

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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Programme

Day 1

Introduction to International Trade

International Services

Reverse Charge Procedure

Exceptions to the General Rules

Day 2

EU Sales and Acquisitions

Installation and Assembly

Triangulation

Exports & Imports

EC Sales List

Intrastat

Case Study

Day 1 & 2

The room will open from **13:15**

The course will commence at **13:30**

The course will close by **16:30**

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UK VAT and International Trade – The Complete Guide

This book will be a useful source of information
for you to refer to after the course.

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Session 1: An Introduction to International Trade

WHAT IS VAT?

- It is a European tax
- It is a tax on consumer purchases
- It is levied on the value additions at each stage of production

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

Impact of Brexit

As part of the withdrawal agreement the UK and EU entered a transition period

WHAT IS THE BREXIT TRANSITION PERIOD?

- As part of the withdrawal agreement the UK and EU entered a transition
- No immediate change in rights, procedures and taxes between the two
- Current rules on trade, travel and business for the UK and EU will continue to apply until the period ends at the end of 2020
- Goods exported from the UK to the EU will still have to apply EU rules and regulation, even though the UK is no longer a member state



HOW LONG WILL THE TRANSITION PERIOD BE?

- The transition period ends on the 31st December 2020
- It could be extended if the UK and EU agree on an extension
- During the transition period, negotiators from the UK will meet with EU negotiators to decide what kind of trade relationship to have when the period ends

WHAT HAPPENS AFTER THE TRANSITION PERIOD?

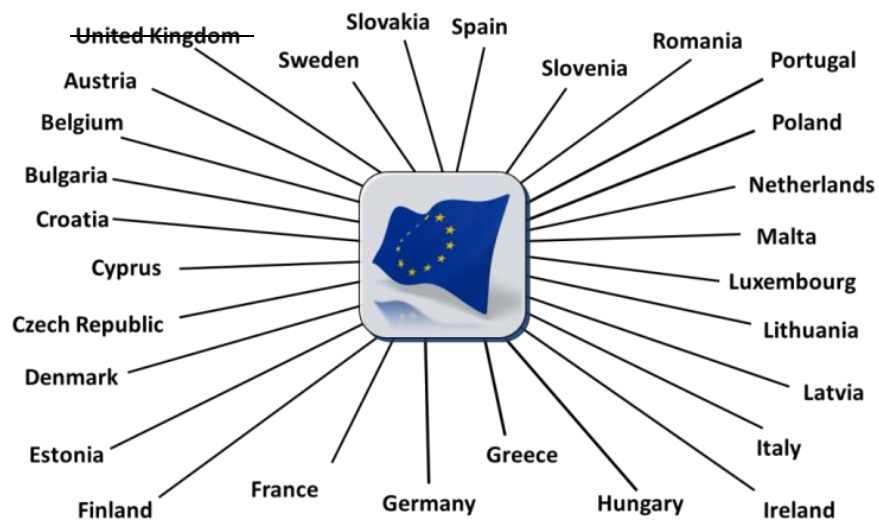
- The new rules that the UK and EU agree will take effect and Brexit in its current form will come to an end
- The UK will have exited the European Union as a member state and will no longer be subjected to EU law and regulation
- If UK and EU negotiators fail to agree and implement a deal
 - They have the option to extend transition,
 - Or the UK will exit the transition period without a deal
 - The UK would begin trading on WTO (World Trade Organisation) terms with the EU
- Transition period is allowed to be extended by 12 or 24 months under terms of the withdrawal agreement



IS THIS THE SAME AS A 'NO-DEAL BREXIT' IN MARCH OR OCTOBER 2019?

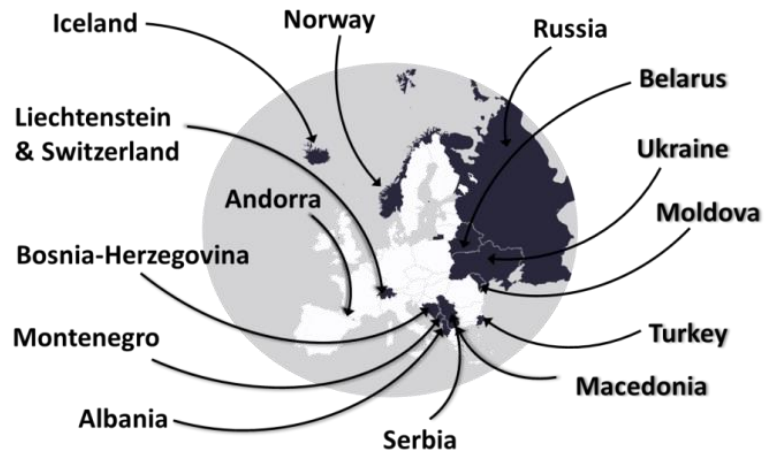
- No it is not the same as leaving the EU without a deal
- The withdrawal agreement retains rights and keeps the UK committed to the settlement
- Northern Ireland trade is also protected by the agreement

WHICH COUNTRIES ARE IN THE EUROPEAN UNION?





WHICH EUROPEAN COUNTRIES ARE NOT IN THE EUROPEAN UNION?



WATCH OUT FOR SOME ANOMALIES...

- **Channel Isles** - Not part of UK or the EU for VAT purposes
- **Canary Islands** - Spanish sovereignty but outside EU
- **Heligoland** - German territory but not in the EU



Session 2: International Services

WHAT IS A SUPPLY FOR VAT PURPOSES?

- A supply of goods involves the transfer of the title to goods
- Anything done for a consideration which is not a supply of goods is a supply of services
- Services for no consideration are not supplies for VAT purposes

Brexit

- The supply of services to EU customers will be treated in the same way as those to customers outside the EU
 - VAT treatment will continue to follow the 'Place of supply' rules
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WHAT ARE INTERNATIONAL SERVICES?

- Supplies between two parties who belong in different countries.
 - May also include services relating to...
 - Land
 - Performers
 - Transport
 - Intermediaries
 - Hire of transport
 - Catering
 - Work on goods
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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. The service takes place in another country

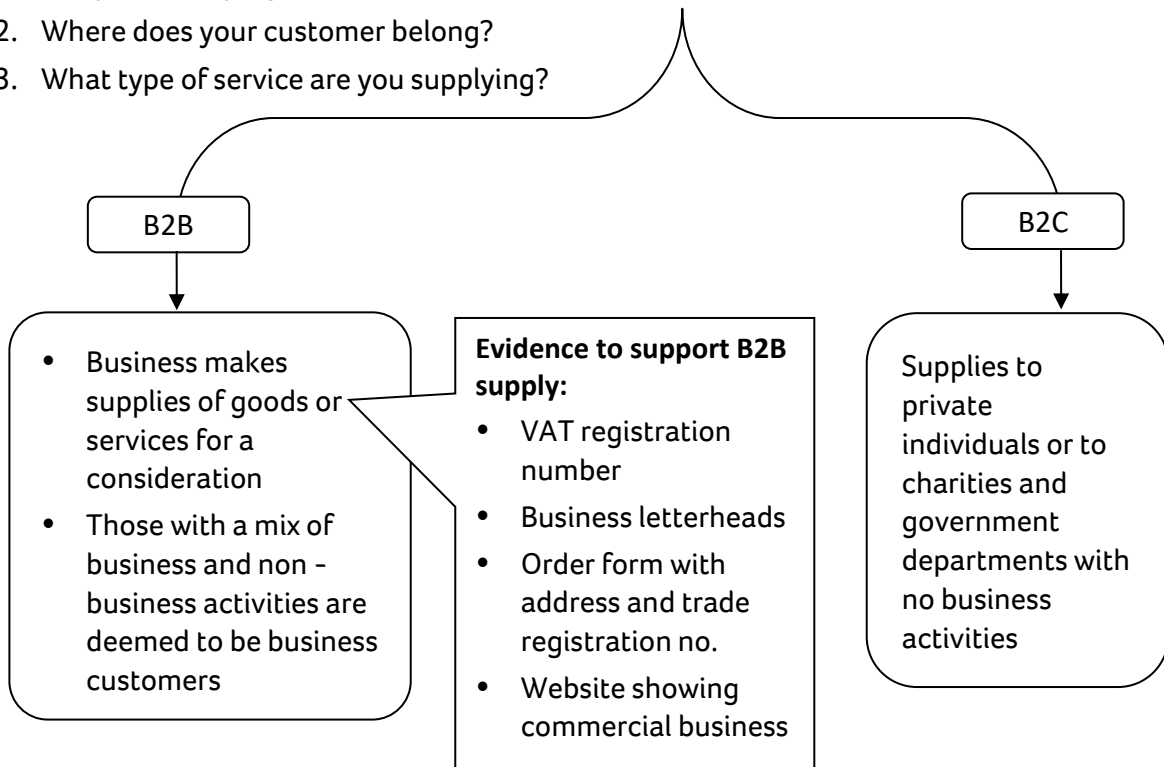
WHAT IS THE PLACE OF SUPPLY?

- It dictates which country VAT is due
- There can only be one place of supply
- It is determined by applying 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?





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 business 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?

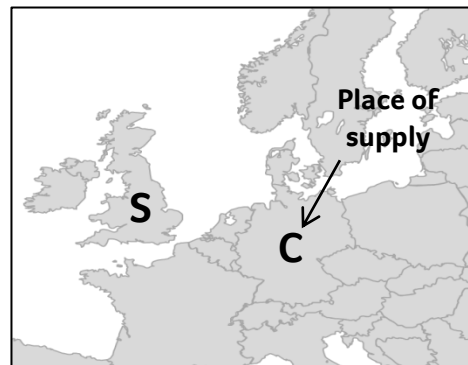
Are you supplying a business inside or outside the EU?

HOW DO YOU DEAL WITH A B2B SUPPLY WITHIN THE EU?

B2B General Rule

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

In this example the place of supply is Germany



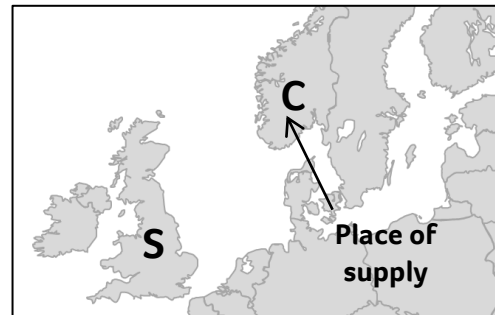


HOW DO YOU DEAL WITH A B2B SUPPLY TO A COUNTRY OUTSIDE THE EU?

B2B General Rule

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

In this example the supply is outside the scope of EU VAT

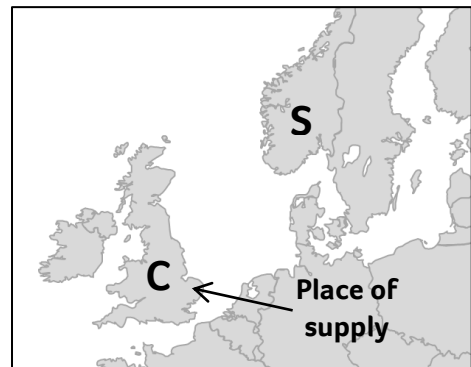


HOW DO YOU DEAL WITH A B2B SUPPLY FROM OUTSIDE THE EU?

B2B General Rule

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

In this example UK VAT applies





Session 3: The Reverse Charge

WHAT IS THE PURPOSE OF THE REVERSE CHARGE?

- Counteracting fraud
- Simplifying VAT

TYPES OF REVERSE CHARGE?

- **Reverse charge on intra-Community trade**
Goods Vs Services
- **Reverse charge on imports**
Postponed import VAT accounting
- **Reverse charge on triangulation by party C**
Standard across EU
- **Domestic reverse charge...**



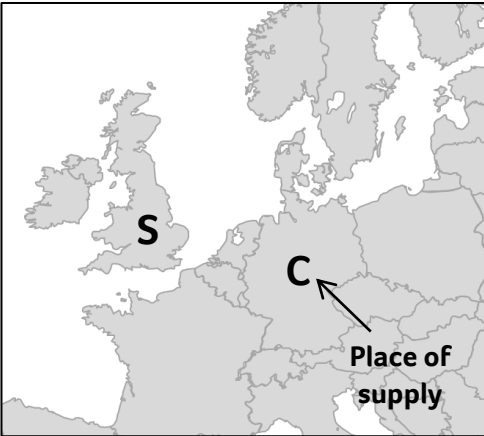
HOW DO YOU DEAL WITH A B2B SUPPLY WITHIN THE EU?

B2B General Rule

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

• In this example 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



WHAT IS THE REVERSE CHARGE PROCEDURE?

- The **supplier** sends 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



WHERE THE REVERSE CHARGE APPLIES, ARE THERE SPECIAL RULES FOR INVOICES?

- The invoice should not include VAT
- There should be an indication that it is a reverse charge invoice
 - a UK invoice to a business in another EU country should carry the words, 'this supply is subject to the reverse charge' or similar
- The invoice must include the customer's country code and VAT registration number

HOW DO YOU CHECK THE VAT NUMBER?

- Europa website
 - http://ec.europa.eu/taxation_customs/vies/
- VAT notice 725, Para 16.19

See EU quick fixes mandatory use of VAT numbers – page XXX

THE REVERSE CHARGE PROCESS:

- UK customer receives a reverse charge invoice from supplier in Ireland
- 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?

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



Session 4: Exceptions to the general rules

HOW DO YOU DETERMINE THE PLACE OF SUPPLY?

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

Land Related Services

WHAT ARE LAND RELATED SERVICES?

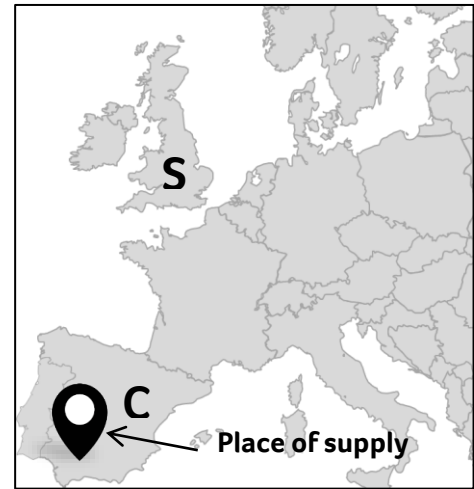
- Construction work
- Estate agents' and surveyors' services
- Hotel accommodation
- Valuation of property
- Oil, gas and mineral exploration
- Property management services



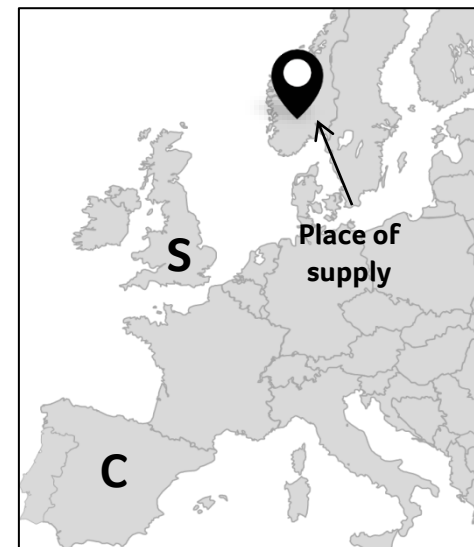
WHERE IS THE PLACE OF SUPPLY FOR LAND RELATED SERVICES?

The place of supply is where the land is situated

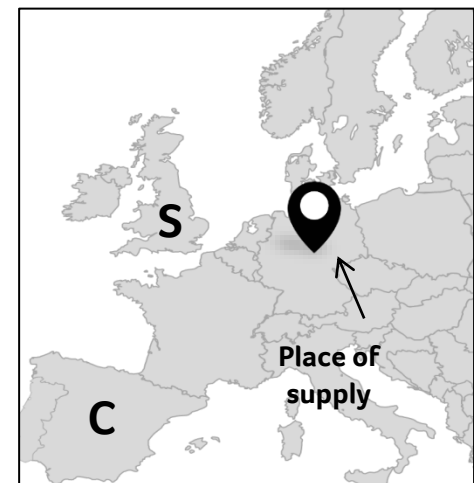
- If customer is VAT registered reverse charge applies
- If customer is not VAT registered the supplier must register and charge Spanish VAT



If the land is outside the EU the supply is outside the scope of EU VAT



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



Transport Services

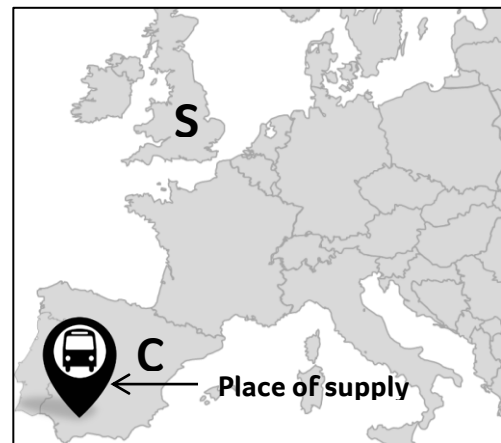
WHAT ARE PASSENGER TRANSPORT SERVICES?

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

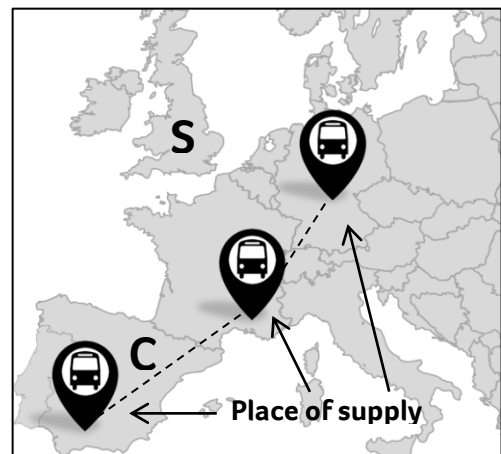
WHERE IS THE PLACE OF SUPPLY PASSENGER TRANSPORT SERVICES?

The place of supply is where the transportation takes place

If transport takes place in one country the supplier must register and charge VAT in that country



If transport takes place in a number of countries the reverse charge may apply or the supplier may have to register in all countries





WHAT ARE FREIGHT TRANSPORT SERVICES?

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

WHERE IS THE PLACE OF SUPPLY FOR B2B FREIGHT TRANSPORT SERVICES?

- For supplies within the EU the general rule applies
- For supplies where the transport takes place wholly outside the EU it is outside the scope

WHAT RATES OF VAT ARE CHARGEABLE ON FREIGHT TRANSPORT?

- Transport within the UK or EU is standard rated
- Transport leaving or entering the EU is zero rated



WHERE IS THE PLACE OF SUPPLY FOR B2C FREIGHT TRANSPORT SERVICES?

- The place of supply is where the transport takes place
- ...but for intra-EU supplies the place of supply is where the journey starts

The journey ends outside the EU - The place of supply is where the journey takes place – VAT may be apportioned

Intra EU supplies start and end in an EU country (even if they pass through a non-EU country)



The place of supply is where the journey starts – the UK.
UK VAT is charged.



WHAT ARE HIRE OF TRANSPORT SERVICES?

- Car hire
- Self-drive van hire
- Yacht hire

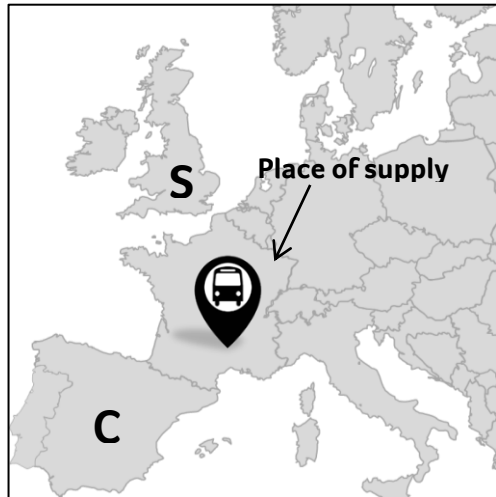


WHERE IS THE PLACE OF SUPPLY FOR TRANSPORT HIRE SERVICES?

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

- If the customer is VAT registered the reverse charge applies
- If the customer is not VAT registered the supplier will have to register and charge VAT in the country where the vehicle is put at the customer's disposal

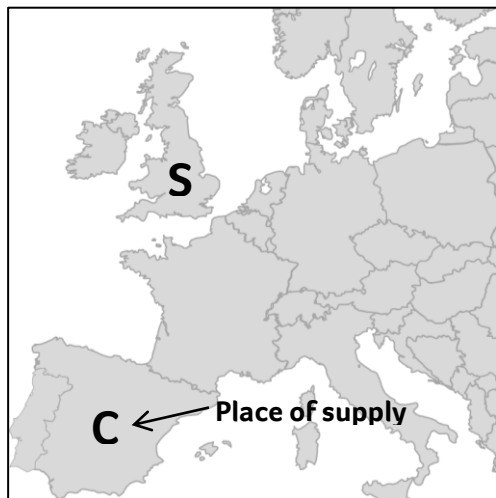
- Short term hire:
- Up to 30 days
 - Up to 90 days for vessels



WHERE IS THE PLACE OF SUPPLY FOR TRANSPORT HIRE SERVICES?

For long-term hire...

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





Education, Entertainment and Exhibition Services

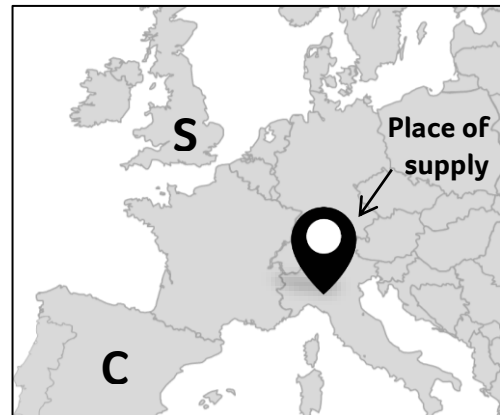
WHAT ARE EDUCATION, ENTERTAINMENT AND EXHIBITION SERVICES?

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

WHERE IS THE PLACE OF SUPPLY OF SERVICES RELATED TO EDUCATION, ENTERTAINMENT AND EXHIBITIONS?

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

Supplier would have to register in Italy and charge Italian VAT



- B2B supplies the general rule applies



Admission Services

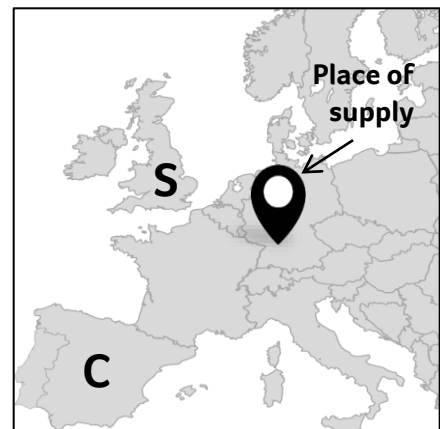
WHAT ARE ADMISSION SERVICES?

- Admission to cultural, artistic, sporting, scientific, educational, entertainment or similar events such as exhibitions and trade fairs
- Admission is usually the grant of entry to an event in exchange for payment
- This includes subscriptions and periodic fees

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





SERVICES CONNECTED WITH ADMISSION TO AN EVENT...

- Services directly connected with the admission to an event are taxed where the event takes place
- Examples include:
 - Cloakroom services
 - Toilet facilities
 - Services of a ticket agent acting in their own name

WHAT SERVICES ARE NOT CONNECTED WITH ADMISSION TO AN EVENT?

- Services of a ticket agent not acting in their own name
- Services of presenters, lecturers, performers etc.
- Services of an organiser who is not charging for the admissions
- Lighting, sound facilities engineers
- Caterers (place of supply is where the food is consumed)

EVENT V ELECTRONICALLY/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



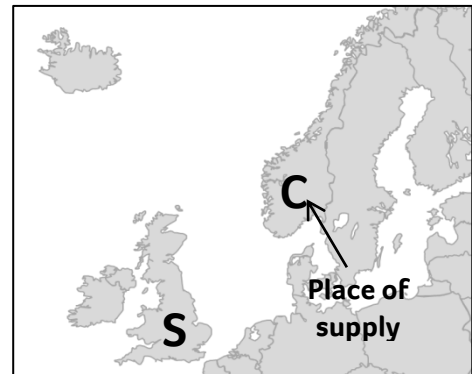
Intangible Services

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
- Other supplies follow the general rule





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

HOW ARE THE RULES FOR BTE SERVICES CHANGING?

- BTE services were previously treated as intangible services
- From **1st January 2015** the place of supply for supplies to **non-business customers** is where the customer belongs
- The supplier may have to register in the customer's country and charge VAT

Brexit

UK businesses supplying B2C in the EU – the place of supply continues to be where the customer resides



HOW CAN YOU AVOID REGISTERING IN MULTIPLE COUNTRIES?

The Mini One Stop Shop (MOSS)

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

Brexit

- Businesses will no longer be able to use the UK MOSS scheme
 - They will have to register with a MOSS non-union scheme or register for VAT in each member state where sales are made
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FURTHER CONSIDERATIONS...

- How do you confirm you are supplying a non-business customer?
 - How do you determine your customer's location?
 - What if you sell via a third party? – Who is making the final supply?
 - Pricing issues – universal or variable?
 - Operational issues – can your systems cope?
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Intermediary Services

WHAT ARE INTERMEDIARY SERVICES?

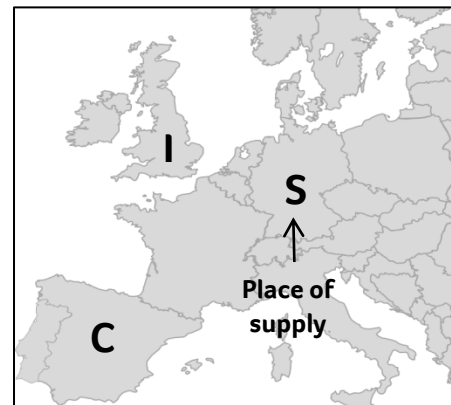
An intermediary arranges supplies between two other parties and can be referred to as:

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

WHERE IS THE PLACE OF SUPPLY FOR INTERMEDIARY SERVICES?

- B2C supplies are taxed in the country where the underlying supply is deemed to take place

The UK intermediary would have to register in Germany and charge German VAT



- B2B supplies follow the general rule



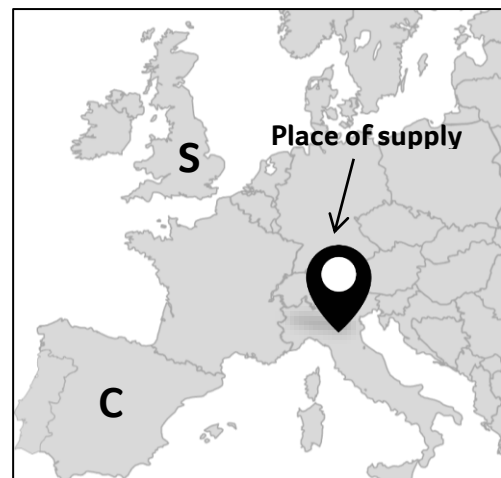
Work on goods

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

WHERE IS THE PLACE OF SUPPLY FOR WORK ON GOODS OR VALUATION OF GOODS?

- For B2C supplies are taxed where the work is carried out



- For B2B supplies the general rule applies

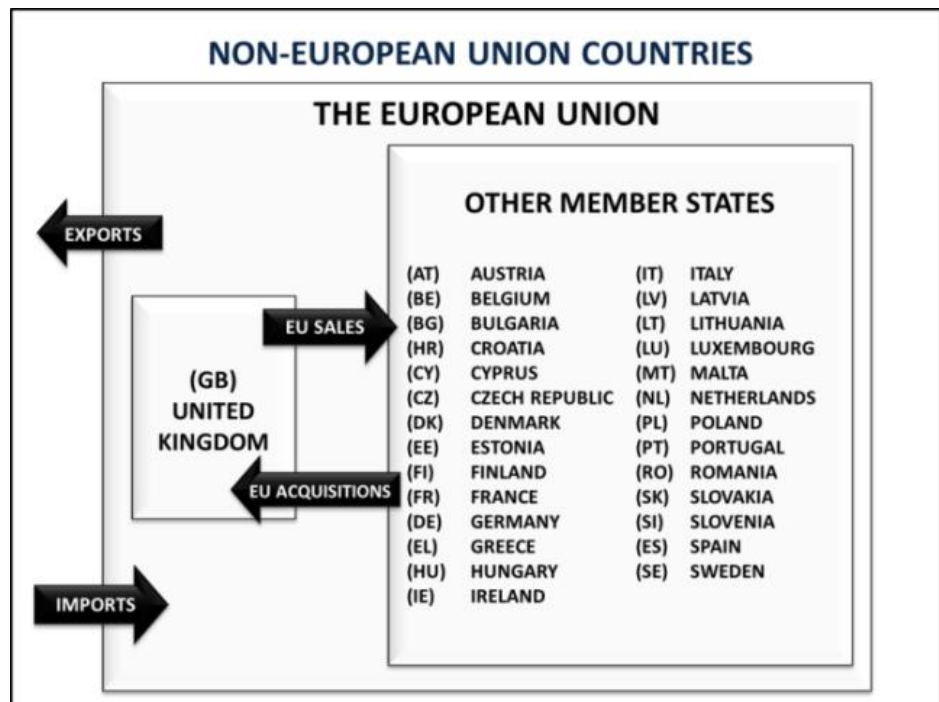


Session 5: International Trade of Goods

WHAT ARE GOODS AND SERVICES?

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

PRE BREXIT...





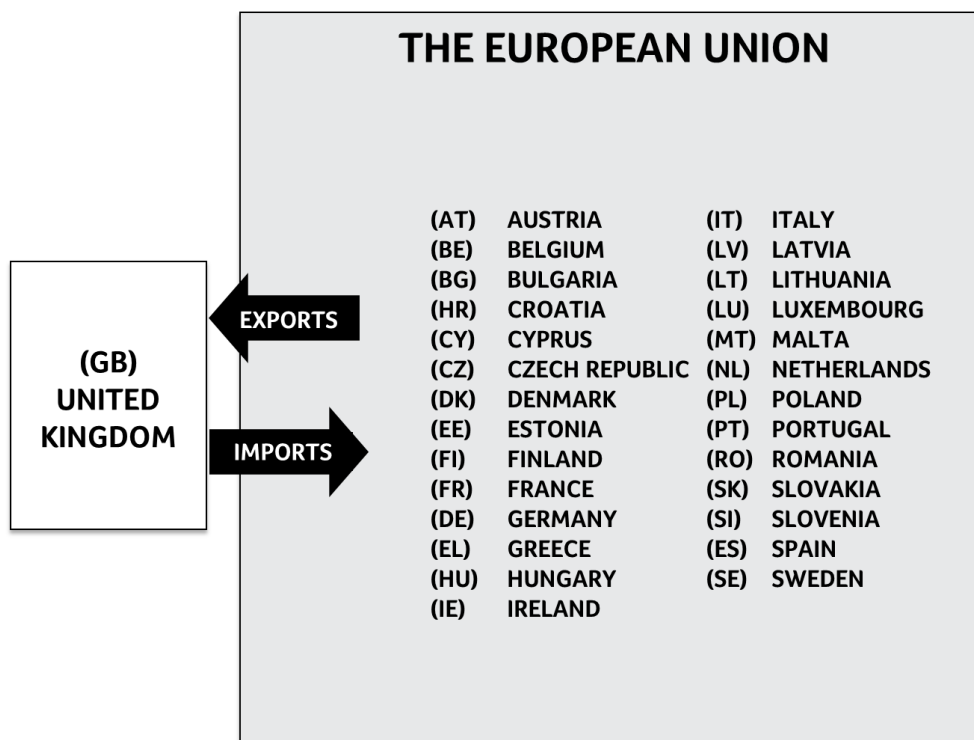
TRANSITION PERIOD

- UK remains in the EU VAT area, Single Market and Customs Union
- UK continues to apply EU law during this period

Post transition (probably 2021)

- UK leaves EU VAT area
- All goods movements become imports/exports
- Subject to UK/EU import VAT

NON-EUROPEAN UNION COUNTRIES





WHAT IS THE VAT TREATMENT OF AN EU SALE?

- EU sales are zero rated subject to the following:
 - 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 are not met, UK VAT must be charged

WHAT IS THE VAT TREATMENT FOR THE TRANSFER OF OWN GOODS TO AN EU COUNTRY?

- The business should be VAT-registered in the country of destination
- Otherwise UK VAT may be due
- You would not register for VAT in the country of destination when:
 - you dispose of goods that are no longer forming part of the business assets; and
 - there is a temporary movement of goods



EU 4 quick fixes

WHY ARE THE 4 QUICK FIXES INTRODUCED 1st JANUARY 2020?

- Part of the EU VAT Reform taking place in July 2022
- Changing to a system of VAT being applied in the country of consumption rather than the country of supply
- The fixes are designed to simplify the VAT rules for B2B EU cross-border supplies of goods
- The fixes address the areas causing most confusion and disputes between tax authorities
- They are intended to harmonise VAT treatment throughout the EU

WHAT DO THE 4 QUICK FIXES ADDRESS?

- Simplified treatment for **call-off stock**
- Uniform rules for EU cross-border **chain transactions**
- Mandatory **VAT identification number** for intra-Community supplies
- **Proof** of EU cross-border movements of goods



WHAT IS CALL-OFF STOCK?

Call-off stock...

- A supplier delivers goods to the premises of a customer or other third-party location
- The title of the goods is **not** transferred to the customer until the customer uses or sells the goods

WHAT WAS THE TREATMENT OF CALL-OFF STOCK?

Previously...

- Deemed to be a self-supply in that member state
- Generally requires the supplier to register for VAT in the customer's country
- Although some EU countries had applied simplifications, they were not uniform

HOW IS THE TREATMENT OF CALL-OFF STOCK CHANGING?

Call-off stock arrangements are to be treated as:

- A single exempt supply in the member state of dispatch
- A single intra-EU acquisition in the member state where the stock is subsequently held

Subject to conditions this removes the need for the supplier to register for VAT in the customer's country



WHAT CONDITIONS NEED TO BE MET?

- The goods are despatched by a taxable supplier to a taxable customer in another member state
- The supplier is not VAT registered in the customers member state
- The supplier knows the customer's identity and VAT registration number
- The rules cease to apply
 - If the goods are not called off within 12 months
 - If the goods are supplied to a different person other than the original customer

The supply is recorded on the EC Sales list

WHAT IS A CHAIN TRANSACTION?

- This occurs when there are successive supplies of the same goods between several parties
 - The goods are shipped directly from the from the first supplier to the final customer in the chain
 - This involves at least 3 companies (but often more)
 - The goods must be transported from one Member State to another
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WHY IS THE TREATMENT OF CHAIN TRANSACTIONS CHANGING?

- Previously ECJ rulings have dictated that only one supply could benefit from VAT exemption
 - This has led to confusion as to which transaction in a chain can be treated as the intra-community supply
 - The aim is to achieve a more consistent approach in such circumstances
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HOW ARE CHAIN TRANSACTIONS CHANGING FROM 1ST JANUARY 2020?

- The default position is that the intra-community supply is the supply to the person in the chain who arranges for the goods to be moved
- All supplies leading up to and including the intra-community supply are then treated as being made in the member state of destination
- Subject to conditions

WHAT ARE THE CONDITIONS?

- The intermediary communicates the name of the member state to which the goods are to be delivered to the supplier
- The intermediary communicates to the supplier the VAT registration number that has been granted to the intermediary by the member state from which the goods are to be despatched



VAT IDENTIFICATION NUMBER FOR ZERO RATING - WHAT IS CHANGING?

- ECJ rulings have identified a 'formal' need to identify the VAT registration of customers in order to zero rate an intra EU supply
- Many court decisions have accepted alternative evidence
- Making it a 'substantive' requirement means that without the valid VAT registration number the supply cannot be zero rated
- The supply **must** be included on the relevant periods EC sales list in order to qualify for zero rating
- In practice there will be little change for most UK businesses

PROOF OF EU CROSS BORDER MOVEMENTS OF GOODS – WHAT IS CHANGING?

- Currently rules on evidence to prove an intra-EU supply differ between Member States
- The quick fix introduces a consistent set of rules
- Suppliers must now produce 2 items of non-contradictory evidence
- The evidence must come from 2 independent parties
- If the acquirer is responsible for transport, they will need to provide the vendor a written statement of that fact
- Acceptable forms of evidence are set out in the regulations



WHAT IF THE CUSTOMER ARRANGES TRANSPORT?

The customer must supply a written statement stating:

- That the goods in question have been transported by or on behalf of them
- The Member State to which the goods are destined and other information about the transport
- Two items of non-contradictory evidence in a similar manner that a supplier would do if they had arranged the transport

WHAT IS DISTANCE SELLING?

- A VAT registered supplier in one member state sells goods and arranges delivery to a non-registered customer in another member state

ARE DISTANCE SALES ZERO RATED?

- No, if you are within the distance selling threshold for the other member state you charge the appropriate rate of VAT in your own country
- If you exceed the distance selling threshold you must register for VAT in that country and charge the local rate of VAT



WHAT ARE THE DISTANCE SELLING THRESHOLDS?

- The most common threshold is €35,000
- Notable exceptions are Germany, Luxembourg and the Netherlands where the threshold is €100,000
- Countries outside the Euro-zone have their own specific thresholds

Impact of Brexit

- Goods subject to import VAT
 - UK businesses may consider immediate registration in Europe
 - EU suppliers selling to UK below €70K threshold may need to register in UK
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SHOULD YOU BE CHARGED INPUT TAX ON EU ACQUISITIONS?

- They are **zero-rated** by supplier in other member state given that you provide your valid VAT registration number and all of the other conditions have been met
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WHAT IS ACQUISITION VAT?

- You calculate VAT on the sterling value of the acquisition
 - Include in box 2 of the VAT Return
 - Add to Box 4 so it has a nil net effect on VAT paid
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IS A SUPPLY OF INSTALLED OR ASSEMBLED GOODS ZERO-RATED?

- Installed or assembled goods are treated as supplied in the country in which they are installed or assembled
- The overseas supplier charges UK VAT where the goods are installed or assembled in the UK
- But it can still be zero-rated with prior notification to HMRC

WHAT IS TOOLING?

- Machine tools used to manufacture other goods
 - jigs, patterns, templates, moulds etc.
- The supply of tooling could be a supply of goods or services depending on whether the user will take possession of the tooling at any time

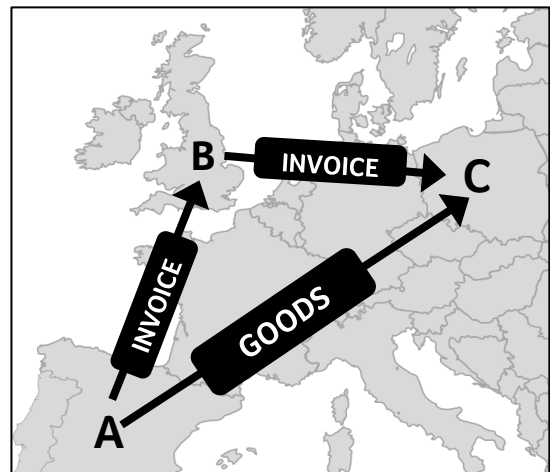


WHAT IS A SUPPLY OF TOOLING?

- Where the user takes possession it is a supply of **goods** and the usual intra-EU rules apply
 - Where goods are moved outside the UK, the tooling producer will have a movement of own goods and may be required to register for VAT in the member state where the customer is located
 - If the tooling is likely to be removed back to the UK within 2 years (e.g. for upgrading etc.) the supply may be covered by the temporary movement of goods rules
- Where the producer of the tooling retains the title and provides a licence to the user for use, it is a supply of **services**

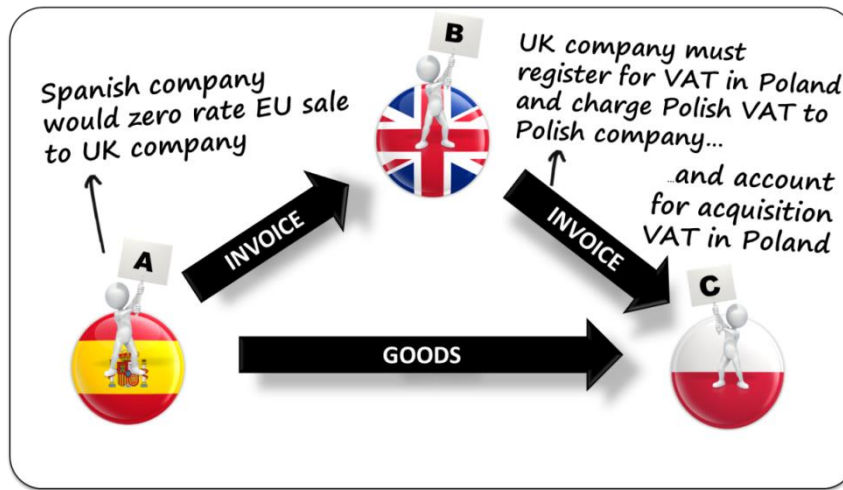
WHAT IS TRIANGULATION?

- A supplier in country A invoices an intermediate supplier in country B for goods
- The Intermediate supplier invoices a customer in country C for the same goods
- The goods are delivered direct from country A to country C

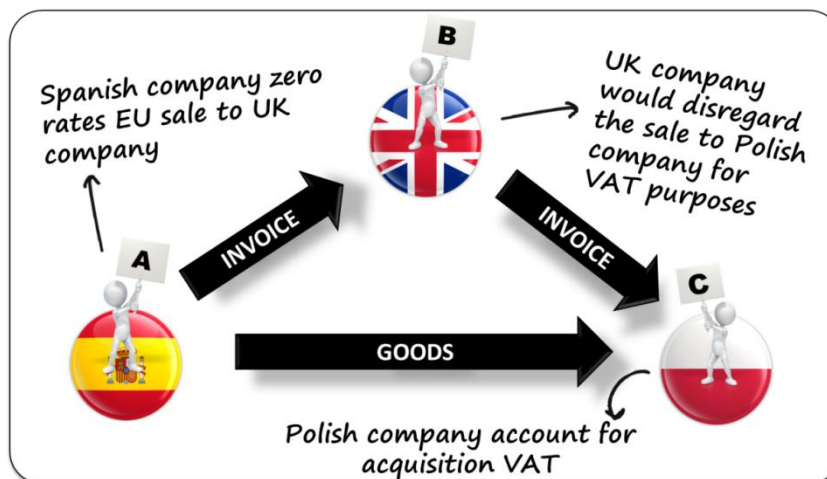




WHAT IS THE NORMAL TREATMENT IF SIMPLIFICATION IS NOT APPLIED?

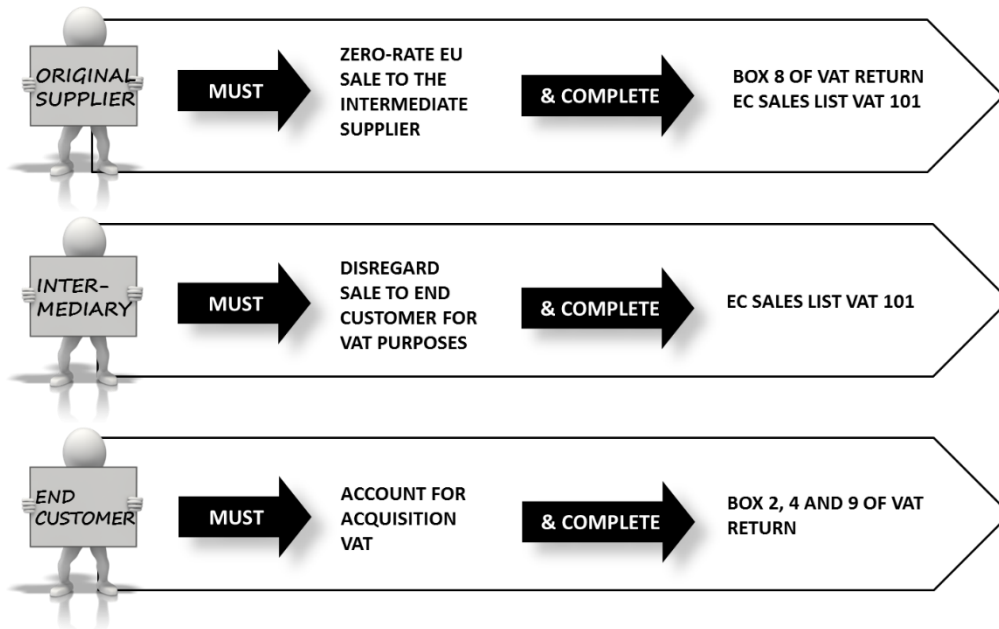


TO AVOID REGISTERING FOR VAT IN POLAND YOU WOULD APPLY THE SIMPLIFICATION PROCEDURE. HOW DOES THIS WORK?





TRIANGULATION: UK COMPANY APPLYING THE SIMPLIFICATION PROCEDURE IF IT IS...



REMEMBER...

- The intermediary and the end customer must be VAT registered and
- all 3 parties must be in different EU countries

Post Brexit transition period

- Treatment currently uncertain
- Assumption may be simplification will be unavailable
- Impact will be a requirement to register in one or other EU member state



Session 6: Exports

SHOULD YOU CHARGE OUTPUT TAX ON EXPORTS?

- Exports are zero rated
- Generally exports fall within two categories:
 1. Direct Exports
 2. Indirect Exports

Post Brexit exports to EU

- VAT registered UK businesses will continue to zero rate (as for EU sales)
- Import VAT and duty will be due when goods arrive in to EU

WHAT IS THE TIME OF SUPPLY FOR EXPORTS?

It is the earlier of the date of...

- delivery/collection or
- the date full payment is received

WHAT ARE DIRECT EXPORTS?

- The complete export is under the control of the supplier
- Or the export is by an agent acting on the supplier's behalf



ARE DIRECT EXPORTS ZERO-RATED?

Yes provided that...

- The goods leave the EU within three months of the time of supply
- Evidence of export is retained

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 EU

ARE INDIRECT EXPORTS ZERO-RATED?

- Yes, subject to the same conditions as direct exports
- Unlike direct exports, indirect exports cannot be zero-rated if the customer has an establishment in the UK



WHAT CONSTITUTES EVIDENCE OF EXPORT?

Must produce either:

- **Official Evidence** - HMRC produced GDM or SAD (C88) **or**
- **Commercial evidence** - Waybills, bills of lading

which must be supported by:

- **Supplementary evidence** - Sales contract, insurance documents

<p>Post Brexit</p> <ul style="list-style-type: none">• Procedures for exports to EU likely to be similar

- Procedures for exports to EU likely to be similar



Session 7: Imports

SHOULD YOU BE CHARGED VAT ON IMPORTS?

- Yes, import VAT is charged not by the supplier but by HMRC
- 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

Post Brexit imports from EU

- Current rules for imports from non EU countries likely to apply

HOW DOES THE DUTY DEFERMENT SYSTEM WORK?

- A guarantee is given to cover duty and import VAT
- 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

Post Brexit imports from EU

- Without any deals in place
- UK government plan to introduce 'postponed accounting' for imports
- Effect is UK importer accounts for VAT on VAT return rather than paying at point of importation



WHAT IS SIMPLIFIED IMPORT VAT ACCOUNTING?

- No guarantee is required for VAT
- A guarantee is still required for duty
- Traders have a monthly deferment account limit and a deferment guarantee level
- Applicants must have been registered for at least three years
- Apply using SIVA 1

HOW DO YOU RECLAIM VAT ON IMPORTS?

- 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



ALTERNATIVE EVIDENCE FOR CLAIMING VAT PAID AT IMPORT...

- HMRC have the discretion to accept alternative evidence of the VAT paid at import;
- Such evidence can include:
 - C88 importer copy (see pack)
 - Commercial invoice from supplier showing the importer
 - Correspondence between supplier and importer
 - Confirmation from freight agent that the VAT has not been claimed
- HMRC are usually reluctant to exercise their discretionary powers, so be prepared for some protracted correspondence
- Ideally, the alternative evidence should be the C88, as this gives the full details of the importer
 - The more evidence that can be produced the better!

IN WHICH OTHER CIRCUMSTANCES CAN IMPORT VAT 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
 - Temporary Admissions Relief (TA)



OUTWARD PROCESSING RELIEF (OPR)

- Used for goods that originate in the EU and are temporarily exported outside the EU 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 for use
 - Managed by use of CPC codes
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INWARD PROCESSING RELIEF - IPR

- Need to be approved to use the scheme
 - Duty/VAT suspension determined by use of Customs Procedure Codes (CPCs)
 - Goods that are imported into the UK to be subjected to a process and then re-exported are usually covered by the regime
 - Duty and VAT 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
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WHAT ARE POSTAL IMPORTS AND HOW IS VAT ACCOUNTED FOR?

- Items received by post or carrier from outside the EU
 - Treatment differs depending on whether it is imported using...
 - Royal Mail
 - Parcelforce or any other carrier
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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
- Customs duties payable if goods value is above £135

Post Brexit

- Scrapping of UK £15 low-value consignment stock relief
 - Replaced by new quarterly filing system for goods at £135 or below
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IMPORTS THAT DO NOT USE 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
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IMPORTED GIFTS – DO YOU HAVE TO PAY VAT AND DUTY?

- VAT payable if gift value is above £35
 - Duty payable unless
 - The value of the gift is less than £135
 - The duty amount payable is less than £7
-
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Session 8: Administrative Tasks

WHAT IS INCLUDED IN BOX 8 OF THE RETURN?

- EU Sales including associated freight, insurance etc.
- Transfer of own goods to other EU states
- Goods supplied on sale or return
- Distance sales above threshold
- Separate supplies of services are not included

Brexit impact

- No change during transition period
- Likely to be removed post transition

WHAT IS INCLUDED IN BOX 9 OF THE RETURN?

- EU acquisitions including associated freight insurance etc.
- Receipt of separate supplies of services is not included

Post Brexit

- No change during transition period
- Likely to be removed post transition



WHEN DO YOU COMPLETE AN EC SALES LIST?

- You are sent an ECSL if you make an entry in Box 8 of the VAT Return
- Complete if...
 - You supply goods to VAT registered businesses in another EU country (not samples)
 - You transfer own goods to VAT registered branch, office or subsidiary in the EU
 - You issue a credit note to EU customer
 - You issue goods to VAT registered customer in the EU and arrange for supplier in one EU country to deliver to your customer
 - You supply services to VAT registered EU businesses (under reverse charge)

Post Brexit

- No change during transition period
- Post transition likely to be no EC Sales List, but a requirement to retain normal export proof of goods leaving UK

HOW OFTEN ARE EC SALES LISTS SUBMITTED?

- Goods must be reported monthly
- ...except for businesses with EU sales of less than £35,000 in each of the last 5 quarters
- Intermediate suppliers in a triangular transaction use the indicator '2'
- Services must be reported quarterly
- The deadline is 2 weeks, or 3 weeks if submitted online



WHAT IS NOT INCLUDED ON AN EC SALES LIST?

- Supplies where the 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 must enter...
 - Country code
 - Customer's VAT number
 - Cumulative sales made to customer during reporting period
 - Indicator – number 3 if reporting services
-
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WHAT IS INTRASTAT?

- A method of collecting statistics on the movement of goods within the EU
- Required if:
 - Arrivals >1.5m
 - Dispatches >250K

Useful links:

- www.uktradeinfo.com
- Guidance Notice 60

Post Brexit

- Currently still required
 - Future is not clear but current guidance indicates requirement may continue
 - Some indication that UK business may be able to request exclusion if all customs declarations are cleared via CHIEF
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WHICH MOVEMENTS OF GOODS ARE INCLUDED ON INTRASTAT?

- 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)

WHICH MOVEMENTS OF GOODS ARE EXCLUDED FROM INTRASTAT?

- 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 £180 may be aggregated

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



HOW IS VAT INCURRED IN ANOTHER EU COUNTRY RECLAIMED?

- By submitting 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

Post Brexit

- After transition the portal is unlikely to be available to UK businesses
- UK businesses will have to comply with individual country requirements on paper based reclaims

CAN NON-EU BUSINESSES RECLAIM UK VAT?

- Yes, if they have no establishment in the UK and their own country has an indirect tax system
- They must submit a claim form, invoices and a certificate of status
- Time limit is six months after the year ended 30 June



Appendix 1: EU VAT Reporting Obligations

Jurisdiction	Periodical VAT return/payment	Intrastat	European Sales Listing	European Purchases Listing	Annual VAT return	Reverse Charge Sales List	Annual Sales Listing	Periodical Purchases Listing	Periodical Sales and Purchases Listing	Annual Sales and Purchases Listing	Dauerfristverlängerung	Other taxes and contributions return	EKAER return + Invoice system	Annual VAT Communication
Austria	X	X	X	-	X	-	-	-	-	-	-	-	-	-
Belgium	X	X	X	-	-	-	X	-	-	-	-	-	-	-
Bulgaria	X	X	X	-	-	-	-	-	X	-	-	-	-	-
Cyprus	X	X	X	-	-	-	-	-	-	-	-	-	-	-
Czech Republic	X	X	X	-	-	-	-	-	X	-	-	-	-	-
Denmark	X	X	X	-	-	-	-	-	-	-	-	-	-	-
Estonia	X	X	X	-	-	-	-	-	-	-	-	-	-	-
Finland	X	X	X	-	-	-	-	-	-	-	-	-	-	-
France	X	X	X	-	-	-	-	-	-	-	X	-	-	-
Germany	X	X	X	-	-	-	-	-	-	X	-	-	-	-
Greece	X	X	X	X	-	-	-	-	X	-	-	X	-	-
Hungary	X	-	X	X	-	-	-	-	-	-	-	-	-	-
Iceland	X	-	-	-	-	-	-	-	-	-	-	-	-	-
Ireland	X	X	X	-	X	-	-	-	-	-	-	-	-	-
Italy	X	X	X	X	X	-	-	-	-	X	-	-	-	X
Latvia	X	X	X	-	X	-	-	X	-	-	-	-	-	-
Lithuania	X	X	X	-	-	-	-	-	-	-	-	-	-	-
Luxembourg	X	X	X	-	X	-	-	-	-	-	-	-	-	-
Malta	X	X	X	-	-	-	-	-	-	-	-	-	-	-
Netherlands	X	X	X	-	-	-	-	-	-	-	-	-	-	-
Norway	X	-	-	-	-	-	-	-	-	-	-	-	-	-
Poland	X	X	X	X	-	-	X	-	-	-	-	-	-	-
Portugal	X	X	X	-	-	-	-	-	-	X	-	-	-	-
Romania	X	X	X	X	-	-	-	-	X	-	-	-	-	-
Slovakia	X	X	X	-	-	-	-	X	X	-	-	-	-	-
Slovenia	X	X	X	X	-	-	-	-	-	-	-	-	-	-
Spain	X	X	X	X	X	-	-	-	X	X	-	-	-	-
Sweden	X	X	X	-	-	-	-	-	-	-	-	-	-	-
Switzerland	X	-	-	-	-	-	-	-	-	-	-	-	-	-
United Kingdom	X	X	X	-	-	X	-	-	-	-	-	-	-	-

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