



# Complying with the new VAT requirements for 2010



## **Place of supply of service – from 1/1/2010 (exceptions and other issues)**

- **Restaurant and catering services onboard ships, planes and trains**
- **Intermediary services**
- **Transport of goods**
- **Ancillary transport services**
- **Valuation and work on goods**
- **Non-EC to EC electronically supplied services**
- **EC to non-EC Schedule 5 services**



## **Services related to land**

- Essentially unchanged**
- Additional wording to specifically cover hotel and holiday accommodation**
- Travel agents commission for hotel bookings etc. – remains an unresolved issue!**



## **Hire of means of transport**

- **Currently rule: where supplier belongs**
- **New rules from 2010:**
  - **B2B short term – place where put at customer disposal**
  - **B2C short term – place where put at customer disposal**
  - **B2B general rule – place of customer's location**
  - **B2C general rule – place of supplier's location**
- **NB: short term up to 30 days (for cars) or 90 days (for vessels)**
- **Major problem for UK car hire companies operating TOMS – this remains and unresolved issue**



## **Cultural, artistic, sporting, scientific, educational, entertainment and similar services**

- 1 January 2010 – essentially unchanged and will remain where performed**
- 1 January 2011 – above rule will be limited to supplies of admissions to an event and ancillary services related to admissions. All other B2B services will move to the new general rule of where the recipient belongs**



## **Restaurant and catering services**

- **Currently covered under the old basic rule - where the supplier is established**
- **New rule required – treated as supplied in the country in which the services are physically carried out (except on board a ship, plane or train)**



## **Restaurant and catering services onboard ships, planes and trains**

**–New rules:**

**–Transport in the EU – point of departure with return journey counted as separate passenger transport**

**–Transport outside the EU – outside the scope of VAT**



## **Intermediaries**

- Current rule – taxed in same place as the underlying supply**
- New rule – where the recipient belongs for B2B supplies**
- (i.e. follows the new general rule with the exceptions applying)**
- NB: hotel bookings – intermediary service or land related? Still an unresolved issue!**



## **Extension of Reverse Charge VAT**

- Reverse charge will apply to all services falling under the new general rule when supplied to a VAT registered person in another EU Member State**
- The UK will continue with its wider application for all other services (except exempt supplies) where supplied to VAT registered recipients (Item 9 of Schedule 5)**
- VAT registered person will, from 1 January 2010, include organisations receiving services for non-business purposes (i.e. government bodies, charities, etc.) regardless of how the service is to be used (major implication for those who cannot recover VAT in full)**



## **Reverse Charge - time of supply**

- For single supplies – when the service is completed, or if earlier, when it is paid for**
- Continuous supplies – at the end of each periodic billing or payment period, or if earlier, when it is paid for**
- Continuous supplies not subject to billing or payment periods – 31 December of each year, or if earlier, when it is paid for**
- HMRC say, there is no scope for variation – but a flexible approach will be adopted if reasonable care is taken**
- Continue to use invoice date???**



## **EC Sales Lists for Reverse Charge services**

- Services supplied to VAT registered businesses**
- Where the recipient is in another EU country**
- Where the reverse charge applies under the new general rule (place where recipient belongs)**
- NOT REQUIRED – where service is exempt or where customer is not VAT registered**
- NOT REQUIRED – for services where the reverse charge rules are allowed under a simplification or concessionary basis**



## **Information required on EC Sales List**

- Customer’s Country Code (2 digit prefix)**
- Customer’s VAT registration number**
- Total (VAT exclusive) value of Reverse Charge services in the period to each customer (in sterling)**
- Indicator code 3 to differentiate services from goods**



## **Submission of EU Sales Lists**

### **–Time limits:**

- 14 days after the period (for paper returns)**
- 21 days after the period (for electronic submissions)**
- Penalties for late submission £5, £10 or £15 per day!**

### **–Monthly returns will become compulsory:**

- For goods only - when the value of goods exceed £70,000 in any quarter**
- (with a proposal to reduce this to £35,000 from January 2012)**



## **What does this mean for you?**

- All existing EU client's/customer's VAT registration numbers will need to be obtained (prior to 1 January 2010 and ongoing)**
- VAT registration numbers will need to be quoted on invoices for EU supplies of goods and Reverse Charge services**
- Quarterly submissions of EU Sales Lists for services and possibly monthly for supplies of goods**



## **Existing 8<sup>th</sup> Directive refund system**

- **Submitted to EU tax authority where the VAT is incurred (in the language of the Member State)**
- **All original invoices are submitted together with a certificate of taxable status obtained from HMRC**
- **Claims to be submitted within 6 months of the calendar year-end**
- **Tax authorities (in theory) have a further 6 months to make the repayment**



## **New cross-border electronic refund system**

- **All claims submitted to HMRC via its online portal - HMRC will transfer it to the relevant EU Member State**
- **No invoices or certificate of status required (in theory)**
- **Claims to be submitted within 9 months of the calendar year-end (extra 3 months)**
- **Tax authorities have only 4 months to make the repayment (this can be extended to 8 months on request for further information)**
- **Interest payable by the Member State to businesses for delayed repayments**



## Summary of main changes

- **Businesses supplying services affected by the new place of supply rules will need to review their VAT liability position**
- **All service providers will need to obtain EU customer's VAT numbers and complete EC Sales Lists (within 14 or 21 days)**
- **Businesses supplying goods to the EU may need to complete monthly EC Sales Lists**