

UK VAT and International Trade

Course book



...market leaders for VAT training

Course book

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UK VAT and International Trade

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Session 1: An Introduction to International Trade

What is VAT?

- It is a tax on consumer purchases
- It is levied on the value additions at each stage of production
- VAT systems operate worldwide
- The UK system is governed by the UK VAT Act but based on the EU principal VAT directive

VAT treatments currently differ depending on whether you are dealing with an EU country or a country outside the EU

What are goods and services?

- Supply - anything done for a consideration
- Supply of goods - transfer of title
- Supply of services - done for consideration but not supply of goods
- Consideration - payment, usually in the form of money



EU customs union – pre-Brexit

- UK was part of the EU customs union and single market
- Free movement of goods, services, capital and people
- Broadly followed same rules on VAT, customs and tariffs



What happens after the transition period?

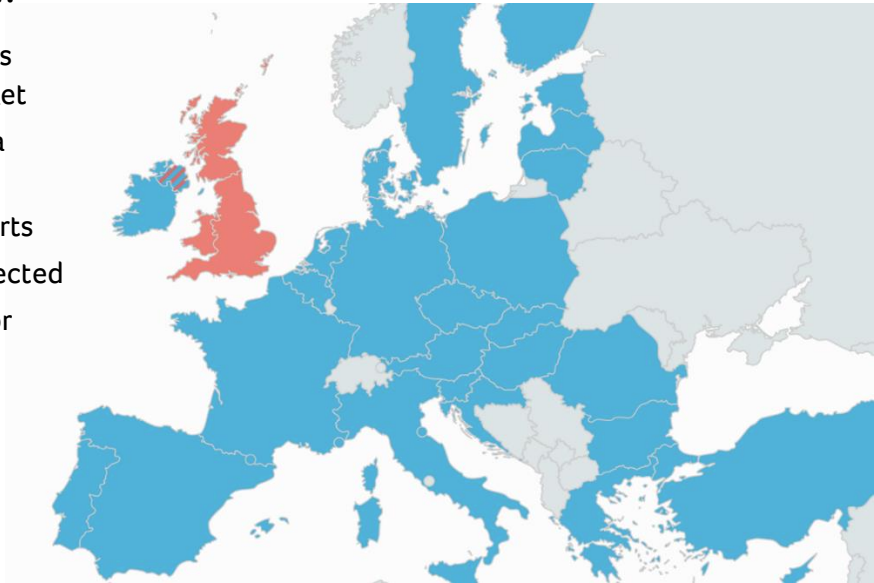
- The transition period ended on 31 December 2020
- The UK exited the EU and is no longer be subject to EU law and regulation
- Agreement reached on 24 December 2020 - UK & EU Trade and Cooperation Agreement
 - Applicable from 1 January 2021



From 1 January 2021...

- UK outside EU customs union and single market
- UK leaves EU VAT area
- All goods movements become imports/exports
- Services largely unaffected
- Unique relationship for Northern Ireland

- EU customs union
- UK customs territory





Trade definitions

- **EU acquisitions**
 - Movement of goods from an EU country to the UK
- **Imports**
 - Movement of goods from outside EU to the UK
- **EU sales**
 - Movement of goods from UK to an EU country
- **Export**
 - Movement of goods from the UK to a country outside EU



- **Imports**
 - Movement of goods from outside UK to the UK
- **Export**
 - Movement of goods from the UK to a country outside UK



Session 2: Exporting goods

Pre 2021 - EU Sales

Sale of goods to customers in the EU – VAT treatment pre 2021

- EU sales were zero rated subject to the following conditions:
 - The customer must be VAT-registered in another EU country
 - The goods must move from the UK to another EU country within 3 months of the invoice date
- If the conditions were not met, UK VAT was charged

- Invoices for EU sales were required to show...
 - Customer's VAT number
 - 'Zero rated inter EU supply'
- Time of supply was the earlier of...
 - The date on the invoice
 - The 15th day of the month after goods are sent



Pre 2021 - VAT treatment example...

- In November 2020 a VAT registered UK manufacturer sells standard-rated goods to a French customer
- The goods are sent to France 3 weeks after the invoice date

	£
Goods	8,000
Transport	1,400
Insurance	600
VAT @ 0%	-
Total	10,000

VAT due on sales and other outputs	1	+£0
VAT due on acquisitions from other EC Member States	2	
Total VAT due	3	
VAT reclaimed on purchases and other inputs	4	
Net VAT to be paid to HMRC or reclaimed by you	5	
Total value of sales and other outputs excluding VAT	6	+£10,000
Total value of purchases and other inputs excluding VAT	7	
Total value of all supplies of goods excluding VAT to other EC member states	8	+£10,000
Total value of all acquisitions of goods excluding VAT from other EC member states	9	



Exports

Exporting goods in 2021

- All goods leaving the UK are exports
- Exports are zero rated provided conditions are met...
 - The goods leave the UK within three months of the time of supply
 - Evidence of export is retained
- Exports fall into two categories – direct and indirect

What if the conditions for zero rating aren't met?

- If you do not hold the correct export evidence or goods haven't been exported in appropriate time limits... the goods supplied become subject to VAT at the appropriate UK rate
- VAT must be accounted for on the taxable element of the invoiced amount or payment received
- For standard rate of 20% VAT calculated at 1/6th
- Include amount in box 1 for relevant VAT period



Exporting in 2021- example

- In January 2021 a VAT registered UK manufacturer sells standard-rated goods to a French customer
- The goods are sent to France 3 weeks after the invoice date

	£
Goods	8,000
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Total value of purchases and other inputs excluding VAT	7	
Total value of all supplies of goods excluding VAT to other EC member states	8	
Total value of all acquisitions of goods excluding VAT from other EC member states	9	

What is the time of supply for exports?

It is the earlier of the date of...

- The date you send goods to your customer or your customer collects them
- The date full payment is received



What are direct exports?

- The complete export is under the control of the supplier
- The supplier may appoint an agent to act on their behalf
- The supplier or their agent is responsible for arranging transport of the goods or may appoint an agent to do
- The goods could be transported...
 - In the supplier's transport or baggage
 - By rail, post or courier service
 - By a shipping line, airline

What are indirect exports?

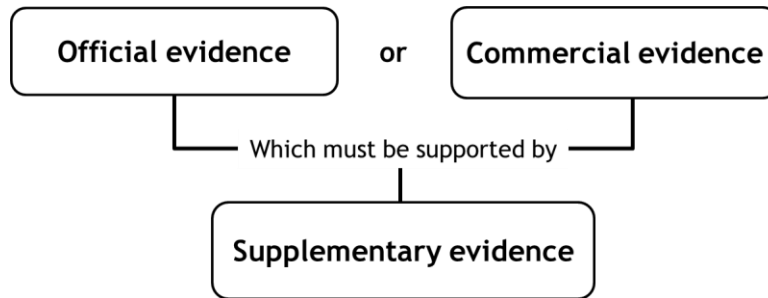
- The overseas customer or his agent collects or arranges for the collection of the goods from the supplier and then takes them outside the UK
- An 'overseas person' is a person or company who
 - Is not resident in the UK *or*
 - Does not have a business establishment in the UK making taxable supplies

Unlike direct exports, indirect exports cannot be zero-rated if the customer has a place of business in the UK from which taxable supplies are made



Evidence required to zero rate exports

- Evidence of all exports must be kept to prove the time of supply
- Must be obtained within 3 months of the time of supply
- Evidence must be kept for **6 years**



Types of evidence...

Official evidence	Commercial evidence	Supplementary evidence
Produced by customs systems... <ul style="list-style-type: none"> • GDM (Goods Departed Message) generated by NES • C88 	Describes the physical movement... <ul style="list-style-type: none"> • Sea/air waybills • International consignment notes • Bills of lading • Certificates of shipment with full details of consignment and how it left UK 	<ul style="list-style-type: none"> • Customer's order • Sales contract • Inter-company correspondence • Copy of export sales invoice • Advice note • Consignment note • Packing list • Insurance and freight charges documentation • Evidence of payment or evidence of the receipt of the goods abroad



What must be shown on export evidence

- For official, commercial or supplementary you need the following details:
 - The supplier
 - The consignor if different
 - The customer
 - The goods
 - An accurate value
 - The export destination
 - The mode and route of transport
- If unsatisfactory the supplier is liable for VAT

Importance of obtaining evidence for indirect exports

- For indirect export it can be difficult for the supplier to obtain adequate proof of export for zero rating
- Typically ex-works
- Evidence must show the goods have left the UK
- The list of requirements is far more extensive
- Consider including the requirement for this in your sales contract
- Consider taking a deposit for any potential VAT from your customer



Evidence for indirect exports must include...

- Written orders from the customer clearly showing name and address
- Copy sales invoices showing invoice number and customer details
- Delivery address of the goods
- Date of departure
- Name and address of haulier
- Registration numbers of vehicle collecting goods
- Details of where the goods are to be taken
- Route
- Copy travel tickets

Supplies to non-registered customers

Sales to non-registered customers in the EU – what were the rules pre 2021?

- Known as a 'distance sale'
- A VAT registered supplier in the UK sells goods and arranges delivery to a non-registered customer in another member state
- For supplies below the distance selling threshold in the other member state, VAT was charged at the appropriate rate in the supplier's country
- Supplies that exceeded the distance selling threshold required registration in the customer's country and were charged the local rate of VAT



How has distance selling changed in 2021?

- Distance selling thresholds and rules no longer available to UK businesses (only apply to EU members)
- From 1 January 2021 sales from the UK to consumers in the EU are zero-rated for UK VAT as exports
 - The customer will be liable to import VAT and customs duties (possibly at the border) – likely to cause problems for customer
- Non-EU businesses will have access to an Import One Stop Shop (IOSS) from 1 July 2021
 - Part of the EU VAT e-commerce package replacing distance selling for EU member states
 - An extension of the MOSS scheme

What is the Import One Stop Shop (IOSS)?

- Addresses problem with import VAT for EU consumers
- To administer it requires UK business to register in one member state
- Only available for sales of goods to EU consumers with value less than €150
- Goods over €150 are treated as exports
- How the IOSS works...
 - No import VAT or customs duty payable by customer
 - UK seller charges and collects VAT at point of sale
 - Declares and pays to appropriate member state via IOSS
 - Sale does not go on your UK VAT return



What if you don't use the IOSS in 2021?

- If the value of goods is below €150 a second simplification is available
- Any import VAT due on will be collected from customers by the customs declarant
- E.g. courier, postal operator or customs agent
- The customs declarant will pay the VAT to the tax authority by a monthly payment



Session 3: Importing goods

Pre 2021 - EU acquisitions

Purchasing goods from customers in the EU – VAT treatment pre 2021

- **Zero-rated** by the supplier in the member state when...
 - Valid VAT registration number provided
 - All other zero rating conditions met
- UK customer would account for acquisition VAT by applying a reverse charge...

What is acquisition VAT?

- VAT calculated on the sterling value of the acquisition
- Included in box 2 of the VAT return
- Added to box 4 so it has a nil net effect on VAT paid
- The total supply included in boxes 7 and 9



Imports

VAT on imports to the UK

- Imports are zero rated by the supplier but import VAT is charged by HMRC (not the supplier) at the point of import
- Import VAT is charged at 20% or at the rate appropriate to the goods
- It is charged on the value of the goods including customs duty and incidental costs
- Payment of import VAT can be delayed – to do this there are two options available
 - Deferment account
 - Postponed VAT Accounting

Delaying payment of import VAT – deferment account

- A Duty Deferment Account is used to delay payment of duties and VAT when importing goods
- A guarantee is given to cover duty and import VAT
 - Can remove guarantee for VAT using Simplified Import VAT Accounting (SIVA)
- The trader is given a deferment approval number
- The duty and VAT is payable by the 15th of the next month
- An agent can request deferment against its principal's approval number



Reclaiming import VAT

- You can reclaim import VAT via box 4 on the VAT return subject to the normal rules for reclaiming input tax
- The monthly summary of imports issued to the importer by customs on form C79 is needed as evidence along with the supplier's invoice

Evidence for claiming import VAT

- Form C79 is needed as evidence along with the supplier's invoice
- HMRC can accept alternative evidence of the VAT paid at import including:
 - C88 importer copy (ideal option as gives full details of importer)
 - Commercial invoice from supplier showing the importer
 - Correspondence between supplier and importer
 - Confirmation from freight agent that the VAT has not been claimed
- The more evidence that can be produced the better!



Delaying payment of import VAT – Postponed VAT Accounting

- VAT registered businesses can account for import VAT on their VAT return - **postponed VAT accounting (PVA)**
- You can continue to use current deferment process
- You can use PVA for some imports and deferment processes for others

Postponed VAT accounting (PVA)

- Applies to goods from anywhere in the world – EU and non-EU
- VAT is declared as an output and input on the same VAT return – usually quarterly
- Avoids the need to pay upfront and reclaim VAT later
- Normal rules for VAT recovery apply
- Other countries in the EU (including Ireland) will also operate a postponed VAT accounting system



When can you use postponed VAT accounting?

- You do not need to be authorised to use postponed VAT accounting
- Goods imported must be for use in your business
- On your customs declaration...
 - You must include your EORI number
 - You must include your VAT number if needed
- You **must** use PVA if you choose to defer submitting your supplementary declaration

How to apply postponed VAT accounting

- Customer in the UK buys goods from a supplier outside the UK
- Calculate VAT on the invoiced amount
- Include VAT of £200 in box 1 and 4 of the VAT return
- Also include supply in box 7 – total value of purchases (ex VAT)



Customs requirements for PVA

- Use of PVA will be notified on the customs declaration with an entry G in box 47e method of payment on SAD – C88
- No C79 VAT certificate will be issued for PVA
- A customs declaration will generate an online Monthly Postponed Import VAT Statement (MPIVS) that will act as evidence

C79 will continue to be produced where VAT is paid on importation

Other circumstances import VAT can be suspended or reduced

To facilitate the movement of goods into and out of the UK, a series of suspension regimes have been developed...

- Outward Processing Relief (OPR)
- Inward Processing Relief (IPR)
- End Use Relief
- Customs Warehouse (CW)
- Temporary Admissions Relief (TA)



Inward Processing Relief - IPR

- Goods that are imported into the UK to be subjected to a process and then re-exported
- VAT and duty are suspended for a period of time to allow the process to be applied
- VAT and duty will be charged if the goods are not re-exported within the timeframes agreed
- Approval required to use the scheme
- Duty/VAT suspension determined by use of Customs Procedure Codes (CPCs)

Outward Processing Relief - OPR

- Used for goods that originate in the UK and are temporarily exported outside the UK for processing or repair
- The subsequent re-importation of the processed/repared goods is then made free of duty or at a reduced amount
- Approval required to use the scheme
- Managed by use of Customs Procedure Codes (CPC)



Importing goods up to £135 – from January 2021

- The point at which VAT is collected moves from the point of importation to the point of sale
- UK supply VAT, rather than import VAT will be due
- Customs declarations and procedures will still be required
- What is included in the £135...
 - Selling price of goods exclusive of VAT
 - Doesn't include transport, insurance etc
 - Doesn't include other customs charges or taxes
 - Total value of consignment - not per item

Applies to both B2B and B2C supplies where goods are outside the UK at the time of purchase...

B2B supplies	B2C supplies
<ul style="list-style-type: none">• Where customer supplies VAT number to supplier or online marketplace (OMP) – customer accounts for VAT using reverse charge• VAT number must be supplied at time of purchase and invoice must include reverse charge reference	<p>Where goods are...</p> <ul style="list-style-type: none">• Sold via online marketplace (OMP) – OMP is responsible for collecting and accounting for VAT• Sold directly to UK consumers (no OMP) - overseas supplier will be required to register and account for UK VAT



VAT treatment of postal imports

- Items received by post or carrier from outside the UK
- Postal imports using Royal Mail
 - Consignments with a value exceeding £750 require SAD (C88) and VAT is payable to HMRC
 - Consignments with a value not exceeding £750 – VAT is paid on delivery and Royal Mail will issue a charge label
- Postal imports **not** using Royal Mail
 - Value over £750 requires SAD (C88)
 - Value less than £750 importer calculates VAT and enters in box 1 and 4 of the return

Session 4: Other considerations

Installed or assembled goods – pre 2021

- The place of supply was the country in which they are installed or assembled
- The overseas supplier would have to register in the country in which the goods are installed or assembled and charge local VAT
- EU simplification meant the supply could be zero rated and accounted for as reverse charge supply
- Notification had to be sent to the authority in the country prior to invoice being sent

- UK supplier installs goods for Polish customer in Poland
- Place of supply is Poland
- Simplification meant the UK company could notify Polish authorities and zero rate the supply instead of registering for VAT in Poland
- Polish customer would apply the reverse charge





Installed or assembled goods in 2021

- Simplification removed in 2021

- Place of supply is Poland
- UK company must register in Poland and charge Polish VAT



Transfer of own goods

- Applies generally to stock on sale or returned, consignment stock and call off stock
- If a UK business transfers its own goods or assets to a business in the EU this is normally a deemed supply
- Requires the business to account for VAT in the UK and register and account for VAT in the other member state
- In January 2020 there was a change to call-off stock (one of the EU quick fixes)...
 - An EU business could account for call-off stock as if a single transaction if customer calls off within 12 months
 - Removes need to register in destination member state



Call-off stock in 2021

- Simplification rules will no longer apply
- The supply is now an export not an EU sale
- UK supplier must obtain a VAT number in the member state where the call-off stock is held
- Import VAT and duty may be due
- Fiscal representative may be required in all members states where stock is held

Triangulation

What is triangulation?

- A chain of transactions involving 3 parties
- The goods pass from the first party to the last party in the chain via an intermediary supplier



EU simplification procedure for triangulation – pre 2021

- If intermediary and end customer are VAT registered and all 3 parties are in different EU countries
- EU intermediary can disregard sale for VAT purposes
- End customer accounts for acquisition VAT avoiding a need for registration member state of customer



Triangulation in 2021

- Simplification no longer available unless UK company has a registration in another EU country
- UK company registers in Germany - accounting for acquisition tax on EU supply of goods from Spain and German output VAT on onward supply to its customer





Session 5: VAT on goods between GB & NI

VAT on goods between GB and NI

- Supplier continues to charge VAT and include on invoices
- VAT accounted for as output VAT in box 1
- Customer can reclaim input VAT in box 4 subject to normal rules
- Small number of exceptions...
- Declared into special customs procedure when enter NI or GB
- Subject to domestic reverse charge
- Subject to Onward Supply procedure
- Under exception customer/importer accounts for VAT on UK VAT return

Intra-EU simplifications e.g. triangulation are available for goods movements between NI and the EU



Moving own goods between GB and NI

Goods from GB to NI	Goods from NI to GB
<ul style="list-style-type: none">• VAT accounted for on movement of own goods<ul style="list-style-type: none">– Included as output tax on VAT return• VAT may be reclaimed as input VAT if goods used for taxable sales• What about exempt or partially exempt use?<ul style="list-style-type: none">– Adjustment to partial exemption	<ul style="list-style-type: none">• No requirement to account for VAT• Unless subject to a sale or supply to customer

UK VAT groups involving NI

- Operate mostly as they currently do
- Supplies of goods between members – VAT usually not accounted for
- Where goods move from GB to NI within a VAT group, VAT due in same way as moving own goods
- Goods located in NI when supplied disregarded if members established in NI
 - If 1 or more only in GB VAT must be accounted for



Session 6: Administrative tasks

When do you complete an EC sales list?

- **ESL is not required for EU sales made from 1 January 2021**
- Previously you were sent an ESL if you made an entry in Box 8 of the VAT return
- You will have until 21 January 2021 to submit ESL for sales made before January 2021

What is intrastat?

- A method of collecting statistics on the movement of goods within the EU
- Currently required if arrivals > 1.5m and dispatches > 250K
- Dispatches: Not required for exports from GB to EU in 2021
- Arrivals: Is required for goods imported into GB from EU for whole of 2021
- Will be required for dispatches and arrivals involving NI
 - Goods imported into NI from EU for minimum of 4 years
 - Goods exported from NI to EU for minimum of 4 years



Which movements of goods are included on intrastat?

Included	Not included
<ul style="list-style-type: none">• Goods bought and sold• Returned goods• Stage payments• Transfers of own goods• Goods sent for or returned after processing• Goods supplied as part of a contract for services• Long-term hire (> 2 years)	<ul style="list-style-type: none">• Temporary movements of goods (<2 years)• Commercial samples provided free of charge• Goods in transit through the UK• Goods sent for or returned after repair• Transactions under £175 may be aggregated to commodity code 9950 0000



Session 7: International Services

What are international services?

- Supplies between two parties who belong in different countries
- May also include services relating to...
 - Performers
 - Transport
 - Intermediaries
 - Hire of transport
 - Catering
 - Work on goods

What supplies are international services?

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. Both the supplier and customer are outside the EU
4. The service takes place in another country to the supplier and customer



Supplies of international services in 2021

- VAT treatment of international services will continue to follow the 'Place of supply' rules
 - Dictates which country VAT is due
 - There can only be one place of supply
 - It is determined by applying general rules
- Supplies of services to EU customers generally treated the same way as those to customers outside the EU
- Therefore very little change in how VAT is accounted for on B2B supplies in 2021

How do you determine the place of supply?

1. Are you supplying to a business (B2B) or consumer (B2C)?
2. Where does your customer belong?
3. What type of service are you supplying?



What is a B2B and B2C supply?

1. Are you supplying to a business (B2B) or consumer (B2C)?

B2B	B2C
<ul style="list-style-type: none">• Business makes supplies of goods or services for a consideration• Those with a mix of business and non business activities are deemed to be business customers	Supplies to private individuals or to charities and government departments with no business activities

Evidence to support B2B supply:

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

What are the general rules?

B2C supplies

- The place of supply is where the **supplier** belongs

B2B supplies

- The place of supply is where the **customer** belongs



What do we mean by the term 'belongs'?

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

How does a business establishment differ from a fixed establishment?

- Business establishment
 - Principal place of business e.g. head office
 - Can only be one place
- Fixed establishment
 - Establishment other than the businesses establishment
 - Has technical and human resources to supply services
 - Can be several of them



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 services
 - Which establishment the services are consumed or enjoyed in
 - Which establishment is on contracts and invoices
 - Where the directors are
 - Where decisions that are linked to contracts are made

How do you determine the place of supply?

1. Are you supplying to a business (B2B) or consumer (B2C)?
2. **Where does your customer belong?**
3. What type of service are you supplying?

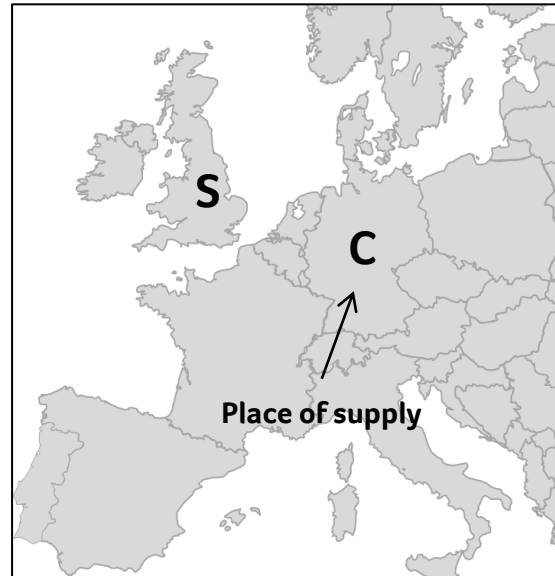
Are you supplying a **business** inside or outside the EU?

B2B supply to a customer inside the EU

B2B General Rule

- The place of supply is where the **customer** belongs

- The place of supply is Germany
- Outside the scope of UK VAT
- VAT is accounted for in Germany and the German customer applies the reverse charge

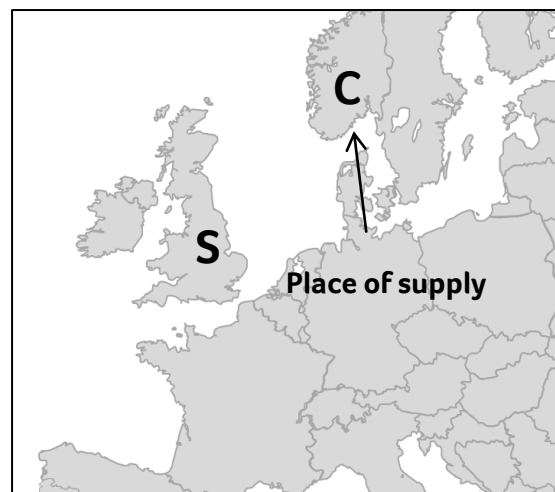


B2B supply to a customer outside the EU

B2B General Rule

- The place of supply is where the **customer** belongs

- The place of supply is Norway
- Outside the scope of UK VAT



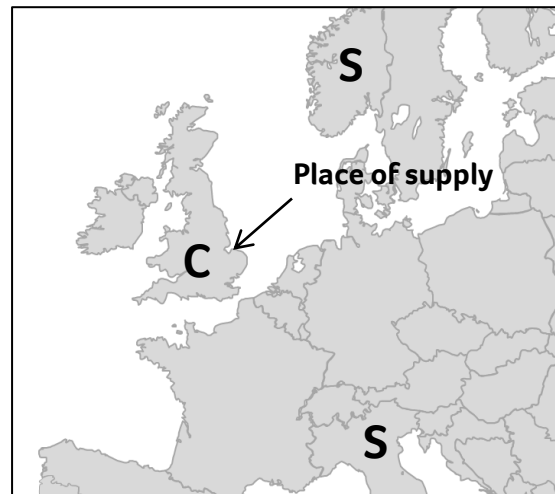


B2B supply from a supplier inside or outside the EU

B2B General Rule

- The place of supply is where the **customer** belongs

- The place of supply is the UK
- VAT is accounted for in the UK and the UK customer applies the reverse charge



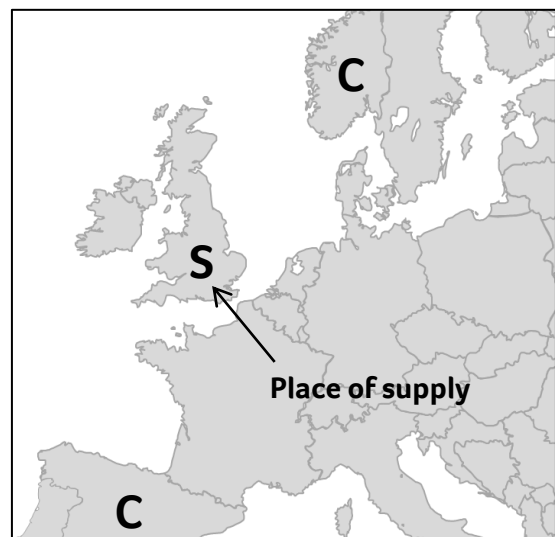
VAT treatment for B2C supplies

B2C General Rule

- The place of supply is where the **supplier** belongs

BUT there are many exceptions to this

- The place of supply is the UK
- VAT is accounted for in the UK and the UK supplier charges UK VAT





Session 8: The Reverse Charge

What is the reverse charge?

- The purpose of the reverse charge is to...
 - Counteract fraud
 - Simplify VAT
- There are different types of reverse charge...

Reverse charge on intra-Community trade	Reverse charge on imports	Domestic reverse charge
Only international supplies of services from 2021	Postponed import VAT accounting	

What is the reverse charge procedure?

- The **supplier** issues a reverse charge invoice
 - The supplier does not charge VAT
- It is the **customer's** responsibility to account for VAT
 - VAT is calculated at the rate applicable in the customer's country
 - The transaction is reported on the VAT return as an input and output

A trader making exempt and taxable supplies may not be able to include the whole VAT amount on the return

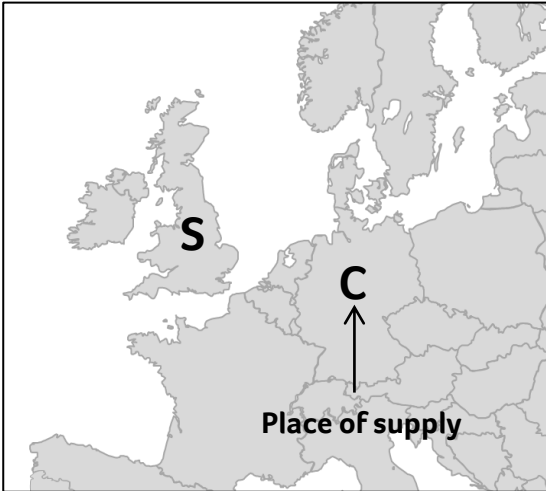


B2B supply to a customer inside the EU

B2B General Rule

- The place of supply is where the **customer** belongs

- The place of supply is Germany
- To avoid the need for the UK supplier to register in Germany the reverse charge mechanism can be applied



EU rules for reverse charge invoices

- The invoice should not include VAT
- It should include an indication that it is a reverse charge invoice e.g. *'this supply is subject to the reverse charge'*
- The invoice must include the customer's country code and VAT registration number

These are EU requirements – will not be a requirement from in 2021



How do you check the VAT number?

There are two ways to check a supplier's VAT registration number is valid...

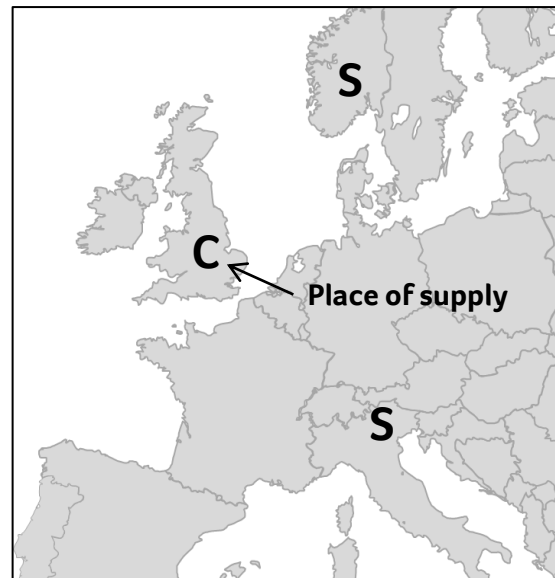
- Call the HMRC VAT Helpline
- Use the new online UK VAT number checker
www.tax.service.gov.uk/check-vat-number/enter-vat-details
 - Replaces the VIES - VAT Information Exchange System

B2B supply from a supplier inside or outside the EU

B2B General Rule

- The place of supply is where the **customer** belongs

- The place of supply is the UK
- VAT is accounted for in the UK and the UK customer applies the reverse charge





How does a UK company apply the reverse charge?

- UK customer receives a reverse charge invoice from supplier in the EU
- Calculate VAT on the invoiced amount
- Include the VAT amount in boxes 1 and 4 of the VAT return
- Include the invoiced amount in boxes 6 and 7 of the VAT return

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

When does the reverse charge not apply?

- If the supplier belongs in the country of supply
- Providing services to an overseas establishment of the same entity



Session 9: Exceptions to the general rules

How do you determine the place of supply?

1. Are you supplying to a business (B2B) or consumer (B2C)?
2. Where does your customer belong?
- 3. What type of service are you supplying?**

Appointment of Fiscal Representatives

- From 1 January 2021 Fiscal Representation may be required in EU
- Any UK business registered for VAT in an EU member state where not resident may have to appoint a Fiscal Representative
- Will entail compliance costs and need for a bank guarantee as jointly liable
- Each member state has its own rules

Land Related Services

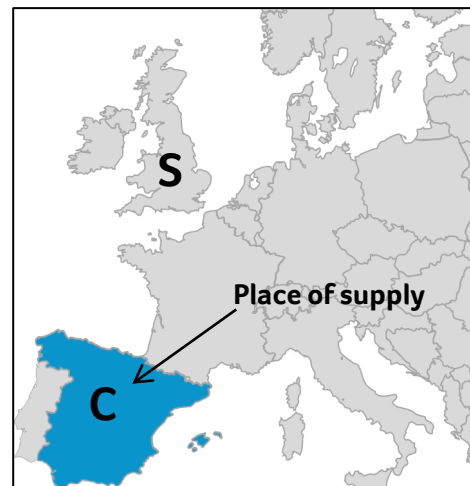
What are land related services?

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

Where is the place of supply for land related services?

The place of supply is where the land is situated

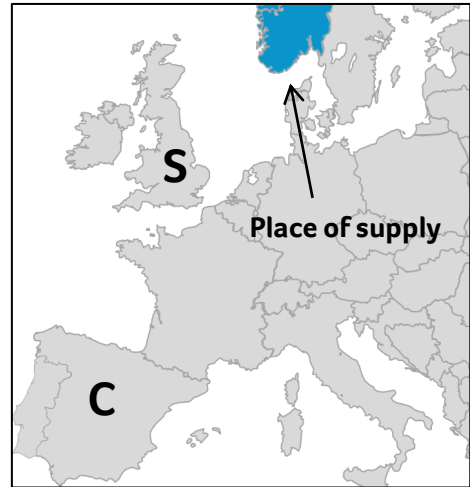
- If customer is VAT registered reverse charge applies
- If customer is not VAT registered the supplier must register and charge Spanish VAT



Where is the place of supply for land related services?

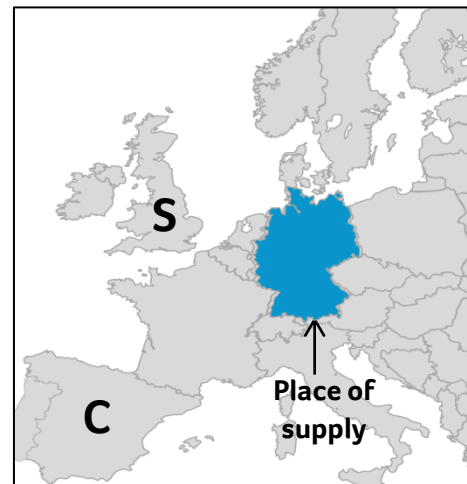
The place of supply is where the land is situated

- If the land is outside the EU the supply is outside the scope of EU VAT
- Supplier should take advice to determine if any domestic taxes are due



The place of supply is where the land is situated

- Place of supply is Germany
- Supplier must register in Germany and charge German VAT





Education, Entertainment and Exhibition Services

What are education, entertainment and exhibition services?

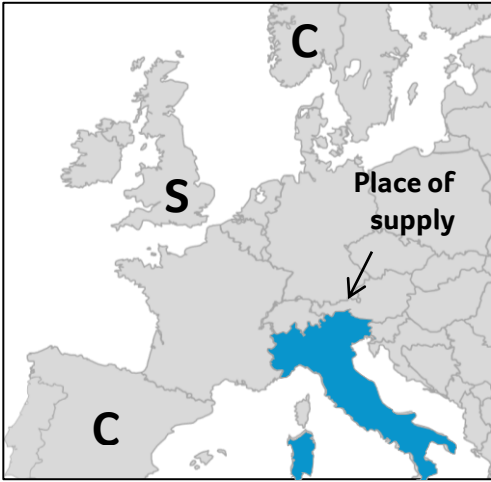
- The right to participate in an exhibition
- Education and training services
- Services of an actor or singer
- Oral interpreters

For B2B supplies the general rule applies

Where is the place of supply of services related to education and entertainment?

For B2C supplies, the place of supply is where the activity takes place

Supplier would have to register in Italy and charge Italian VAT



Admission Services

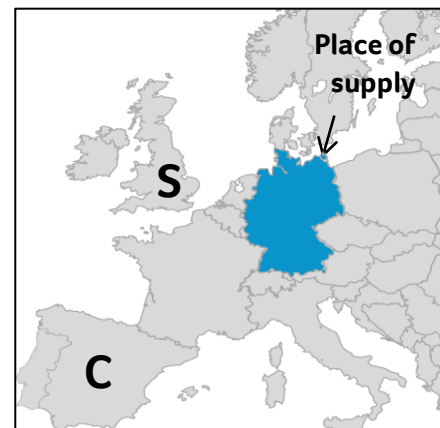
What are admission services?

- Admission to cultural, artistic, sporting, scientific, educational, entertainment or similar events
 - E.g. exhibitions and trade fairs
- Admission is usually the grant of entry to an event in exchange for payment
- This includes subscriptions and periodic fees
- Includes services directly connected with the admission to an event e.g...
 - Cloakroom services
 - Toilet facilities
 - Services of a ticket agent acting in their own name

Where is the place of supply of admission services?

The place of supply is where the event takes place

- The supplier would have to register in Germany and charge German VAT
- The reverse charge may apply if every customer was registered in Germany





Event V electronically or digitally supplied services

- Webinars and other online services are only 'events' if they are accessible live
- Recorded or 'on-demand' webinars are digital services and are not events

Intangible Services

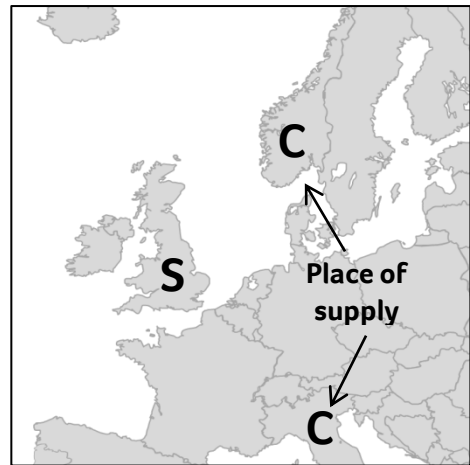
What are intangible services?

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



Where is the place of supply for intangible services?

- The place of supply for B2C supplies made to a customer outside the EU is where the customer belongs and outside the scope of EU VAT
- This extends to EU customers from 1st January



Other supplies follow the general rule

Digital services

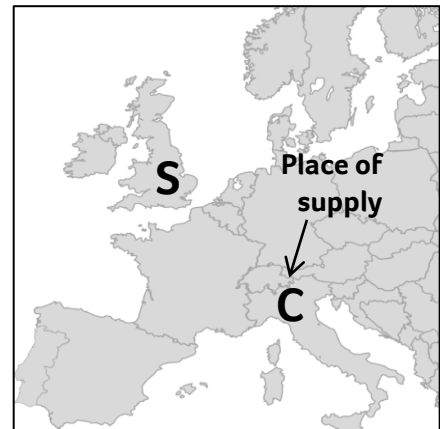
What are digital (BTE) services?

- **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



How did the rules for digital services change?

- The place of supply for **B2C supplies** is where the **customer** belongs
- The supplier may have to register in the customer's country and charge VAT
- Businesses can avoid registering by applying for the Mini One Stop Shop (MOSS)



B2B supplies follow the general rule

What is the Mini One Stop Shop (MOSS)?

- An online service available to EU businesses and non-EU businesses
- Businesses make payments through the online portal and the authorities administer the VAT on your behalf
- UK businesses have 2 options for claims in 2021...
 - Register in another EU member state for the non-EU MOSS system and submit single VAT MOSS return
 - Register in each EU country where they supply electronic services locally
- Non-UK businesses selling electronic services into the UK will have to register for UK VAT



EU use and enjoyment rules

- Use and enjoyment rules ensure certain services are taxed where the service is used and enjoyed
- UK businesses supplying services to the EU are now treated as a 3rd country
- Use and enjoyment rules in each member state will apply
- The rules differ on a country by country basis
- May require UK supplier to register and account for local VAT in EU
- Similarly, EU businesses supplying services such as telecommunications, hired goods and hired means of transport may be obliged to register in UK

Reclaiming VAT on financial service supplies

- Extension of specified rules from 1st January 2021
- Some UK businesses supplying specified financial services such as insurance may benefit
- UK businesses supplying specified supplies into the EU will be able to reclaim input VAT in relation to those supplies
- Aligns with current treatment of supplies to countries outside of EU



Other exceptions

Passenger transport	<ul style="list-style-type: none">• Place of supply where transport takes place
Freight transport	<ul style="list-style-type: none">• Supplies wholly outside the EU – outside the scope• B2C supplies in the EU - where the journey starts• Mix of EU and non-EU – apportionment
Hire of transport	<ul style="list-style-type: none">• Short term hire taxed where vehicle put at customer’s disposal• Long term hire for B2C – where the customer belongs• Long term hire for B2B follows the general rule
Intermediary	<ul style="list-style-type: none">• B2C supplies taxed where underlying supply takes place• B2B supplies follow the general rule
Work on goods	<ul style="list-style-type: none">• B2C supplies taxed where the work is carried out• B2B supplies follow the general rule



Session 10: Reclaiming VAT on expenses in the EU

Can a business reclaim VAT on expenses incurred in another EU country?

- Yes, if the business has no establishment in that country
- Input tax on certain supplies may be blocked
- You submit an electronic claim to HMRC
- The claim is then transmitted to the tax authorities in the other country
- Claims must be submitted within 9 months from the end of the calendar year
- They must be processed within 4 months and then paid within 10 working days
- Interest may be received

EU VAT refunds after 1 January 2021

- You can't use the EU VAT refund system for expenses incurred in the EU after 1 January 2021
- You can use the EU VAT refund system to claim expenses incurred in EU member states before 1 January 2021 until **1pm on 31 March 2021**
- Each member state has its own process for refunding VAT to businesses outside the EU – these are detailed in the European Commission website
- You will still be able to view and amend your previous claims until 31 January 2022



Session 11: VAT return and case study

Recap – What is included in box 8 of the VAT return?

- Supplies of goods and related costs, excluding VAT to EU member states on or before 31 December 2020
- Supplies of goods and related costs, excluding VAT from NI to EU member states made from 1 January 2021

Recap – What is included in box 9 of the VAT return?

- Acquisitions of goods including related costs excluding VAT from EU member states on or before 31 December 2020
- Acquisitions of goods including related costs excluding VAT from EU member states to NI made from 1 January 2021
- Intrastat declarations still required for a year to 31 December 2021 at least



Case study

Summary of sales and purchases made during the first VAT quarter of 2021

SALES	£	VAT
Standard rated business sales to UK customers	496,000	99,200
Goods sold to business customers in America	25,000	
Goods sold to business customers in France	30,000	
Postal exports	200	
E books to consumers:		
Germany	2,500	
France	5,750	
Spain	1,250	
Consultancy services to consumer in		
Portugal	5,000	1,000
Poland	3,000	600
Lithuania	2,000	400
Consultancy services to businesses in		
Germany	15,000	
Italy	5,000	
Switzerland	50,000	
	640,700	101,200
 PURCHASES		
Standard rated purchases of goods from UK suppliers	442,000	88,400
Purchase of goods from Germany	83,000	16,600
Purchases of goods from suppliers in Japan	60,000	12,000
Postal imports from America by Fedex	2,000	400
Consultancy services from:		
USA	5,000	1,000
France	5,000	1,000
	597,000	119,400



How should this be presented on the VAT Return?

VAT due on sales and other outputs	1	
VAT due on acquisitions from other EC Member States	2	
Total VAT due	3	
VAT reclaimed on purchases and other inputs	4	
Net VAT to be paid to HMRC or reclaimed by you	5	
Total value of sales and other outputs excluding VAT	6	
Total value of purchases and other inputs excluding VAT	7	
Total value of all supplies of goods excluding VAT to other member states	8	
Total value of all acquisitions of goods excluding VAT from other member states	9	

What amount would appear in box 1 of the VAT Return? _____

What amount would appear in box 2 of the VAT Return? _____

What amount would appear in box 4 of the VAT Return? _____

What amount would appear in box 6 of the VAT Return? _____

What amount would appear in box 7 of the VAT Return? _____

What amount would appear in box 8 of the VAT Return? _____

What amount would appear in box 9 of the VAT Return? _____



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