

# PLACE OF SUPPLY OF INTERNATIONAL SERVICES

## NEW RULES (FROM 1 JANUARY 2010 UNLESS STATED)

	<b>Current Rule</b>	<b>New Rule</b>
<b>Basic rule</b>	Where supplier belongs	<b>Business to Business customer (B2B):</b> where customer belongs  <b>Business to Non-business customer (B2C):</b> where supplier belongs
<b>Land</b>	Where land is situated	Where land is situated
<b>Cultural, artistic, sporting, scientific, educational, entertainment</b>	Where service is performed	B2B: where customer belongs (from 01.01.2011)  B2C: where service is performed
<b>Valuation and work on going</b>	Where service is performed, EXCEPT:  Where customer is VAT-registered in a different country from that in which the work is carried out, and goods are dispatched out of the country where the work is carried out, place of supply is where customer belongs	B2B: where customer belongs  B2C: where service is performed
<b>Schedule 5 services (Accountants, solicitors, consultancy, advertising, transfer of rights, supply of staff, letting on hire and others)</b>	Where customer belongs, EXCEPT:  Where customer belongs in EC and receives services for non-business purposes, place of supply is where supplier belongs	New basic rule applies, EXCEPT:  B2C where customer belongs outside EC: where customer belongs
<b>Passenger transport services</b>	Where the transportation takes place	Where the transportation takes place
<b>Freight transport services (not intra-EC)</b>	Where the transportation takes place	B2B: new basic rule  B2C: where the transportation takes place
<b>Freight transport services (intra-EC)</b>	Where the transportation begins, EXCEPT:  Where customer is VAT-registered in a different EC country from that in which transportation begins, place of supply is where customer belongs	B2B: new basic rule  B2C: where the transportation begins

<b>Intermediary services</b>	Where the underlying supply of goods/services is taking place, EXCEPT:  Where customer is VAT-registered in a different EC country from that in which the underlying supply of goods/services is taking place, place of supply is where the customer belongs	B2B: new basic rule  B2C: where the underlying supply of goods/services is taking place
<b>Hire of transport</b>	Where supplier belongs. (Use and enjoyment exceptions apply where supplier belongs in UK but transport is used and enjoyed outside EC, or vice versa)	Short-term hire (up to 30 days): where transport is put at the disposal of the customer  Long-term hire (over 30 days): new basic rule, EXCEPT:  From 1.1.13, long-term hire B2C will be where customer belongs
<b>Restaurant and catering services</b>	Where supplier belongs	Where physically performed

### **Verification of EC Country VAT numbers**

The VAT Information Exchange System (VIES) should be used to verify VAT registration numbers in EC countries accessed at;

[http://ec.europa.eu/taxation\\_customs/vies/vieshome.do](http://ec.europa.eu/taxation_customs/vies/vieshome.do)

**The VAT validation response should be printed and retained with your VAT records as evidence for inspection by HMRC. You should under take checks on both existing and new clients to establish they are in business. For example, verification of location, commercial evidence or records eg; contracts, business letterheads, a commercial website address, publicity material, certificates, etc.**

### **Exchange rates**

For **reverse charge** supplies where you receive an invoice in euro's, etc which needs to be converted into sterling then HMRC publish monthly rates. These rates should be used to convert the currency on the invoice which should be marked with the sterling amount for net, VAT and gross amounts, entered into your VAT account and retained with your VAT records;

[http://customs.hmrc.gov.uk/channelsPortalWebApp/channelsPortalWebApp.portal?\\_nfpb=true&\\_pageLabel=pageVAT\\_RatesCodesTools](http://customs.hmrc.gov.uk/channelsPortalWebApp/channelsPortalWebApp.portal?_nfpb=true&_pageLabel=pageVAT_RatesCodesTools)

## **Reverse Charge**

Where your customer is VAT registered in another EC country, the registration number and country code must be included on the invoice. The United Kingdom code is **GB** (Not UK)  
A Reverse Charge invoice for a supply to an EC country should NOT include UK VAT and the invoice should indicate that the customer is liable to pay the VAT.

Wording such as **"This supply is subject to the reverse charge"** should be shown on the invoice.

The customer calculates the VAT using the rate in their own country. This VAT is entered onto the customer's VAT return – Box 1

If the customer makes fully taxable supplies, the VAT can then be recovered as input tax – Box 4. However, businesses which make exempt supplies may NOT be able to reclaim all of the VAT.

The amount of the Reverse Charge supply must also be recorded as a sale – Box 6 and also as a purchase in Box 7.

If you receive a service which is subject to the Reverse Charge where **you account for the UK VAT**, then as above you will need to complete your UK VAT return with entries in all 4 boxes. Remember, if you are partially exempt then you may not be able to recover all the input tax and should adjust the amount entered into Box 4.

## **EC Sales Lists**

EC sales lists (ECSL) are currently only completed for goods, but from 1 January 2010 a new ECSL will need to be completed for SERVICES. This will mean there will be an ECSL for both goods and services from 01/01/10.

Any UK business making reverse charge supplies of services to VAT registered customers elsewhere in the EC will need to include such supplies on the ECSL.

ECSL for services will be completed quarterly and will need to include each customer to whom a supply has been made and the total supplies to that customer (excluding VAT). So now is the time to prepare and start to record the EC VAT numbers for any customers you may have.

Further legislation will be introduced by HMRC to meet new exchange information with other EU member states to counter fraud that will;

- Reduce the time available to business to submit ECSL's for goods from the current 6 weeks to 14 days for paper and 21 days for electronic submission
- Require monthly ECSL's for goods where the value exceeds £70,000 in a quarter.

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