

VAT – CROSS BORDER CHARGES EXTENSION OF RULES – EFFECTIVE 1 JANUARY 2010

The existing rules covering the supply of goods to European member states have been extended to include the supply of services. The changes only affect business to business supplies. The rules on supplies to non business customers remain unchanged.

From 1/1/2010, if a UK VAT registered business supplies services to a customer registered in a non UK European member state, there is a requirement to submit a European sales list (ESL) on a quarterly basis. Regardless of the VAT periods which are currently being operated, the ESL will cover calendar quarters, the first period covered by this requirement being 1/1/2010 to 31/3/2010. In readiness for this the business making the supply should obtain and retain their customers' European VAT registration number(s) as these will be required for each quarterly ESL.

Completing the ESL –

The ESL is a relatively simple form to complete. Each row on the form is used to record the total supplies made during the relevant period in respect of an individual customer. Unlike the VAT returns completed each quarter, there is no option to use cash accounting. The tax point is considered to be the date upon which the services have been completed, so this would in most cases be the date of invoice. For those businesses using cash accounting, it would be unwise therefore to simply copy the figures from the VAT return, as there are likely to be timing differences. The completion and submission of the quarterly ESL should be considered as a totally different exercise to the quarterly VAT return. Incidentally there is no change to the information required on the UK VAT return; as before there is no requirement to include the European supplies of services in box 8, so nothing changes here.

So, a typical quarterly ESL will include, in respect of each customer, their country, their VAT number in that country, and the total value of services performed in the relevant period.

Time Limits –

If completing a paper version of the ESL, this must be submitted within 14 days of the end of the period. If completing online, this must be submitted within 21 days of the end of the period. Business already registered for online VAT filing can register for online ESL filing using the following link, and selecting VAT EC sales list (ECSL)

<https://online.hmrc.gov.uk/registration/organisation>

Businesses not registered for online VAT filing would benefit from doing so (using the link above) and selecting both VAT and VAT EC sales list (ECSL)

Important changes to rules for suppliers of goods –

From 1/1/2010 the time limits for submitting the ESL is being reduced to be in line with suppliers of services. Therefore paper returns must be submitted within 14 days of the end of the period, or online within 21 days. For business already completing quarterly ESL's in respect of goods supplied, with effect from 1/1/2010, if the total supplies in any quarter exceeds £70,000, the supplier will be required to submit the ESL monthly instead of quarterly. From 1/1/2012 this limit will be reduced to £35,000. It is therefore important for businesses supplying business to business goods to European member states to keep an eye on this. Note: these rules currently only affect suppliers of goods, and not suppliers of services.

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