

UK VAT and International Trade

Course book



...market leaders for VAT training

Course book

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

UK VAT and International Trade

It is subject to copyright law and should not be reproduced by any unauthorised person for their own use, selling on to a third person or for presentation to other people.

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

Website: www.uktraining.com

Email: info@uktraining.com

Telephone: 01704 878988



Your free eBook

You can now download your exclusive copy of

A Comprehensive Guide to UK VAT

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

To download the book please type the following
into the address bar of your browser:

www.uktraining.com/vat28213

Contents

Session 1: Introduction to UK VAT	1
Session 2: VAT rates	5
Session 3: Time of supply	11
Session 4: Invoicing.....	14
Session 5: The VAT return	18
Session 6: Reclaiming input tax	22
Session 7: An Introduction to International Trade	28
Session 8: International Services.....	31
Session 9: The Reverse Charge.....	38
Session 10: Exceptions to the general rules.....	42
Session 11: Relevant case law	47



Session 1: Introduction to UK VAT

What is VAT?

“A tax which is imposed on most goods and services at each stage of production, starting from raw materials to the final product.”

How does VAT work?

- Suppliers charge output tax
- VAT registered customers can recover input tax
- VAT is borne by the final consumer
 - Usually an individual, but not always

The UK has exited the EU VAT regime...

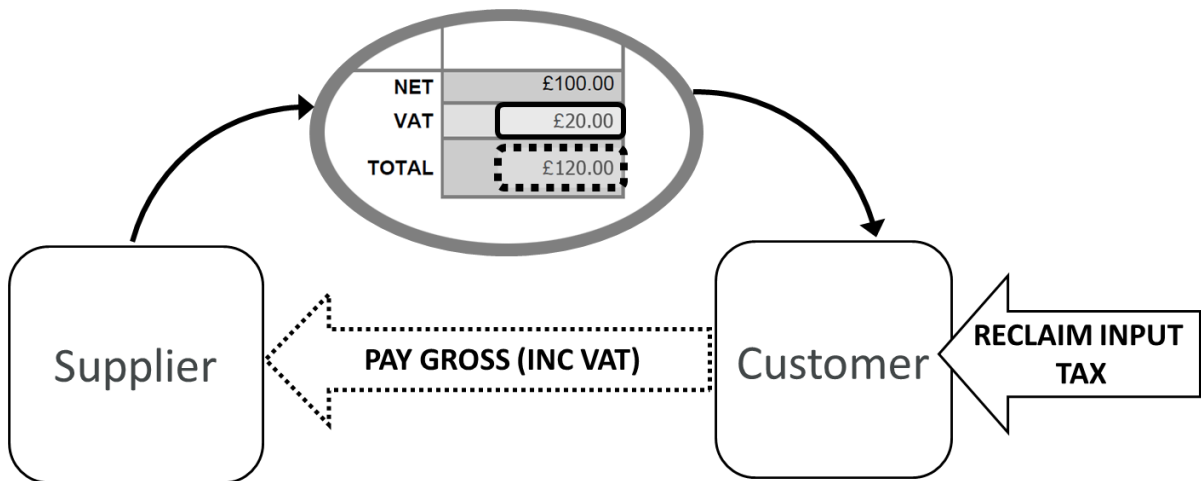
- GB companies now subject to UK VAT law
- NI companies have dual VAT status – part of the UK system but maintain alignment with EU rules

How does VAT work?

Output tax when charged



Input tax when received





When is VAT payable on supplies?

		VALUE ADDED	PAYABLE OUTPUT TAX	RECLAIMABLE INPUT TAX	NET PAYABLE
Supplier to Manufacturer					
Goods	£400	400	80	NIL	80
VAT @ 20%	£80				
Total	£480				
Manufacturer to Wholesaler					
Goods	£1000	600	200	80	120
VAT @ 20%	£200				
Total	£1200				
Wholesaler to Retailer					
Goods	£1800	800	360	200	160
VAT @ 20%	£360				
Total	£2160				
Standard rate to Consumer					
Goods	£3000	1200	600	360	240
VAT @ 20%	£600				
Total	£3600				
				TOTAL VAT	£600



When is VAT payable?

When the supply is...

- ...made in the UK or Isle of Man
- ...by a taxable person
- ...in the course of business
- ...and liable to a positive rate of VAT (5%, 20%)

Taxable person

A person carrying out business that is registered or required to register for VAT

What are deemed supplies?

Some transactions are supplies for VAT purposes although there is no 'supply' taking place e.g...

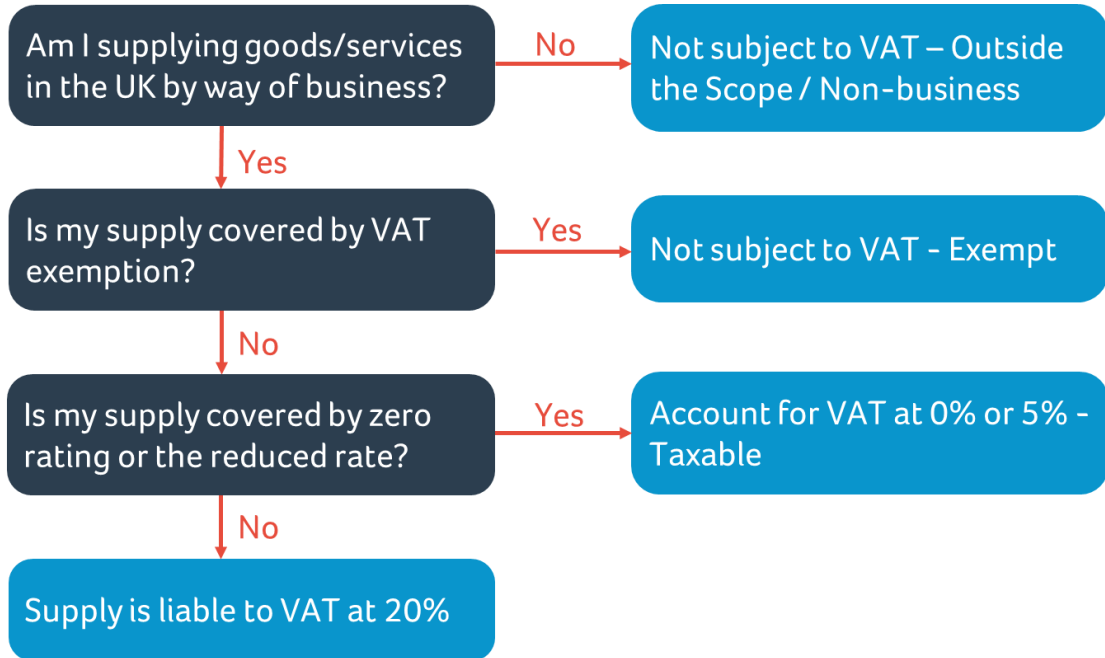
- Goods owned by the business but given away e.g. gifts
- Goods owned by the business used for private use
- Fuel provided for private use
- Services bought by the business but put to private use
- VAT due on assets held at deregistration from VAT

- Business gifts less than £50 in 12 months - no output tax due
- If £50 exceeded output tax due on all
- Samples are not liable to VAT



Session 2: VAT rates

VAT liability decision tree





What supplies are zero-rated?

- Food and drink
- Certain clothing and footwear
- Building and construction
- Sewerage services and water
- Printed materials e.g. books
- Drugs and reliefs & equipment for people with disabilities
- Transport, freight, travel & vehicles
- International services
- Supplies related to charities
- Tax-free shops
- **NEW** Women's sanitary products



		VALUE ADDED	PAYABLE OUTPUT TAX	RECLAIMABLE INPUT TAX	NET PAYABLE
Supplier to Manufacturer					
Goods	£400	400	80	NIL	80
VAT @ 20%	£80				
Total	£480				
Manufacturer to wholesaler					
Goods	£1000	600	200	80	120
VAT @ 20%	£200				
Total	£1200				
Wholesaler to Retailer					
Goods	£1800	800	360	200	160
VAT @ 20%	£360				
Total	£2160				
Standard rate to Consumer					
Goods	£3000	1200	600	360	240
VAT @ 20%	£600				
Total	£3600				
				TOTAL VAT	£600

If the retailer made zero-rated supplies, how much VAT would have been paid to HMRC?

Zero rate to Customer					
Goods	£3000	1200	ZERO	360	(360)
VAT @ 0%	ZERO				
Total	£3000				
				TOTAL VAT	ZERO



What supplies are exempt?

- Education
- Certain postal services by Royal Mail
- Financial services
- Insurance
- Investment gold
- Land
- Health and welfare
- Certain sports activities and physical education
- Burial and cremation
- Betting, gaming and lotteries
- Fund raising events by charities and other qualifying bodies
- Admission to cultural activities
- Antiques and works of art
- Supplies of goods where input tax cannot be reclaimed
- Subscriptions to trade unions, professional and other public interest bodies

Supplies of land

- Generally the sale or rental of land and buildings is exempt
- A commercial property landlord could opt to tax to enable them to reclaim VAT on overheads
 - Option to tax lasts for 20 years



		VALUE ADDED	PAYABLE OUTPUT TAX	RECLAIMABLE INPUT TAX	NET PAYABLE
Supplier to Manufacturer					
Goods	£400	400	80	NIL	80
VAT @ 20%	£80				
Total	£480				
Manufacturer to wholesaler					
Goods	£1000	600	200	80	120
VAT @ 20%	£200				
Total	£1200				
Wholesaler to Retailer					
Goods	£1800	800	360	200	160
VAT @ 20%	£360				
Total	£2160				
Standard rate to Consumer					
Goods	£3000	1200	600	360	240
VAT @ 20%	£600				
Total	£3600				
TOTAL VAT					£600

If the retailer made exempt supplies, how much VAT would have been paid to HMRC?

Exempt to Customer					
Goods	£3000	1200	N/A	NIL	NIL
VAT Exempt	-				
Total	£3000				
TOTAL VAT					£360



What are the differences between exempt and zero-rated supplies?

Exempt supplies	Zero-rated supplies
<ul style="list-style-type: none">• Exempt supplies are not taken into account when calculating taxable turnover for registration• Traders making only exempt supplies cannot recover input tax	<ul style="list-style-type: none">• Traders making zero-rated supplies (taxable supplies) can recover their input tax

Traders making a mixture of taxable and exempt supplies are 'partially exempt' and recover a proportion of their input tax

What supplies are reduced-rated?

- Supplies of domestic fuel and power
- Residential conversions, renovations and alterations
- Installation of energy-saving materials
- Grant funded installation of heating equipment, security goods or connection of gas supply
- Children's car seats and carry cots
- Contraceptive products
- ~~Women's sanitary products~~
- Smoking cessation products
- Mobility aids for the elderly
- Welfare advice or information



Session 3: Time of supply

Why is the time of supply important?

The time of supply...

- Determines the period for accounting for VAT
- Establishes the rate of tax to be applied
- Can influence registration
- Can affect recoverability of input VAT

When is the basic tax point?

- Goods - the date they are delivered or collected
- Services - the date all work except outstanding invoicing is complete

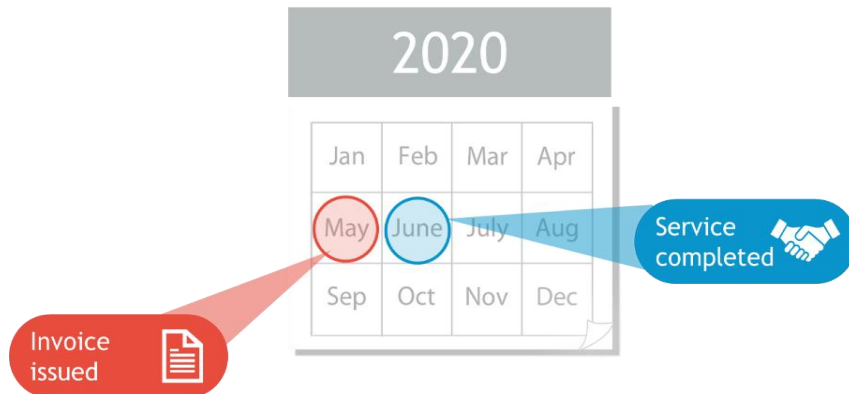
Is often overridden by the actual tax point...

When is the basic tax point overridden by the actual tax point?

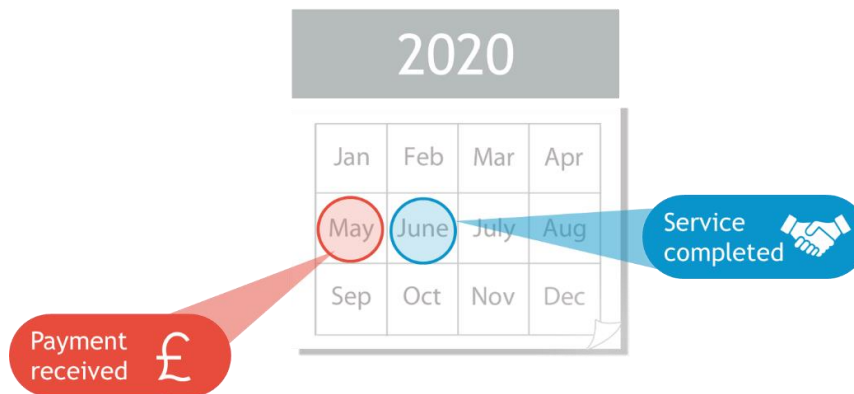
- When a VAT invoice is issued before the basic tax point
- When payment is received before the basic tax point
- When a tax invoice is issued up to 14 days after the basic tax point

When is the basic tax point overridden by the actual tax point?

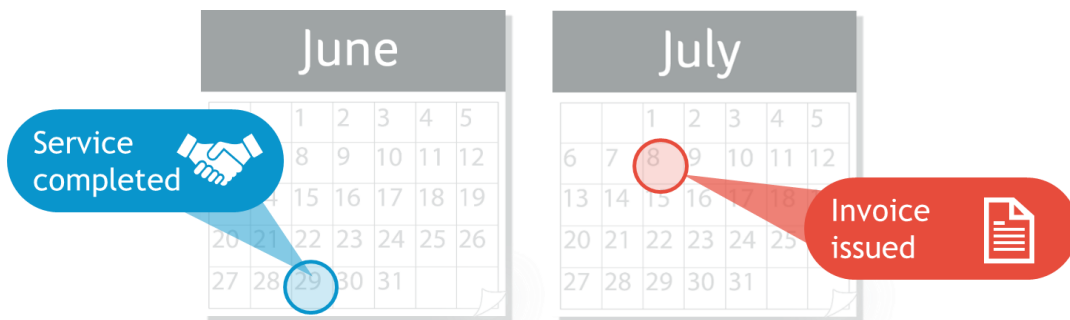
- VAT invoice is issued before the basic tax point



- Payment is received before the basic tax point

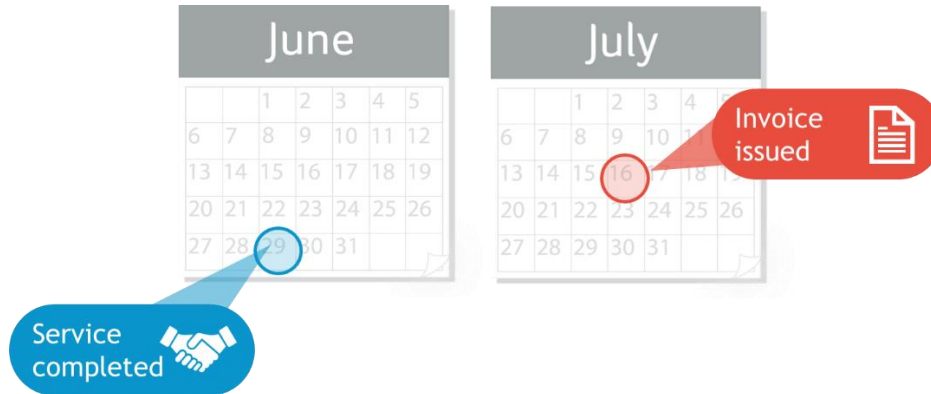


- VAT invoice is issued within 14 days of the basic tax point



If a VAT invoice is issued more than 14 days after the basic tax point

- The basic tax point applies unless HMRC have agreed otherwise
- You can apply to have an extension to the 14 day rule



What is the tax point for a continuous supply of services?

- E.g. telephone services, legal services, construction
- There is no basic tax point
- Tax point is the earlier of...
 - The date a VAT invoice is raised
 - The date of receipt of payment



Session 4: Invoicing

When do you issue a VAT invoice?

- Supplies between VAT registered businesses must issue a VAT invoice within 30 days
- You do not have to issue a tax invoice if...
 - Your customer is not VAT registered
 - The supply is wholly exempt or zero rated
 - Your customer operates self-billing
 - You make supplies under the Tour Operators Margin Scheme (TOMS)
 - You sell goods under a second-hand margin scheme
- The information required on a VAT invoice can vary depending on the value of the supply



What is a VAT invoice?

- Supplier's name, address and VAT reg. number
- Invoice number
- Customer's name and address
- Tax point
- Date of issue
- Description of goods or services supplied
- Unit price
- Net amounts
- Amount of VAT
- Gross amounts
- Rate of VAT

ABC Ltd		ABC Limited 14 Farnborough Drive, Cheadle, SK13 2NG		
XYZ Ltd 31 Shepherds Avenue South Cerney GL6 1AZ		VAT reg 315 4664 63 Sales invoice no 31456		
		Tax point 31.1.20	Invoice date 19.2.20	
Quantity	Description and Price	Net Amount £	VAT Rate %	VAT Amount £
15	Tables @ £200	3,000.00		
50	Chairs @ £40	2,000.00		
Cash discount of 5% if paid within 30 days		5,000.00	20	1,000.00
		VAT	1,000.00	
		TOTAL	6,000.00	

What is a simplified VAT invoice?

Consideration no more than £250 (VAT inclusive)

- Supplier's name, address and VAT no.
- Tax point
- Description of goods
- Gross amount payable
- Rates of VAT analysed with gross amount for each

W.H Boot Ltd	
23 PARK STREET, ST COLUMB MAJOR TR8 7BV VAT REG 564 9921 96	
11:46:28	18AUG20

	AMOUNT PAYABLE £
DVD PLAYER	120.00
DVDs	24.00
BOOKS	<u>30.00</u>
	174.00
VALUE OF STANDARD-RATED SUPPLIES INCLUDING VAT AT 20%	144.00
VALUE OF ZERO-RATED SUPPLIES	30.00
THANK YOU FOR SHOPPING AT W.H BOOT LTD Please retain your receipt	



How do you calculate VAT on a VAT inclusive amount?

- Where items are sold inclusive of VAT you must calculate VAT using the VAT fraction
- The calculation varies between standard and reduced rated items

How long should records be retained?

- Invoices (supplier and sales), delivery notes, bank statements and accounting records should be kept for at least **six years**
- HMRC do not need to be notified if a business keeps its records on computer, but they must be...
 - Convertible into a satisfactory legible form
 - Accessible on a screen

What is a pro-forma invoice?

- A sales document which is issued in advance of a tax point
- Often used for continuous supplies of services
- It cannot be used to reclaim input tax and should be clearly marked 'this is not a tax invoice'



What is a disbursement?

- Where a supplier acting as an agent obtains goods or services for their customer
- The supplier passes on those goods or services at cost, making no profit
- The goods or services form no part of the supplies made by that supplier
- The supplier can therefore invoice the disbursements without VAT
 - Or they can invoice the goods / services as an incidental supply and charge VAT

Our Fees	Net (£)
Solicitors Fee	499.00
Company Purchase Fee	100.00
Telegraphic Transfer Fee	30.00
Lawyer Check Fee	10.00
Disbursements	
Land Registry Searches	3.00
Land Registry Registration Fee	20.00
Companies House Registration Fee	23.00
Sub total	685.00
VAT	127.80
Total	812.80

VAT is only due on the fee, not the disbursement



Session 5: The VAT return

What goes in box 1 of the VAT return?

VAT on sales and on...

- Supplies to staff
- Goods taken out of the business
- Gifts
- Fuel for private motoring
- Self-billing invoices received

What goes in box 2 of the VAT return?

- Did record reverse charge on EU acquisitions up to 31st December 2021
- No entries required for goods purchased from EU since 1st January 2021... unless NI registration

What goes in box 3 of the VAT return?

- Total of boxes 1 and 2
- Identifies total output tax
- Calculated automatically by online submission to HMRC



What goes in box 4 of the VAT return?

Reclaimable input tax which can be recovered...

- On the return for the period in which the time of supply falls, **and**
- If a tax invoice is held when the return is submitted

What goes in box 5 of the VAT return?

- Total of box 3 and box 4
- Identifies VAT due or recoverable
- Calculated automatically on online submission to HMRC

What goes in boxes 6 & 7 of the VAT return?

- Box 6: Total sales including exempt supplies
- Box 7: Total purchases



What should be excluded from boxes 6 & 7?

- | Box 6 |
|---|
| <ul style="list-style-type: none">• VAT• New share capital• Insurance claims• Grants |

- | Box 7 |
|---|
| <ul style="list-style-type: none">• VAT• Wages• PAYE• Dividends• Loan repayments• MOT certificates• Road tax• Business rates |

What should be excluded from boxes 8 & 9?

- | Box 8 |
|---|
| <ul style="list-style-type: none">• Completed in respect of EU sales made up to 31st December 2020• No entry after 1st January 2021 unless NI registration |

- | Box 9 |
|--|
| <ul style="list-style-type: none">• Completed in respect of EU acquisitions made up to 31st December 2020• No entry after 1st January 2021 unless NI registration |



Bad debt relief

- If you make a supply and have accounted for VAT but your customer does not pay, you may be able to claim bad debt relief
- Bad debt relief is available 6 months after the due date for payment
 - E.g. if 30 days credit is offered, then 6 months and 30 days later
- You 'write off' the debt and reclaim the output tax previously paid in **box 4** of the VAT return
- You have up to **4 ½ years** after the due date of payment to do this

Correcting errors on the VAT return

- Can correct any non-deliberate error up to £10,000 (net value)
- Also if error is between £10,000 and £50,000 and less than 1% of box 6
- Adjust next VAT return...
 - Add net value to box 1 if VAT underpaid
 - Add net value to box 4 if VAT owed
- Keep records to show details of the error
- If error unable to be corrected on VAT return or was deliberate, it must be disclosed on form VAT 652
- An error can only be disclosed within **four** years



Session 6: Reclaiming input tax

Reclaiming input tax

- VAT incurred on goods and services for business use can usually be reclaimed
- To reclaim VAT you need a valid VAT invoice and the supply must be made to a taxable person
- To reclaim VAT incurred by employees e.g. fuel...
 - The employer must have met the full cost, and
 - The supply must be for business purposes

You can't reclaim VAT on...

- Business entertainment
- New motor cars
- Expenses which include input tax invoiced by a person who is not VAT registered
- Input tax attributable to exempt supplies

When is a VAT invoice not required?

A VAT invoice is not needed if the total expenditure is no more than £25 (including VAT) and relates to...

- Telephone calls
- Coin operated machines
- Car parking
- Toll charges



Input VAT - Business entertainment

What are the rules for reclaiming input VAT on business entertainment?

- Hospitality or entertainment provided free of charge for business purposes is seen as business entertainment
 - Input tax on business entertainment is not reclaimable and applies to...
 - Anyone that is **not** an employee e.g. client
 - Employees and directors acting as hosts to non-employees
- Taking a client to a football game and hospitality in an executive box
 - Going for lunch with a client to discuss business

Business entertainment – Directors

- Events involving *only* directors (or business owners) are classed as business entertaining
- Similarly directors “lunch” meetings will also be treated as business entertaining
- Input tax related to directors can be deductible if in relation to normal business trips or to subsistence
- Directors will be classed as staff if attending an event with other staff members



Employee entertainment – is input tax reclaimable?

Entertainment provided to employees e.g. staff parties, is not considered business entertainment...

- Only employees attending - all input VAT can be reclaimed
- Employees and guests with no charge - apportion and only reclaim for employee
- Employee and guest with a charge - all input VAT can be reclaimed

Business entertainment to overseas customers

- Input tax is reclaimable when it is provided to overseas customers for a genuine business purpose
- Entertainment must be reasonable and of no private benefit for the recipient
 - If not, a private use charge is applied, cancelling the input tax recovery
 - This would apply to entertainment not related to a business purpose e.g. a race meeting
- 'Overseas customers' - anyone not ordinarily resident or carrying on business in the UK



Input VAT - Subsistence expenses

When can you recover VAT on subsistence expenses?

- You can recover VAT on subsistence expenses provided they are for business purposes
- Subsistence expenses are costs incurred by employees as a result of being away from their place of work for business purposes e.g. hotel, meals
- Also includes on-site canteen facilities for staff
- You can't recover VAT when providing a flat rate for subsistence expenses e.g. £25 per day
 - Unless you request the employee provides receipts for their expenses

VAT recovery on subsistence expenses - example

- Employee goes away on business trip
- Employee goes for lunch with business associate
- The employee's portion of the input tax can be reclaimed - £2.78

TOTAL :	33.35
VAT	5.56





Input VAT - Phones

Mobile phones – when can VAT be reclaimed?

- VAT can be reclaimed on the purchase of a mobile phone
- All VAT can be reclaimed where **all calls** are for business purpose
- Can also be fully reclaimed on standing charges even where there is minimal private use
- If the employee is charged for private use, all input tax can be reclaimed, but output tax must be accounted for on the charge
- If private use is freely allowed, input tax must be apportioned between private and business

What about the use of home telephone, calls and internet?

- VAT cannot be claimed on the installation of a home telephone line
 - Unless the line is solely for business use
- For a single line, where the business pays for business calls, VAT can be claimed
 - Where there is a dedicated business-only line, VAT can be claimed in full
- In principle VAT cannot be claimed on the provision for home internet



Input VAT - Partial Exemption

If a business makes taxable and exempt supplies how much input tax can it reclaim?

- It must attribute input tax as far as possible to taxable or exempt supplies
 - Non-attributable input tax is split in the proportion:
Taxable supplies / Total supplies x Input tax
 - If the irrecoverable VAT is less than £625 per month **and** less than half of the total, it can all be reclaimed
 - The calculation must also be carried out at the end of each year - the annual adjustment
-
-
-
-

Key points from day 1...

- VAT is a consumption tax, ultimately borne by the final consumer
 - It is an indirect tax and not a charge on businesses
 - The basic concept is simple to understand, but to get it right you must establish...
 - Correct rate of VAT
 - Right time and type of supply
 - Correct place of supply
 - Completion of boxes on the VAT return has been affected by UK exit from EU VAT system – you should review your software and coding for compliance
 - Input VAT is generally reclaimable provided
 - You retain a valid VAT invoice
 - The supply was made to and for the purpose of a taxable business
 - Important blocking provisions restrict recovery of input tax, notably
 - Business entertainment
 - Cars and related expenses
-
-
-
-
-

Session 7: An Introduction to International Trade

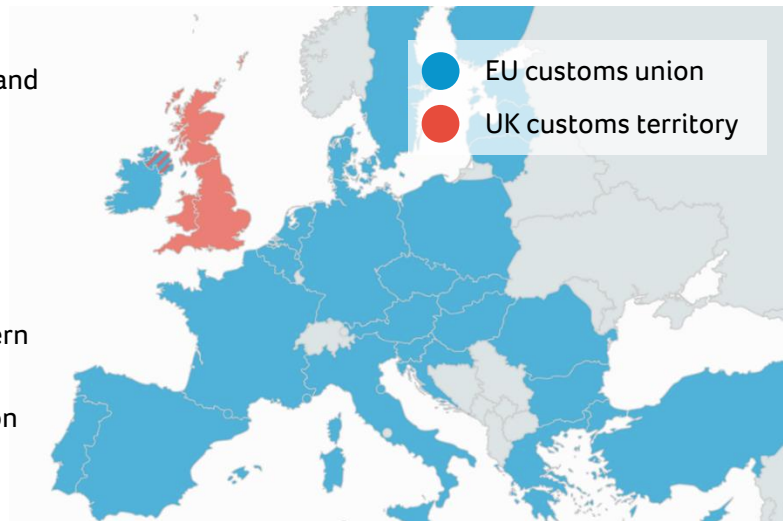
EU customs union – pre-Brexit

- 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



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
- UK & EU Trade and Cooperation Agreement now applicable





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

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



Importing goods in 2021

- 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



Session 8: 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?

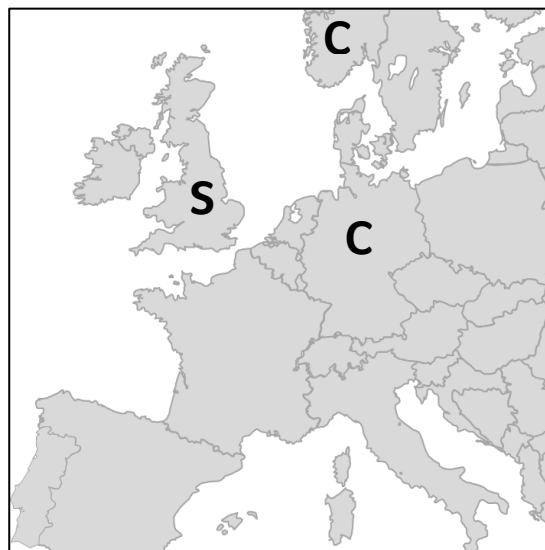


B2B services to a customer outside the UK

- The place of supply is where the **customer** belongs
- Outside the scope of UK VAT and the UK supplier does not charge VAT

Example...

- Customers in Germany and Norway
- The place of supply is Norway and Germany
- Supplies are outside the scope of UK VAT

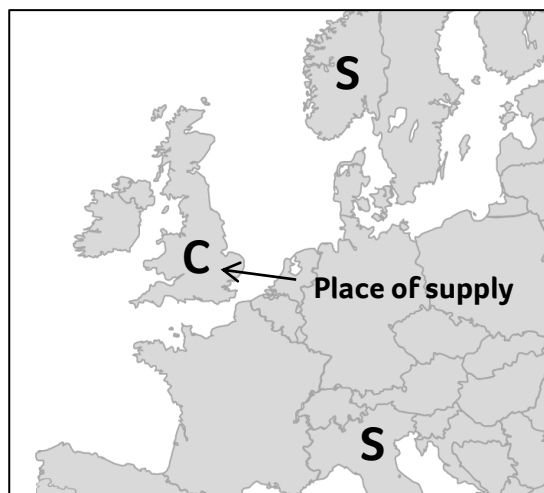


B2B services from suppliers outside the UK

- The place of supply is where the **customer** belongs
- Supplier does not charge VAT
- UK customer accounts for VAT and applies the reverse charge

Example...

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

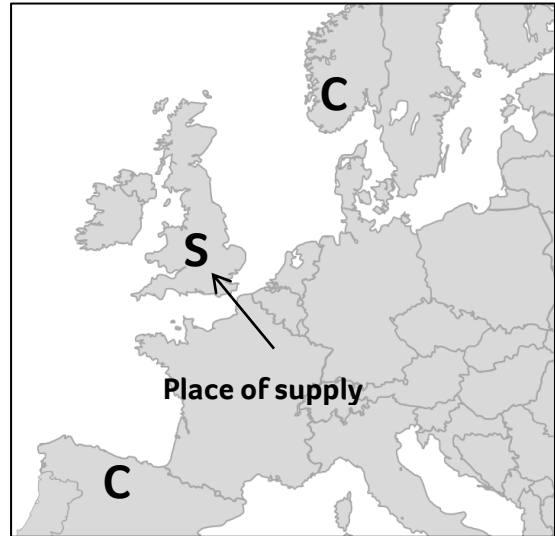


B2C services to customers outside the UK

- The place of supply is where the **supplier** belongs
- **BUT** there are many exceptions to this

Example

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





Session 9: 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

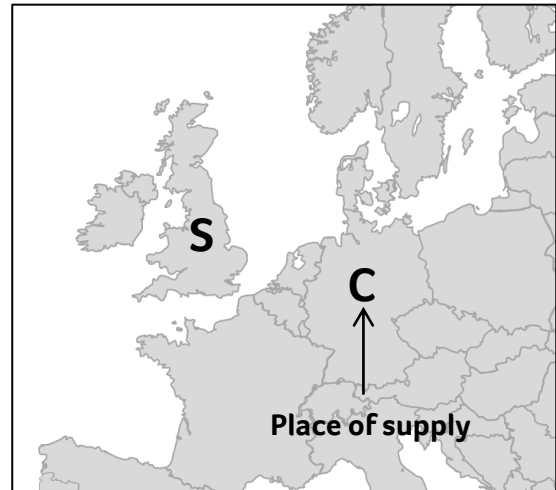
B2B supply to a customer inside the EU

B2B General Rule

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

Example...

- Customer in Germany
- 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

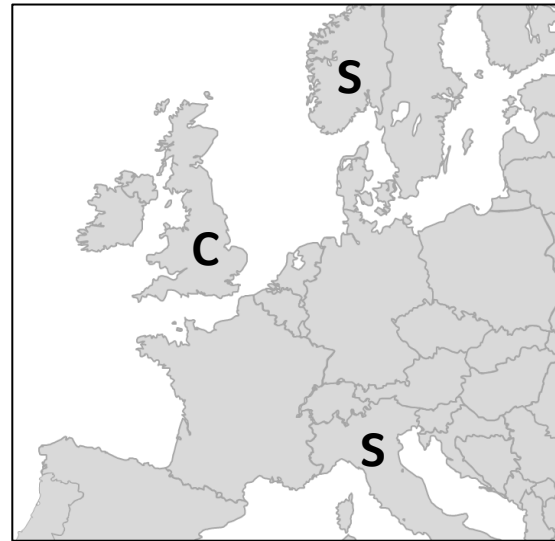
B2B supply from a supplier inside or outside the EU

B2B General Rule

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

Example...

- Suppliers in Italy and Norway
- 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 outside the UK
- 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 10: 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?**

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?

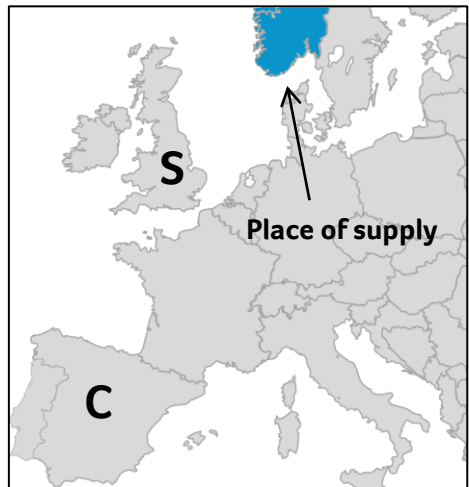
The place of supply is where the land is situated

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



The place of supply is where the land is situated

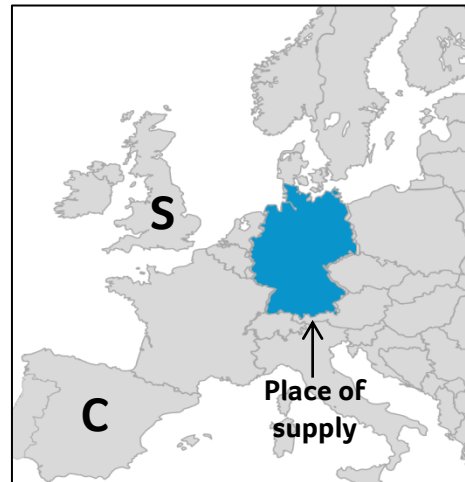
- If the land is outside the EU the supply is outside the scope of EU VAT
- Supplier should take advice to determine if any domestic taxes are due



Where is the place of supply for land related services

The place of supply is where the land is situated

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



Admission Services

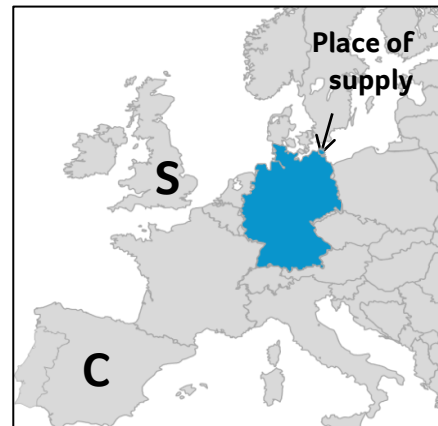
What are admission services?

- 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



Virtual events

- Webinars and other live virtual events are not digital services
- They do not fall under the admission or event exceptions because they have no specific location, so cannot be taxed where the event takes place
- Webinars and other live virtual events follow the general rules...
 - B2B where the customer belongs
 - B2C where the supplier belongs
- Recorded or 'on-demand' webinars are digital services (*more later*)



Other exceptions

- Entertainment, exhibitions and events
- Hire of transport
- Passenger and freight transport
- Intermediary services
- Intangible services
- Digital services



Session 11: Relevant case law

Wellcome Trust Ltd

- Wellcome Trust Ltd (WTL) is the VAT-registered trustee of a charity the Wellcome Trust, which makes grants for medical research
- October 2018, FTT ruled that WTL did not need to apply the reverse charge to services received from investment managers based outside the EU
- HMRC appealed the decision to the Upper Tribunal (UT), and on 13 June 2019 the UT referred the appeal to the Court of Justice of the European Union (CJEU)
- [The CJEU has found](#) that where a taxable person carries on a non-economic activity in a business capacity and acquires services for the purposes of that non-economic activity, those services must be regarded as being supplied to that taxable person 'acting as such'.
- Therefore, the CJEU has found against the decision in the FTT
- WTL is now required to account for the reverse charge on services received from investment managers based outside the EU.
- This judgment and changes to UK VAT law from 1 January 2021 (earlier) indicate that the reverse charge should be applied to all services received

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

w www.uktraining.com
t 01704 878988
e info@uktraining.com

