

SUMMARY OF PROPOSED VAT CHANGES:

NEW RULES FOR THE PLACE OF SUPPLY OF SERVICES

The European Commission have agreed that with effect from 1 January 2010 there will be new Place of Supply rules for Business-2-Business suppliers (B2B).

The basic proposals for B2B are:

- The Directive changes the Place of Supply from the country of the supplier to the country of the customer.
- From implementation business customers receiving services from outside their own country will account for VAT by way of the "reverse charge".
- Although at present under the UK Value Added Tax Act 1994, Schedule 5, where certain services are seen as supplied where the customer belongs, Schedule 5 does not extend to, for example, administrative services such as record keeping, payroll, etc. On implementation of the Directive this type of service will be seen as supplied where the customer belongs.
- The new Directive extends EC Sales Lists (currently restricted to cross border supplies of goods) to services.
- It is further proposed that there be monthly EC Sales Lists for both goods and services (currently submitted for goods every calendar quarter).
- Further proposals will require EU businesses conducting cross border transactions exceeding £200,000 per annum to submit monthly VAT Returns.
- It is proposed that VAT Returns include an additional box to show the value of services received from other EU member states.
- If the proposals for the monthly EC Sales Lists and monthly VAT Returns are adopted this will inevitably add to the administrative and compliance costs of businesses.
- It is possible that a proposal for monthly VAT Returns and monthly EC Sales Lists will be modified, however, the EU Commission favour more statistics and information in their attempt to combat cross border VAT fraud and evasion.

This VAT Alert simply outlines the basic proposals that the European Commission have agreed and that will take effect from 1 January 2010. As there appears to be implications for businesses in administering and complying with the proposals it is important that businesses consider their existing systems and processes and make plans to cope with this change.

If you require further detail of these proposals please contact Nigel Medhurst. Nigel can be contacted by e-mail nigel.medhurst@rawlinson-hunter.com or his direct line 020 7842 2150.

The information contained in this bulletin does not constitute advice and is intended solely to provide the reader with an outline of the provisions. It is not a substitute for specialist advice in respect of individual situations.

Registered to carry out work and regulated for a range of investment business activities by the Institute of Chartered Accountants in England and Wales.

Briefing

August 2008

Rawlinson & Hunter
Chartered Accountants

Eighth Floor
6 New Street Square
New Fetter Lane
London EC4A 3AQ

and at
Lower Mill
Kingston Road Ewell
Surrey KT17 2AE

T +44 (0)20 7842 2000

F +44 (0)20 7842 2080

firstname.lastname@rawlinson-hunter.com

www.rawlinson-hunter.com

Partners

Philip Prettejohn FCA

Bob Drennan FCA

Simon Jennings FCA

Chris Bliss FCA

James Kelly FCA

Mark Harris FCA

Frances Stephens ACA

David Barker CTA

Kulwam Nagra FCA

Ben Melling FCA

Paul Baker ACA

Sally Ousley CTA

Derek Rawlings FCA

Andrew Shilling FCA

Directors

Mike Cunningham ACA

Nigel Medhurst AIT

Graham O'Connell ACA

Consultants

Ken Dent FCA

Ralph Stockwell FCA