR...
  - Suspension - No duty or VAT paid
  - Drawback - Reclaim some duty and VAT

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## WHAT IS TEMPORARY IMPORTATION RELIEF?

- Providing you re-export the goods within 2 years and give security, you don't pay duty or import VAT

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## WHAT ARE POSTAL IMPORTS?

- Items received by post or carrier from outside EU

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## DO YOU PAY VAT ON POSTAL IMPORTS?

You do not pay VAT provided:

- Goods are under £2000, and
- Not delivered via international datapost

*VAT is added to box 1 and 4 on the VAT return*

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- If goods **are** over £2000 and **not** delivered by international datapost, duty and VAT must be paid
  - Importer receives form C88
  - Import VAT can be reclaimed

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- If goods **are** under £2000 and are delivered via international datapost, duty and VAT must be paid
  - Charge label can be used to reclaim VAT
  - Import VAT can be reclaimed

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## SUMMARY

- How do we define imports?
- What is duty and Import VAT?
- How do you recover import VAT?
- What are postal imports and how are they treated in terms of duty and VAT?

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## ***UK VAT and International Trade – Day 2***

### ***Session 1: An Introduction to international Services***

#### **WHAT IS A SUPPLY OF SERVICES?**

- Supply – Anything done for a consideration
- Goods – Transfer of title
- Services – Done for consideration but not supply of goods
- Consideration = Payment – usually in the form of money

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#### **INTERNATIONAL SERVICES INVOLVE SUPPLIES WHERE...**

1. The supplier and customer are in different EU countries
2. Either the supplier or customer is outside the EU
3. The service takes place in another country

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## WHAT IS THE PLACE OF SUPPLY?

- It dictates which country VAT is due
- There can only be one place of supply
- It is determined using some general rules

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## YOU NEED TO ASK THREE QUESTIONS...

- ***Are you supplying to a Business (B2B) or Consumer (B2C)?***
- Where does your customer belong?
- What type of service are you supplying?

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## WHO ARE YOU SUPPLYING?

### B2B

- A business makes supplies of goods or services for a consideration
- Those with a mix of business and non business activities are a business customer

**Evidence to support B2B supply:**

- VAT registration number
- Business letterheads
- Order form with address and trade registration no.
- Website showing a commercial business

### B2C

- Supplies to private individuals or to charities and government departments with no business activities

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## WHAT IS THE GENERAL RULE FOR B2C SUPPLIES?

Place of supply is where the supplier belongs

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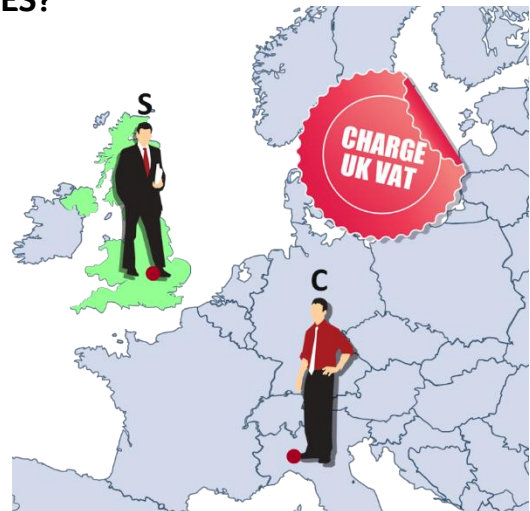
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## WHAT IS THE GENERAL RULE FOR B2B SUPPLIES?

Place of supply is where the customer belongs

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## WHAT DO WE MEAN BY THE TERM 'BELONGS'?

- It is crucial to understanding the place of supply
- “Where you have business establishment or some other fixed establishment, including a branch or agency”, *HMRC*

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## WHAT DO WE MEAN BY THE TERM 'BELONGS'?

- BUSINESS ESTABLISHMENT
  - Principle place of business e.g. head office
  - Can only be one place
- FIXED ESTABLISHMENT
  - Establishment other than the business establishment
  - Has technical and human resources to supply services
  - Can be several of them

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## WHAT IF YOU HAVE MORE THAN ONE PLACE OF BELONGING?

- The place of belonging is the place most directly concerned with the particular supply
- You should consider:
  - Which establishment provides the service
  - Which establishment the services are consumed or enjoyed
  - Which establishment is on contracts and invoices
  - Where are directors based
  - Where decisions that are linked to contract are made

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## SCENARIO 1

A UK company supplies advertising services to a client.

- The client’s main business establishment is in France and they have a branch in Germany
- Day-to-day contact handled by German branch
- Key decisions made by French establishment

### Where is the place of supply?

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### RECAP: WHAT ARE THE GENERAL RULES?

- Non-business customers (B2C)
  - The place of supply is where the **supplier** belongs
  - Charge UK VAT
- Business customers (B2B)
  - The place of supply is where the **customer** belongs
  - Reverse charge

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### YOU NEED TO ASK THREE QUESTIONS...

- Are you supplying to a Business (B2B) or Consumer (B2C)?
- **Where does your customer belong?**
- What type of service are you supplying?

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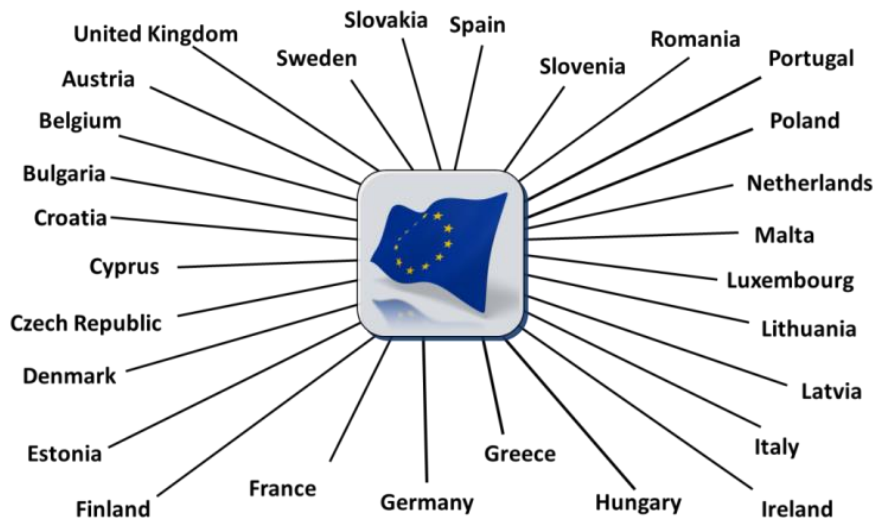
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### WHAT COUNTRIES ARE IN THE EUROPEAN UNION?



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## HOW DO YOU DEAL WITH A B2B SUPPLY OUTSIDE THE EU?

### General Rule - B2B

- Place of supply is where the customer belongs
  - Supplier – UK
  - Customer – outside EU
  - = Outside the scope of EU VAT

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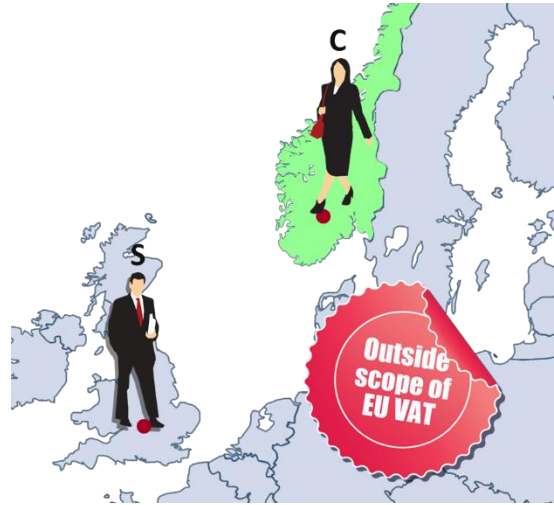
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## HOW DO YOU DEAL WITH A B2B SUPPLY OUTSIDE THE EU?

### General Rule - B2B

- Place of supply is where the customer belongs
  - Supplier – outside EU
  - Customer – EU
  - = Reverse charge

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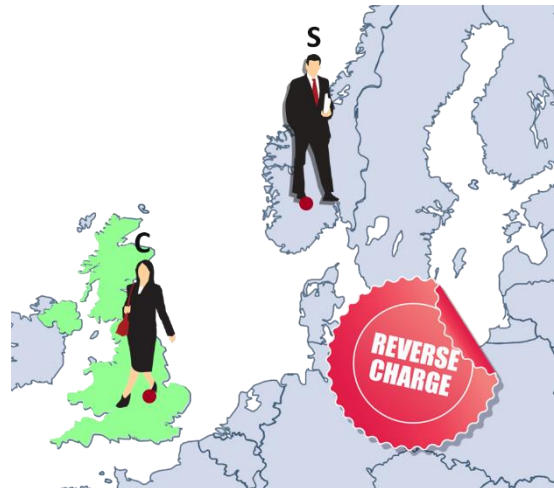
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## SCENARIO 2

A Dutch business provides secretarial and archiving services for Beningbrough Ltd, its UK subsidiary.

### Where is the place of supply?

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## SUMMARY

- What are B2B and B2C supplies?
- What are the general rules for B2B and B2C supplies?
- What do we mean by the word 'belonging'?
- Why is it important to know whether your customer is within the EU?

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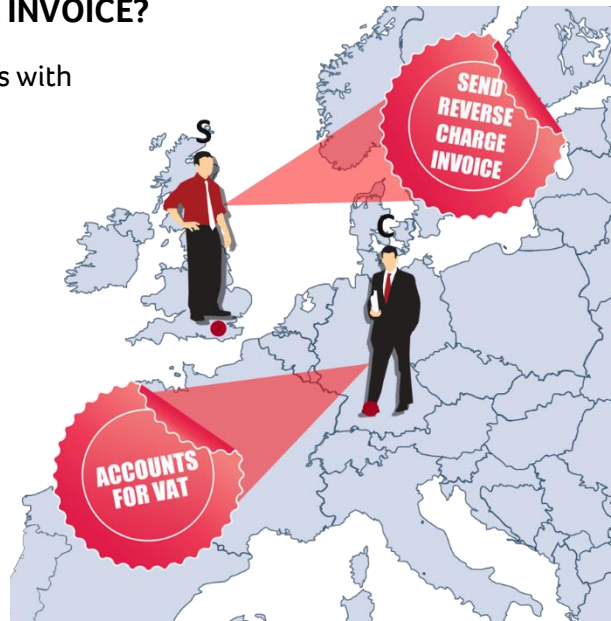
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## Session 2 – The reverse charge

### HOW DO YOU ISSUE A REVERSE CHARGE INVOICE?

- The responsibility of accounting for VAT lies with the customer
  - Supplier sends reverse charge invoice
  - Customer accounts for VAT



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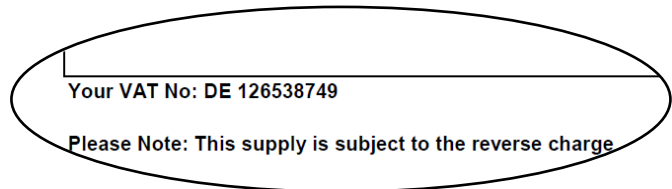
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### WHAT SHOULD A REVERSE CHARGE INVOICE LOOK LIKE?

- The invoice should indicate that the customer is liable to pay VAT
- The customer's country code and registration number should be included on the invoice
- A reverse charge invoice should not include VAT



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## HOW DO YOU ISSUE A REVERSE CHARGE INVOICE?

- Customer calculates VAT on supply at the rate in their country
- Transaction reported on VAT Return as an input and output

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The invoice should...

- Show customer's VAT number
- Not include VAT
- State that the supply is subject to the reverse charge

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## RECEIVING A REVERSE CHARGE INVOICE

- UK customer applies reverse charge and calculates VAT
- Add VAT amount to Box 1 and 4
- Add net amount to Box 6 and 7

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Inputs (Box 1): \*  ?

Inputs from other EC Member States (Box 2):  ?

Boxes 1 and 2 (Box 3): **Calculated value**

Inputs and other inputs, including those from the EC (Box 4):  ?

Inputs or reclaimed by other Member States (Box 5): **Calculated value**

Inputs excluding any VAT (Box 6):  ?  
x 8 figure (Box 6): Whole pounds only

Inputs excluding any VAT (Box 7):  ?  
figure (Box 7): Whole pounds only

Inputs (Box 8):  ?  
Box 8): Whole pounds only

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## WHAT IF THE BUSINESS IS PARTIALLY EXEMPT?

A partially exempt business cannot reclaim all VAT

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...e, for example 1000...

Inputs (Box 1): \*  ?

Inputs from other EC \*  ?

Inputs from other States (Box 2):

Inputs (Boxes 1 and 2) (Box 3): **Calculated value**

Inputs and other inputs, \*  ?

Inputs from the EC (Box 4):

Inputs not reclaimed by **Calculated value + £120**

Inputs (Boxes 3 and 4) (Box 5):

Inputs excluding any VAT. \*  ?

Inputs (Box 6): Whole pounds only

Inputs excluding any \*  ?

Inputs (Box 7): Whole pounds only

Inputs (Box 8): Whole pounds only

## WHEN IS THE TIME OF SUPPLY?

- Single supplies
  - When the service is completed or paid for – whichever is earlier
- Continuous supplies
  - The end of each periodic billing period

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## WHEN DOES THE REVERSE CHARGE NOT APPLY?

- If the supplier is also registered for VAT in the customers country
- Providing services to an overseas establishment of the same entity

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## SUMMARY

- How does the reverse charge work?
- How do you make out a reverse charge invoice?
- How do you process a reverse charge invoice and what is the impact on the VAT return?
- What is the time of supply for reverse charge services?
- When does the reverse charge not apply?

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### ***Session 3 – Exceptions to the general rules – Part 1***

#### **YOU NEED TO ASK THREE QUESTIONS...**

- Are you supplying to a Business (B2B) or Consumer (B2C)?
- Where does your customer belong?
- ***What type of service are you supplying?***

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## **RECAP: WHAT ARE THE GENERAL RULES?**

- General Rule - B2C
  - Place of supply is where the supplier belongs
- General Rule - B2B
  - Place of supply is where the customer belongs

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### ***Exception 1: Land related services***

## **WHAT ARE LAND RELATED SERVICES?**

- Construction work
- Estate agents' and surveyors' services
- Hotel accommodation
- Valuation of property
- Oil, gas and mineral exploration
- Property management services

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## WHERE IS THE PLACE OF SUPPLY FOR LAND RELATED SERVICES?

The place of supply is where the land is situated

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## HOW IS VAT ACCOUNTED FOR ON LAND RELATED SERVICES?

- If customer is VAT registered in the EU, the reverse charge applies
- If the customer is not VAT registered in the EU, they must register in the customer's country and charge VAT
- If the customer is outside the EU, the place of supply is outside the EU and the supply is outside the scope of EU VAT
- If the land is in a different country to the customer and supplier, the place of supply is where the land is
  - The supplier will most likely have to register in the customer's country
  - The reverse charge may apply if the customer is already registered there
- If the supplier is outside the EU and the land was in the EU, the place of supply is where the land is situated and the reverse charge can be applied

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## ***Exception 2: Transport services***

### **TRANSPORT SERVICES**

- Passenger services
- Freight transport services
- Hire of transport

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### **WHAT ARE PASSENGER TRANSPORT SERVICES?**

- Services supplied when a vehicle, ship or aircraft is provided with a driver or crew for carrying passengers

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### **WHERE IS THE PLACE OF SUPPLY FOR PASSENGER TRANSPORT?**

- The place of supply is the country where the transportation takes place
- If it is a B2B supply the reverse charge may be applied
- If it is a B2C supply the supplier would have to register and charge VAT

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### **WHAT IF THE TRANSPORT TAKES PLACE IN A NUMBER OF COUNTRIES?**

- You must work out the proportion of the travel in each of the countries
- You may have to register in each country or apply the reverse charge

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### **WHAT ARE FREIGHT TRANSPORT SERVICES?**

- Goods and cargo
- Mail
- Unaccompanied vehicles
- Vehicles transported on ships

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## HOW IS VAT ACCOUNTED FOR ON FREIGHT TRANSPORT SERVICES?

- For B2B supplies within the EU the general rule applies - the place of supply is where the customer belongs
- For B2B supplies where the transport takes place wholly outside the EU, it is outside the scope of VAT
- For B2C intra-EU supplies the place of supply is where the journey starts
  - *Intra EU supplies start and end in an EU country (even if they pass through a non-EU country)*

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## HOW IS VAT ACCOUNTED FOR ON FREIGHT TRANSPORT SERVICES?

B2C intra-EU supplies

- The place of supply is where the journey starts

If the journey ends outside the EU, the place of supply is where the transport takes place and VAT may be apportioned.



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## WHAT ARE HIRE OF TRANSPORT SERVICES?

- Car hire
- Self drive van hire
- Yacht hire

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## WHERE IS THE PLACE OF SUPPLY FOR HIRE OF TRANSPORT SERVICES?

For short term hire of transport the place of supply is where the vehicle is put at the customer's disposal

<p><b>Short term transport hire</b></p> <ul style="list-style-type: none"><li>• Up to 30 days</li><li>• Up to 90 days for vessels</li></ul>
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## HOW IS VAT ACCOUNTED FOR ON HIRE OF TRANSPORT SERVICES?

- Place of supply is where the vehicle is put at the customer's disposal
- If the customer is VAT registered in the EU the reverse charge applies
- If the customer is **not** VAT registered in the EU the supplier must register and charge VAT

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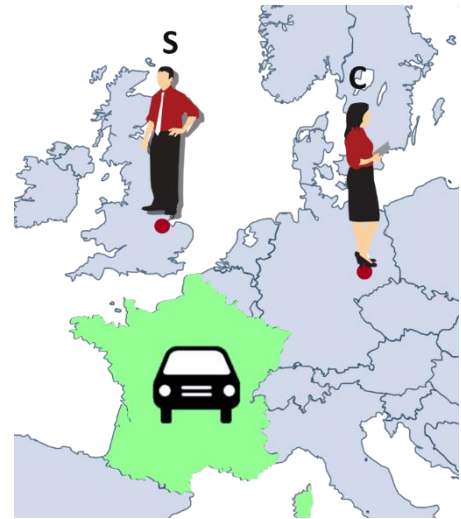
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## WHERE IS THE PLACE OF SUPPLY FOR HIRE OF TRANSPORT SERVICES?

For long-term hire...

- **B2B** – Place of supply follows the general rule (where the customer belongs)
- **B2C** – Place of supply is where the customer belongs

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**Exception 3: Education, Entertainment and Exhibition services**

**WHAT ARE EDUCATION, ENTERTAINMENT AND EXHIBITION SERVICES?**

For B2C supplies of services that relate to education, entertainment and exhibition services the place of supply is where the activity takes place

**Examples**

- Education and training services
- Services of an actor or singer
- Oral interpreters
- The right to participate in an exhibition

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**EVENT SERVICES – WHERE IS THE PLACE OF SUPPLY?**

- For B2C supplies the place of supply is where the event takes place
- If the customer is a private individual the supplier must register and charge VAT

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**Exception 4: Admission services**

**WHAT ARE ADMISSION SERVICES?**

- Admission to cultural, artistic, sporting, scientific, educational, entertainment or similar events

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**WHERE IS THE PLACE OF SUPPLY FOR ADMISSION SERVICES?**

- The place of supply is where the event takes place

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**WHERE IS THE PLACE OF SUPPLY FOR ADMISSION SERVICES?**

- The place of supply is where the event takes place

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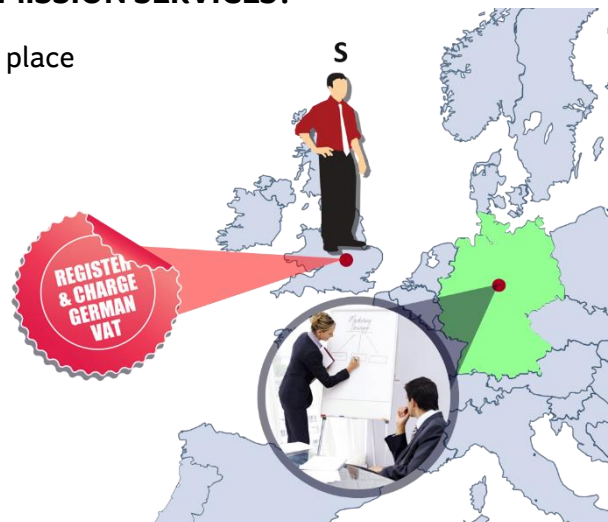
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## CAN THE REVERSE CHARGE APPLY?

- The reverse charge could apply if:
  - Every customer is registered in the country where the event takes place
  - The authorities in that country allow it

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## SCENARIO 3

A UK construction firm builds apartments in Spain for a company in Ireland.

**Where is the place of supply?**

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## SCENARIO 4

A German bus company arranges passenger transport from Germany to the UK. The journey passes through France.

**Where is the supply liable for VAT?**

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## SCENARIO 5

Roseberry Ltd, a UK haulier delivers a consignment of goods from Germany to a non business customer in France.

**Where is the place of supply?**

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## SCENARIO 6

A UK company leases out a vehicle for 12 months to a business based in the Republic of Ireland.

**Where is the place of supply?**

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## SUMMARY

- Where is the place of supply for land related services?
- Where is the place of supply for passenger transportation?
- Where is the place of supply for freight transport?
- Where is the place of supply for the hire of transport?
- Where is the place of supply for education, entertainment and exhibition services?
- Where is the place of supply for admission services?

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## Session 4 – Exceptions to the general rules – Part 2

### Exception 5: Intangible services

#### WHAT ARE INTANGIBLE SERVICES?

- Copyrights, patents, licences, trademarks
- Advertising
- Consultants
- Banking, finance, insurance
- Staff
- Hired goods

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#### INTANGIBLE SERVICES - WHERE IS THE PLACE OF SUPPLY?

- B2C – Where customer is outside the EU the place of supply is where the customer belongs = outside the scope
- Other supplies follow the general rules



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## Exception 6: BTE Services

### WHAT ARE BTE SERVICES?

- **Broadcasting** – radio, TV, live broadcasts over the internet
- **Telecoms** – fixed and mobile phones, fax, telegraph and telex, access to the internet
- **E-services** – video on demand, music downloads, downloaded apps, online gaming, e-books, software and online auctions

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### HOW HAVE THE RULES FOR BTE SERVICES CHANGED?

- Were previously treated as intangible services
- Since **1<sup>st</sup> January 2015** the place of supply for supplies to **non-business customers** is where the customer belongs
- Supplier may have to register in customer's country and charge VAT

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### WHAT ARE THE RULES FOR BTE SERVICES SINCE 1<sup>st</sup> JAN 2015?

- B2C – The place of supply is where the customer belongs

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## HOW CAN YOU AVOID REGISTERING IN MULTIPLE COUNTRIES?

- The Mini One Stop Shop – MOSS – has been introduced

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## HOW DOES MOSS WORK?

- It is an online service
- Businesses register via their member state
- Allows businesses to submit a single VAT MOSS Return and make payments through online portal
- The authorities administer the VAT on your behalf

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## WHAT ARE THE RULES FOR BTE SERVICES?

- The supplier can sign up for VAT MOSS and submit information and payment
- If not they must register and charge VAT in the customer's country

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## HOW CAN YOU DETERMINE WHERE THE CUSTOMER COMES FROM?

Obtain 2 pieces of evidence from the customer:

- Customer's billing address
- Customer's bank details
- Customer's IP address
- Customer's SIM card details
- Customer's fixed landline number
- Any other commercially relevant information

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## HOW DO YOU CONFIRM THAT IT IS A B2C SUPPLY?

- If customer does not provide a VAT Registration number and there is nothing to suggest the customer is in business – supply can be treated as B2C

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## WHAT ABOUT SUPPLIES SOLD VIA A THIRD PARTY ONLINE STORE?

- An online store or gateway acting in its own name will be considered the supplier
- They will be responsible for VAT
- The original supplier is making a B2B supply to the store

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### **Exception 7: Intermediary services**

#### **WHAT ARE INTERMEDIARY SERVICES?**

An Intermediary arranges supplies between two other parties and can be referred to as:

- Brokers
- Buying or selling agents
- Go-betweens
- Commissionaires

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#### **WHAT ARE THE RULES FOR B2C INTERMEDIARY SUPPLIES?**

- For B2C supplies of intermediary services the place of supply is where the underlying supply is deemed to take place

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#### **INTERMEDIARY SERVICES - WHERE IS THE PLACE OF SUPPLY?**

- For B2C supplies the place of supply is where the underlying supply is deemed to take place
- If the supply takes place within the EU the Intermediary must register and charge VAT

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### Exception 8: Work on goods / Valuation of goods

#### WHAT IS WORK ON GOODS OR VALUATION OF GOODS?

- All forms of tangible moveable property but not fixtures
- Includes processing, repairs, alterations etc.
- Not inspection, testing or analysis

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#### WORK ON GOODS – WHERE IS THE PLACE OF SUPPLY?

- For B2C supplies the place of supply is where the work is carried out

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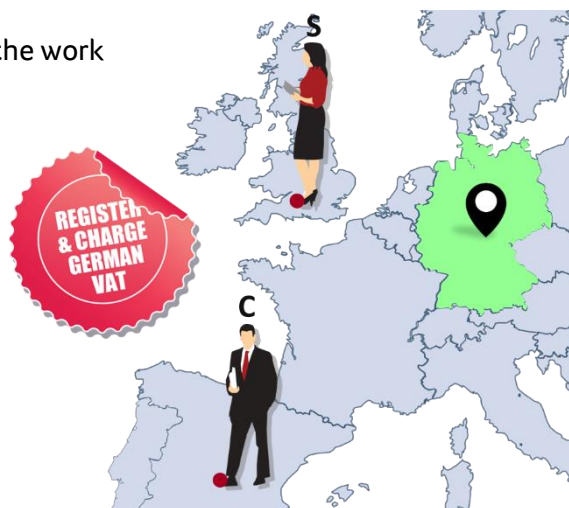
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#### SCENARIO 7

- Mount Grace Ltd, a UK intermediary has a business customer in London and arranges for this customer to buy a supply of diamonds from a company in South Africa
- Commission is paid to the intermediary by its London Customer

#### Where is the place of supply?

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## SCENARIO 8

- A UK company sells digital products via Apple store
- A private individual purchases the product from Apple store

**Is the supply by the UK company considered to be a B2B supply or a B2C supply?**

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## SUMMARY

- Where is the place of supply for intangible services?
- What are BTE services and what changed in 2015?
- What is the Mini One Stop Shop?
- Where is the place of supply for B2C supplies of intermediary services?
- Where is the place of supply for B2C supplies of work on goods?

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## **Session 5 – Administrative tasks**

### **WHO MUST COMPLETE AN EC SALES LIST?**

- Businesses that make EU Sales of services must complete an EC Sales List

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### **WHAT IS INCLUDED ON THE EC SALES LIST?**

- Include...
  - Supplies of services
  - UK business making reverse charge supplies of services in the EU
- Don't include...
  - Supplies where customer is not VAT registered
  - Supplies which would be exempt in the customer's country

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## HOW DO YOU COMPLETE THE EC SALES LIST?

- The supplier needs to complete...
  - country code
  - customer's VAT number
  - cumulative sales made to customer during reporting period
  - indicator – number 3 if reporting services

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... [www.hmrc.gov.uk](http://www.hmrc.gov.uk) or phone our Helpline on 0845 010 9000 (Monday to Friday 8am to 6pm).

Country	Customer VAT Registration Number	Total value of supplies in pounds sterling	Indicator
N L	1 2 3 4 5 6 7 8 9 B 0 3	3 4 1 7.00	3

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## HOW OFTEN DO YOU SUBMIT THE EC SALES LIST?

- **Services** reported quarterly
  - ...businesses may opt to report monthly
- **Goods** reported monthly
  - ...unless total sales are under £35K in current and previous 4 quarters

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## WHAT ARE THE DEADLINES?

- Paper
  - Must be submitted within 2 weeks of the period end
- Electronically
  - Must be submitted within 3 weeks of period end

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## HOW DO YOU RECLAIM VAT INCURRED IN ANOTHER EU COUNTRY?

- Claim made electronically to HMRC
- HMRC forward to VAT authorities in other EU country
- Scanned copies of invoices attached if over €1000

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## WHAT ARE THE DEADLINES FOR RECLAIM SUBMISSION?

- Can be reclaimed up to 9 months after the end of the calendar year it occurred
- Refund processed within 4 months
- If approved repaid within 10 working days

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## WHAT ARE THE MINIMUM AMOUNTS CLAIMABLE?

Minimum amounts claimable...

- €50 for a year
- €400 for 3 months

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**UK Training (Worldwide) Limited**  
17 Duke Street  
Formby  
L37 4AN

**w** [www.uktraining.com](http://www.uktraining.com)  
**t** 01704 878988  
**e** [info@uktraining.com](mailto:info@uktraining.com)

