



EU VAT Changes effective from 1 Jan 2010

The Budget 2009 announced that cross-border VAT changes are being introduced from 1 January 2010.

Once implemented the changes will modernise and simplify the current rules relating to cross-border supplies of services, increase the efficiency of VAT recovery on purchases made in other EU countries, and ultimately help to counter VAT fraud.



Businesses that supply goods to other EC countries or sell/receive services to/from overseas businesses, and those that want to reclaim VAT incurred in another EC country, will all be affected.

THE CHANGES

Place of Supply of services

From 1st January 2010 for all Business to Business transactions or those to a relevant business person VAT is due where the CUSTOMER belongs or is established on the reverse charge basis. This is in contrast to the current rules which were where the SUPPLIER belongs or is established except for specific types of services.

For Business to Customer (non-business person) transactions, there will be no change and the VAT payable is based on where the SUPPLIER belongs. Suppliers will charge UK VAT even if the Customer belongs to another member state.

What is a Relevant Business Person

A relevant business person is to whom ONE of the following applies:

- Taxable person within the scope of Article 9 of the Principal VAT Directive.
- Registered for VAT in the UK.
- Registered for VAT in another Member State.
- Registered for VAT in the Isle of Man.

Most business to business customers can provide their VAT number as evidence of registration. Those not VAT registered but are business to business customers will need to provide a letter from their tax authority as evidence.

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Overseas supplier established in the UK

If an overseas supplier makes a supply and has a fixed establishment in the UK, they will need to charge UK VAT on the supply.

Time of supply of services

From 1st January 2010 the time of supply, or tax point, for reverse charge services will be based on when the service is PERFORMED.

Type of Supply	Tax Point
Single	When the service is completed OR when paid for, whichever is earlier.
Continuous	At the end of each periodic billing or payment period OR the payment date, whichever is earlier.
Exception	If the time of supply is not subject to billing or payment periods the tax point will be 31 December each year.

Obtaining Refunds of VAT paid in other EU Member States

After 1st January 2010 a new electronic VAT refund procedure will be introduced. The procedure will replace the existing paper-based system and will be effective across the EU for all reclaims. There are however still going to be different rules as to the VAT that is eligible for reclaims for each country.

Currently reclaims submitted by businesses established in the UK for VAT incurred in other EU countries go to the Member State of Refund and have to be completed in the local language. This will change so that all reclaims will be processed through the UK Government Gateway on a standardised form with the UK authorities acting as a clearing system and making repayments direct.

What businesses need to do

If you think you will be affected by these changes please contact our VAT expert Robert Twydle on 01923 232938 or email robert.twydle@hhllp.co.uk

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If you are interested in any of the above matters please contact your usual Hillier Hopkins LLP contact.

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