



## VAT on Supplies in the EU from 2010

If you trade with overseas businesses, you will need to know the new Cross-border VAT rules. HMRC have recently published the following summary guidance, which you may have received:

*Do you supply services to or receive services from overseas businesses? Do you supply goods to other EU countries? Do you reclaim VAT incurred in another EU country? If so, you need to know about the changes below, which take effect from 1 January 2010:*

- *The place of supply for cross-border services to business customers will now be (under the new general rule) in the country of the customer. When these supplies are made within the EU, the customer will account for VAT under the reverse charge mechanism*
- *The time at which a customer accounts for VAT under the reverse charge mechanism is also changing*
- *There is a new requirement to file EC Sales Lists (ESLs) for supplies of services that are taxable in the customer's country. These must be filed every calendar quarter, within 14 days for paper and 21 days for online*
- *The same deadlines will apply to ESLs for goods. ESLs for goods must be filed monthly if the value of the goods exceeds £70k (VAT exclusive) in the current or any of the previous four quarters*
- *A new online service will be introduced for reclaiming VAT incurred in other EU states instead of the current paper-based claims. You will need, first of all, to register and enrol for VAT Online services at <http://online.hmrc.gov.uk/registration> - we suggest you do this in December 2009, to be ready for when the changes take effect*

<http://www.hmrc.gov.uk/vat/cross-border-changes-2010.htm>

There are obvious practical difficulties involved in meeting the new requirement to disclose services to EU businesses on the quarterly EC Sales list:

### **How will my software cope?**

You will need to contact your software provider. In the case of Sage, for example, they will release a patch in the next two weeks which will enable users to code sales of services to EU businesses. Such sales will then be captured on an EC Sales Report used to prepare the EC Sales List. If you are a Sage user, you will find more detail on how Sage will cope with changes to VAT in 2010 at :

[http://www.sage.co.uk/legislation\\_changes.aspx](http://www.sage.co.uk/legislation_changes.aspx)

**If I sell services to EU businesses what information should I be collecting on file for EC Sales List purposes?**

1. The customer's VAT country code.
2. The customer's VAT Registration Number.

**What information will need to go on the quarterly EC Sales List for these sales?**

1. Total value of supplies in sterling to each customer.
2. Code 3 in the "Indicator Code Box" for each customer to indicate a supply of services.

If you are affected by these new requirements and worried about what you need to do, do not hesitate to get in touch with me for support.