

## **Brexit VAT on services to EU or UK**

The UK exited the EU VAT regime on 31 December 2020. Most of the changes on VAT affected goods movements – including extra VAT registrations and import VAT to manage. There are limited changes to VAT on services – except certain cross-border B2C services to EU and UK consumers.

Below is a summary of how to determine if and where to charge VAT – place of supply – and some of the exemptions to the broad rules.

### **Which country's rules apply? The place of supply**

If you are providing services between the UK and EU, you must first determine which country's VAT rules apply – the 'place of supply'. Is it your country – the country of supply? Or your customer's – country of consumption? If the latter, then you must next check if you are obliged to VAT register there to report and pay any taxes due.

The General Rule applies to most services, and is unchanged following Brexit. But there are also Special Rules related to certain excepted B2C supplies. The compliance rules have changed for Brexit, and will likely diverge as the UK sets its own VAT strategy.

### **General Rule**

B2B services – provided where the customer is resident. If your business customer is outside of the UK, then the 'General Rule' still applies. This means it is outside of the scope of UK VAT, so zero-rated. Your foreign customer then uses the 'reverse charge' to show the VAT in their return.

You must obtain evidence of your customer being outside of the UK; typically a valid VAT or tax ID number in their country of residence. But other proof is satisfactory. Otherwise, this should be treated as a B2C supply (see below)

The same applies for EU service suppliers to UK business customers – reverse charge still.

UK businesses will no longer be required to produce EC Sales Lists (ESLs) for their sales to EU businesses. The same applies for EU businesses – they will no longer include the UK in their ESL's

B2C – provided where the supplier belongs. This would require a UK company to charge UK VAT to their EU or non-EU customers, and vice versa. Brexit has not changed these rules. But see 'Special Rules' section below.

## Special Rules

B2C – certain services where VAT is due where the consumer is resident. These are often termed the ‘use and enjoyment’ rules, and are detailed below.

### **VAT Special Rules – VAT where the customer is resident**

The general VAT B2C rule on cross-border supplies that tax applies where the supplier is located is reversed in the following types of supply. In most cases, the supply (EU or UK) has to VAT register in the country of the customer.

#### **Supply**

##### **Digital services**

UK businesses using the EU single VAT return, MOSS, will now have to register in another EU state for MOSS to report sales to consumers in EU27

Entrance fee to physical events, training, sport and culture

UK or EU businesses will still have to VAT register in the country of the event. The EU plans to allow EU and UK suppliers to use the OSS single VAT return from July 2021.

##### **Land and property related**

No change.

##### **Hire of means of transport**

No change.

##### **Restaurants and catering**

No change.

##### **Passenger and freight transport**

No change.

##### **Intermediary services**

No change.

Professional, technical, advertising, consulting, staff, financial services, intellectual or intangible, data processing

Prior to Brexit, the General Rule applied to sales to EU consumers. But the Special Rule applied to non-EU consumers.

Since 1 January 2021, the Special Rule applies to EU and non-EU, meaning UK VAT does not apply. This implies the UK and EU suppliers have to VAT register if they have foreign B2C customers in the UK and EU.

UK Financial Services businesses are able to recover input VAT incurred on the sales to EU consumers.