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Accountants &
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Taxation

VAT simplification?

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Significant changes, introduced with effect from 1 January 2010, will have a big impact upon UK businesses providing services to customers or receiving services from suppliers outside of the UK. As a result, the burden of VAT compliance will increase and businesses should now start planning to ensure that systems are in place to meet the new requirements and prevent penalties being incurred.

Place of supply of services

With effect from 1 January 2010, the default position (the 'general rule') is that the place of supply of services provided to **business** customers will be where the customer is established and to **non-business** customers will be where the supplier belongs.

Businesses with both business and non-business activities (for example, charities) will be treated as a business customer regardless of the use to which the services will be put.

However, there are some exceptions to the general rule which will need to be considered such as:

- services to non-business customers outside of the EU
- services relating to land
- short term hire of transport
- cultural, educational and entertainment services (although these will follow the general rule with effect from 1 January 2011).

Further changes to the long term hire of transport for non-business customers will take effect from 1 January 2013.

EC Sales List (ESLs)

Businesses providing services to EU business customers will be required to complete ESLs on at least a calendar quarter basis. Businesses will need to ensure that systems are in place to record the required information.

There are reduced time limits available for ESLs to be submitted and penalties for late submission can be imposed. The relevant deadline depends upon whether the ESL is submitted electronically (21 days from the end of the reporting period) or on paper (14 days from the end of the reporting period).

For sales of goods to EU business customers, monthly ESLs will be required where the value of goods sold exceeds £70,000 in a quarter.

Time of supply

The changes to the time of supply rules will affect businesses making or receiving 'reverse charge' services: where a business is required to report the supply of the service or apply the reverse charge to a service it buys. The rules are:

- single supply – the tax point is created at completion of the service or when it is paid for if this is earlier

- continuous supply – the tax point is created at the end of each billing or payment period (or on earlier payment) with a compulsory tax point on 31 December in absence of such periods or payment.

VAT refund claims

A new electronic VAT refund procedure is to be introduced across the EU with effect from 1 January 2010 to replace the current paper system.

Businesses using the current system, commonly referred to as ‘8th Directive claims’, often experience substantial delays in obtaining repayments.

The main changes are that:

- UK businesses will submit claims through an electronic portal hosted by HMRC
- the deadline for submitting claims will be extended from six months from the end of the calendar year to nine months
- the tax authorities, to which the claim relates, will have four months rather than six months to make a repayment to the claimant (unless further information is required, in which case

the deadline for repayment will be extended to eight months)

- if the repayment is not made within these deadlines interest will also be paid (unless a request for further information is made and not responded to within one month of receipt of the request).

The intention is that claims submitted online will be processed faster and that businesses will be able to pursue even small claims in a cost effective way. Businesses will be able to use the online system for VAT incurred in any of the other EU member states:

Austria	Belgium	Bulgaria
Cyprus	Czech Republic	Denmark
Estonia	Finland	France
Germany	Greece	Hungary
Ireland	Italy	Latvia
Lithuania	Luxembourg	Malta
Netherlands	Poland	Portugal
Romania	Slovakia	Slovenia
Spain	Sweden	

PKF can help you identify the specific reporting issues for your business and to implement systems that ensure the correct information is reported on your VAT returns.

If you would like to discuss any of the matters raised in greater depth, please contact

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