



BREXIT - VAT SERVICES





BREXIT - VAT

Do not be distracted with media reports of “deals or no deals” or government uncertainty

Unless Brexit is cancelled, there are few uncertainties relating to VAT/custom duties

Trading with the EU will involve changes to the way businesses do business with the EU

There are few changes in relation to services

The majority of change and impact is with goods

So businesses can and should start to plan for leaving the EU from 31 December 2020

Of course, anything is possible and if an all encompassing deal is agreed, there may be some concessions in technical areas such as Northern Ireland border, import duty rates and maybe some relaxation of red tape, but equally, maybe not

Brexit has always been a business risk and all businesses should review their supply chain, and their customers with a Brexit magnifying glass to identify what, if any, pressure points exist which changes the risk aspects of the business





BREXIT - VAT

SERVICES

This presentation is one of a series of presentations.

The topic for this presentation is **SERVICES**.

The format is to reflect on the current, pre-Brexit, treatment of services and then compare with how the treatment will change post-Brexit

If there are any questions, then do please contact Jason Croke.



Jason Croke
Director VAT

direct dial: +44(0)20 7554 9567

e: jason.croke@rayneressex.com

in www.linkedin.com/in/jasoncroke/





Place of Supply of SERVICES

Rules until 31 December 2020

B2B

- EU Customers – Supply is where customer is
- Obtain customer VAT number
- Invoice is outside scope of VAT
- Complete EC Sales List (ECSL)

■ Non-EU Customers

- Invoice is outside scope of VAT

The above applies for “default” services, there are different rules for land related and where performed services

Rules from 01 January 2021

B2B

- ~~EU Customers – Supply is where customer is~~
- ~~Obtain customer VAT number~~
- Invoice is outside scope of VAT
- ~~Complete EC Sales List (ECSL)~~
- EU customers are Non-EU from UK eyes

■ Non-EU Customers

- Invoice is outside scope of VAT

The above applies for “default” services, there are different rules for land related and where performed services





Place of Supply of SERVICES

Rules until 31 December 2020

B2C

- EU Consumers– Supply is where supplier is
- UK VAT applies
- Invoice is standard rated
- Non-EU Consumers– Supply is where customer is
- Invoice is outside scope of VAT

The above applies for “default” services, there are different rules for land related and where performed services

Rules from 01 January 2021

B2C

- ~~EU Consumers– Supply is where supplier is~~
- ~~UK VAT applies~~
- ~~Invoice is standard rated~~
- EU consumers are Non-EU from UK eyes
- Non-EU Consumers – Supply is where customer is
- Invoice is outside scope of VAT

The above applies for “default” services, there are different rules for land related and where performed services





Example 1 – B2C Services

B2C – until 31 December 2020

Consumer in France,
received legal advice
relating to a divorce

Consumer, in EU,
place of supply is
where supplier is (UK),
20% VAT

Consumer in Dubai,
received UK personal
tax advice as they are
thinking of moving
to UK

Consumer, non-EU,
place of supply is
where customer is
(Dubai), outside the
scope of VAT

B2C – from 01 January 2021

Consumer in France,
received legal advice
relating to a divorce

Consumer, non-UK,
place of supply is
where customer is
(non-UK), outside the
scope of VAT

Customer is Dubai,
received UK personal
tax advice as they are
thinking of moving
to UK

Consumer, non-UK,
place of supply is
where customer is
(Dubai), outside the
scope of VAT





Example – What is the impact?

Sales of services to EU consumers were previously 20% standard rated, post Brexit they will be outside the scope of VAT

This means less output tax to declare for the UK seller and the EU consumer acquires services without VAT/UK services cheaper?

This works in reverse, so a German lawyer advising on a personal, legal matter would previously have charged German VAT to the UK consumer, but would now treat as outside the scope of VAT.





Place of Supply of Services - Exceptions

Exceptions – until 31 December 2020

Land related	Where the land is located
Events/Live	Where the event or performance is
Use/Enjoyment	Where the use and enjoyment is
Digital services	Default services (B2B)
MOSS	Applies if B2C

Exceptions – from 01 January 2020

Land related	No change
Events/Live	No change
Use/Enjoyment	No change
Digital services	No change
MOSS	Applies if B2C
	There are changes here See following slide





Brexit Uncertainty?

- The “exception” rules apply to land related services, services involving live performance or entrance to an event/exhibition and use and enjoyment rules
- Land related services may trigger an EU VAT registration, for example, an Architect designing a villa in Italy for a UK customer, although customer is in UK, as it is land related and the land is in Italy, the Architect may need to register for VAT in Italy
- Certainly would if a B2C customer, not so for B2B at present but post-Brexit?
It is not clarified if reverse charge would apply or not
- Similar logic may apply for a self-employed musician who charges a fee to play in an orchestra or a dancer who performs in a show
- Use and enjoyment focuses mainly on B2B telecoms, electronic services, broadcasting and hire of goods (including hire of transport) and this also remain uncertain at present.





MOSS – Mini One Stop Shop

- Special rules apply when selling digital services to consumers (B2C)
- Digital services include video streaming subscriptions, downloading a paid for app, music streaming subscriptions or music downloads. It can also include accounting software – a consumer may use QuickBooks or Xero for their home accounts for example
- The rules focus on where a service is delivered entirely electronically with little human interaction. This presentation will not cover the specific details of MOSS other than from the perspective of Brexit
- MOSS is a single VAT registration that covers sales of digital services to EU consumers





Mini One Stop Shop (MOSS)

Until 31 December 2020

- A UK entity registers for MOSS (in UK)
- Threshold is €10,000 or £8,818
- VAT is charged at customers local VAT
- MOSS VAT return filed to HMRC and EU VAT distributed to EU member states by HMRC
- A Non-UK/Non-EU Entity must register for VAT in an EU member state of its choice (usually UK as language is globally known, making understanding rules easier)

From 01 January 2020

- Threshold is Nil for UK businesses
- VAT is charged at customers local VAT
- Register for VAT in an EU member state (UK no longer an EU member state remember)
- Existing UK Moss registration, must deregister from UK scheme and register with an EU member state
- Ireland may be easier due to use of English language, for both UK and non-UK businesses





Reverse Charge – Buying from EU

- Reverse charge rules for services remain unchanged
- When buying services from EU or Non-EU, a UK business would use “reverse charge” rules to account for VAT on their UK VAT return*
- Example
 - UK business buys from an EU supplier, services are bespoke software development/website design
- Invoice from EU supplier has no VAT showing, just the net value
- UK recipient adds 20% to invoice and declares as sale (output tax) and reclaims as a purchase (input tax)
- *if not VAT registered, the net invoice counts towards VAT registration threshold, currently £85,000





Reverse Charge – Example 1

French supplier

- Invoice is for 10,000 of services
 - Convert from Euro to GBP
 - We will assume 1:1 (£10,000)

UK recipient

- Adds 20% to net £10,000 = £2,000 VAT
- Box 1 = £2,000 and Box 4 = £2,000
- Boxes 6 (sales) and 7 (purchases) = £10,000 (net)
 - If partially exempt, box 4 is reclaimed to the extent of your partial exemption percentage

If not VAT registered, the £10,000 reverse charge counts towards VAT registration. For example, a charity which purchases £90,000 of services from non-UK supplier will trigger a UK VAT registration. These rules will not change post Brexit





chartered accountants
and business advisers

LONDON OFFICE

Tavistock House South
Tavistock Square
London WC1H 9LG
t: 020 7388 2641
f: 020 7387 8969
e: th@rayneressex.com

ST. ALBANS OFFICE

Faulkner House
Victoria Street
St. Albans
Herts AL1 3SE
t: 01727 833222
f: 01727 864752
e: fh@rayneressex.com

www.rayneressex.com

GROSVENOR
WEALTH MANAGEMENT

