

International aspects of VAT

made simple



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Introduction

This guide is aimed at UK charities and not-for-profit organisations. Its purpose is to outline the UK VAT rules that apply to cross-border transactions with effect from 1 January 2021.

This guide assumes a basic familiarity with VAT. For an introduction to VAT, see the Sayer Vincent introductory guide [VAT made simple](#) (see the section [Further information](#)).

VAT and leaving the EU

Up to the end of the transition period for the UK's departure from the EU (31 December 2020) the whole of the UK was a part of the EU's VAT regime. With effect from 1 January 2021 the UK has left the EU's VAT regime except in respect of Northern Ireland. Northern Ireland remains in the EU's VAT regime for goods but not for services.

Basic principles

Where a transaction takes place within a nation state the domestic VAT rules of that state, if any, apply. However where a transaction takes place across national borders (for example where the supplier and customer are located in different states), the cross-border VAT rules come into play. These determine which state, if any, VAT is due in and which state's VAT rules are observed.

This guide explains the UK cross-border VAT regime and to a certain extent the EU cross-border VAT regime, from the perspective of a UK charity or other not-for-profit organisation.

VAT territories

As far as the UK and EU VAT regimes are concerned, the world is subdivided as follows:

Great Britain (GB) – comprising England, Wales, Scotland and the Isle of Man.

The Isle of Man is treated as a part of GB for VAT purposes. The Channel Islands and Gibraltar are treated as outside the UK and EU for VAT purposes. British territories in Cyprus (Akrotiri and Dhekelia) are treated as being a part of the Republic of Cyprus for VAT purposes. British territories outside Europe, such as the Cayman and Falkland Islands, are treated as outside the UK and EU for VAT purposes.

Northern Ireland (NI)

The United Kingdom (UK) – comprising Great Britain and Northern Ireland, including the Isle of Man but excluding the Channel Islands, Gibraltar, Cayman Islands etc.

The European Union (EU) – the 27 member states of the EU: Austria, Belgium, Bulgaria, Croatia, Republic of Cyprus (excluding the Turkish Republic of Northern Cyprus and the UN buffer zone), the Czech Republic, Denmark (excluding Greenland and the Faeroes), Estonia, Finland, France, Germany, Greece, Hungary, Republic of Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain and Sweden. EU states also have excluded territories, for example the following are treated as being outside the EU for VAT purposes: Canary Islands, Cetua and Melilla (Spain), Aland Islands (Finland), Heligoland and Busingen (Germany), Livigno, Lake Lugano and Livigno (Italy) and Mount Athos (Greece).

The rest of the world (RoW) – territories outside of the UK and of the EU e.g. Channel Islands, Gibraltar, Cayman Islands, Switzerland, Liechtenstein, Vatican City, Andorra, San Marino, Norway, Iceland, Greenland and states in Africa, Asia, the Americas and Pacific regions.

Goods and services

There are different UK and EU cross-border VAT regimes for goods and services. Goods are tangible physical objects (moveable or immovable) and services are anything that is within the scope of VAT but is not goods.

For example:

- The sale of a tangible book is a supply of goods.
- The hire of a tangible book is a supply of services.
- The sale of an e-book for download from a website is a supply of services.
- The sale of an e-book on a physical carrier such as a CD, DVD or other physical device is a supply of goods.

General VAT approach to taxing cross-border transactions

There are two approaches to taxing cross-border transactions in goods and services under the UK and EU VAT regimes:

1 The source principle

Taxation occurs in the supplier's state (*state of production*). The transaction is treated as taking place in the supplier's state. The customer is charged the VAT of the supplier's state under the VAT rules of the supplier's state and this VAT is payable to the tax authority of the supplier's state. In the UK the relevant tax authority is HMRC.

2 The destination principle

Taxation occurs in the customer's state (*state of consumption*). The transaction is treated as taking place in the customer's state. Any VAT chargeable is the VAT of the customer's state under the VAT rules of the customer's state and payable to the VAT authority of the customer's state.

Who pays the VAT?

In general, under the source principle, the supplier is responsible for registering for VAT locally, charging the customer their local VAT and paying this to the VAT authority of the supplier's state. However the UK and most EU states have VAT registration thresholds, below which locally established suppliers making taxable sales below the threshold need not register for VAT.

Under the destination principle there are two approaches for allocating VAT obligations:

1 Supplier pays the VAT

By default the supplier is required to register for VAT in the customer's state even if they have no physical presence in that state, charge the local VAT to the customer and pay this VAT to the VAT authority of the customer's state. Suppliers who have no presence in the state of a customer are referred to as *Non-Established Taxable Persons* (NETPs). In the UK and EU VAT regimes there is a nil VAT registration threshold for NETPs, so NETPs may be required, under the law of the customer's state, to register for VAT in the customer's state if they make a single low value sale there.

2 Customer pays the VAT

However in some situations responsibility for paying the VAT is shifted to a business customer. A business customer may be required to charge themselves any VAT due under what is referred to as a reverse charge or tax shift. This avoids the need for the supplier to register for VAT in the customer's state. This VAT is also the customer's purchase VAT and may be able to be reclaimed subject to the VAT recovery rules of the customer's state.

Cross-border services

Services are only subject to UK or EU VAT when sold (or *supplied*) for consideration. The VAT due is referred to as output VAT (or output tax or supply VAT). This output VAT may be payable in the supplier's state or in the customer's state. The rules for determining which are known as the place of supply rules for services.

There is a general rule, which applies unless one of the specific place of supply rules apply. There are many specific rules, including for: services related to land, rights of admission to an event and electronically supplied services.

B2B and B2C

For many of the place of supply rules for services, including for the general rule, a distinction is made between B2B and B2C transactions:

B2B or Business to business means the customer is VAT registered or has some business activities, even if the supply is for use in the customer's non-business activities. But if the supply is for the private use of the business owners or staff, it is treated as B2C.

B2C or Business to consumer means the customer is not VAT registered and has no business activities. For example, supplies to individuals acting in a private capacity and charities or other non-profit organisations with no business activities.

Suppliers must obtain and retain evidence to support a B2B treatment. This evidence can include:

- A VAT registration number.
- An equivalent registration from outside the EU (e.g. GST number in Australia).
- Certificates from fiscal authorities, audited accounts, sales materials, website screenshots etc.

If there is no evidence, you must treat the supply as B2C.

Place of belonging

Some of the place of supply rules depend on where the supplier or customer *belongs*. In general a supplier or customer belongs at its *business establishment* (if it has one) however in some situations it can belong at a *fixed establishment* and if there is no business or fixed establishment, it belongs where it has its permanent address or usually resides.

Business establishment: there can be only one business establishment for a business or entity. The business establishment is the place where the functions of central administration are carried out, which will in general be the location of the entity's head office.

Fixed establishment: however in some situations a supplier or a customer can belong at a *fixed establishment* located in a different state. A fixed establishment is a permanent presence with sufficient human and technical resources to make (for suppliers) or receive (for customers) the supply concerned. Permanent regional offices, regional warehouses and similar are likely to constitute fixed establishments.

Permanent address or usual place of residence: in the absence of any business establishment or fixed establishment, an entity or natural person belongs at its permanent address or where it usually resides.

Asylum seekers: for VAT purposes, individuals who have not been granted a right or permission to remain in the UK belong in their country of origin. Once an individual has been granted leave or permission to remain in the UK, they belong in the UK.

Reverse charge

Under the reverse charge (or *tax shift*), the liability for paying the output VAT due on a supply of services is moved from the supplier to the customer. The reverse charge can affect UK establishments in two ways:

1 **For purchases:** UK VAT registered purchasers of services may be required to account to HMRC for UK output VAT at the appropriate UK rate of VAT under the UK reverse charge. The UK customer is deemed to make the supply to themselves in the UK under the UK's VAT rules. Any output VAT payable is also potentially the UK customer's purchase VAT and recoverable subject to the UK VAT recovery rules.

If the UK customer is not registered for VAT in the UK then the value of the purchase counts towards the UK customer's UK VAT registration threshold if the supply is *B2B general rule*, but not otherwise.

2 **For sales:** a supply from the UK to a customer located outside the UK may be taxable for the customer under a reverse charge in the customer's state. In particular, EU business customers are likely to be subject to a local reverse charge if the supply falls under the *B2B general rule*.

VAT exemptions and zero-rating reliefs

For purchases: the UK reverse charge does not apply to purchases of services which qualify for VAT exemption under the UK's VAT rules, for example a qualifying supply of VAT exempt financial services. If a purchase is VAT zero-rated under the UK VAT rules, for example a purchase of qualifying advertising services by a UK charity, no UK reverse charge VAT is payable as the supply is zero-rated.

For sales: when determining if a VAT exemption or zero-rating relief applies, the rules to apply are those of the state of the place of supply:

- If the place of supply is the UK – the UK's VAT exemption and zero-rating rules apply.
- If the place of supply is outside the UK, the VAT rules to apply (if any) are those of the place of supply.

UK VAT recovery

For cross-border sales: for UK VAT incurred on purchases used for supplies of services whose place of supply is outside the UK, UK-purchase VAT is recoverable if the supply would have been taxable had the place of supply been the UK.

For the purposes of the standard partial exemption method, cross-border sales are included in turnover if they are made from the UK. If the supply would be taxable had the place of supply been the UK it is included as a taxable sale, and if it would be VAT exempt, it is included as a VAT-exempt sale.

For cross-border purchases: any UK output VAT incurred on a reverse-charge purchase is the UK-purchaser's purchase VAT and may be recoverable in accordance with the UK VAT recovery rules, depending on what the purchase is used for.

For partial exemption purposes, the deemed sale made in a reverse-charge purchase is ignored and not included in turnover in the standard partial-exemption method.

Place of Supply rules for services

1 General rule

B2B: Where the customer belongs subject to (a)

B2C: Where the supplier belongs

(a) UK reverse charge applies if the customer belongs in the UK. If the UK customer is not registered for VAT in the UK the supply counts towards the UK customer's UK VAT registration threshold. Similar reverse charge regimes apply in the EU.

The general rule applies unless one of the more specific rules below applies.

2 Services related to land

B2B: Where the land is subject to (b)

B2C: Where the land is

(b) UK reverse charge applies if the supplier belongs outside the UK, the place of supply is the UK, the customer belongs in the UK and the customer is UK VAT-registered. Local reverse charges may also apply to supplies in other EU states as well.

Services related to land include:

- supplies of freeholds, leases and licences to occupy land
- supplies of hotel and holiday accommodation
- building or civil engineering works
- services of estate agents, auctioneers, architects, surveyors, engineers and others involved in matters relating to land.

Services related to land are services that have a direct connection to one or more specific items of immovable property. Immoveable property includes land, buildings, civil engineering works, quarries,

mines, wells, land under rivers, seas and oceans, trees and plants that are attached to the earth (but excluding felled timber and harvested crops), the subsoil and minerals in the ground.

Although water can move, water in rivers, lakes and other inland waterways is considered immovable as long as it is not removed from its water basin.

3 Event admissions

B2B: Where event takes place subject to (c)

B2C: Where event takes place (via rule 4)

(c) The UK reverse charge applies if the supplier belongs outside the UK, the place of supply is the UK, the customer belongs in the UK and the customer is UK VAT-registered. Local reverse charges may apply to supplies in EU states.

These are services in respect of admission to cultural, artistic, sporting, scientific, educational, entertainment or similar events, including fairs and exhibitions, and ancillary services relating to admission to such events.

This rule commonly applies to B2B admission charges to in person conferences, workshops, cultural, fundraising and other events. See [Place of supply](#) examples below.

Strictly, rule 3 applies only to B2B supplies, however for B2C supplies of event admissions, the place of supply is where the service is performed under rule 4 (see below).

4 Where performed services

B2B: General rule (but see also rule 3)

B2C: Where performance takes place

These are services relating to cultural, artistic, sporting, scientific, educational, entertainment or similar activities including fairs and exhibitions, and ancillary services relating to such activities, including services of organisers of such activities.

This rule applies to services in connection with the above activities, for example a service organisation and the provision of services at events. For conferences and remote events, see [Place of supply](#) examples below.

Strictly, rule 4 applies only to B2C supplies, however for B2B supplies of event admissions, the place of supply is where the event is under rule 3 (see above).

5 Intellectual property rights, advertising, consultancy and advice etc.

B2B General rule

B2C Where the customer belongs subject to (d)

(d) Before 1 January 2021: if the customer belonged outside the EU, the place of supply was where the customer belonged, if the place of supply was in the EU (including UK) the place of supply was where the supplier belonged

This rule applies to a range of services:

- intellectual property rights
- advertising services
- consultancy, advice and professional services

- data processing and the provision of information
- banking, insurance and financial services
- supplies of staff

See [Place of supply of services](#) examples below.

6 BTE services

B2B: General rule subject to a use and enjoyment override (see below)

B2C: Where the customer belongs

This rule applies to three types of service:

- Broadcasting services
- Telecoms services
- Electronically supplied services

Use and enjoyment override

With effect from 1 January 2021 a use and enjoyment override applies:

- if the place of supply is the UK but the supply is to any extent effectively used and enjoyed outside the UK, then the place of supply is to that extent outside the UK
- if the place of supply is outside the UK but the supply is to any extent effectively used and enjoyed in the UK, then the place of supply is to that extent the UK. If the customer belongs in the UK and is registered for VAT in the UK, the UK reverse charge applies.

Before 1 January 2021 the use and enjoyment override applied to services effectively used and enjoyed outside or inside the EU.

For telecoms services, the use and enjoyment override was removed for supplies made on or after 1 November 2017.

See also the section [One Stop Shops](#) below.

Electronically supplied services

Electronically supplied services are services which are delivered over the internet or other electronic network the nature of which renders their supply essentially automated and involving minimal human intervention, and would be impossible to ensure in the absence of information technology.

This includes: website supply, web-hosting and distance maintenance of programmes and equipment; the supply of software and the updating of software; the supply of images, text and information, and the making available of databases; the supply of music, films and games (including games of chance and gambling games); the supply of political, cultural, artistic, sporting, scientific, educational or entertainment broadcasts (including broadcasts of events); and the supply of distance teaching but excluding teaching services, where the course content is delivered by a teacher over the Internet or an electronic network.

Electronically supplied services supplied via an agent

If electronically supplied services are supplied through a disclosed agent (where the customer knows the identity of the principal), for example digital products sold via an online marketplace operated by a third party, the agent is deemed to make the supply to the final customer and the supplier is deemed to make a supply of electronically supplied services to the agent. For more about supplies via agents, see [Sales via online marketplaces](#) below.

For an example see [Place of supply of services examples](#) below.

7 Intermediary services

B2B: General rule

B2C: The place of supply of the underlying service

These are the services of persons acting on behalf of the supplier or recipient of the underlying service procured.

Other specific Place of Supply rules

Other specific Place of Supply rules include for:

- restaurant and catering services
- passenger transport
- transport of goods
- hire of means of transport
- hire of goods excluding means of transport
- work on goods (excluding repairs to tangible moveable property under an insurance claim)
- repairs to tangible moveable property under an insurance claim
- supplies under the Tour Operators' Margin Scheme (TOMS)

For more on these rules see HMRC's VAT Notice 742a Place of supply of services. See [Further Information](#) below for a link.

Place of Supply examples

Financial services

Scenario A New-York-based fund manager provides fund management services (not VAT exempt) to a UK VAT registered charity.

VAT analysis

Fund management services are financial services and fall under rule 5, the supply is B2B as the UK customer is VAT registered so the B2B general rule applies and the place of supply is where the customer belongs – the

UK. The UK reverse charge applies and the UK charity must account for UK output VAT. This output VAT is also the UK charity's purchase VAT and recoverable in accordance with the UK VAT recovery rules.

In-person conferences

Scenario: A UK charity holds an in-person conference (where delegates attend in person) in Australia. It hires the services of an Australian business to arrange the venue and organise the conference. The UK charity sells admission tickets (not including travel or accommodation) via its website and it also sells promotional packages to commercial sponsors. There are three sponsor packages (gold, silver and bronze) each of which includes a right to an exhibition stand and promotional services at the conference.

VAT analysis

Admission The sale of admission tickets falls under rule 3 (if the sale is B2B) or rule 4 (if the sale is B2C) and is seen as supplied where the event takes place, Australia, so the supply is outside the scope of UK or EU VAT, but potentially within the scope of Australian GST.

Sponsorship The sale of conference sponsorship packages to commercial businesses falls under the B2B general rule (see rule 4) and is supplied where the customer belongs, so UK VAT should be charged to UK sponsors but not to non-UK sponsors.

Organisation services The purchase of conference organisation services from the Australian organiser also falls under the B2B general rule (see rule 4) and is subject to the UK reverse charge for the UK charity.

Remote conferences, webinars and podcasts

Scenario: A UK VAT registered charity organises (from the UK) a remote conference via web-conferencing software and sells admission via its own website. The conference is sponsored by a UK business which receives promotional services in return. The charity records the conference and sells recordings (*podcasts*) which are available for payment from the charity's own website and also sold via a third party marketplace operated from the USA.

VAT analysis

Admissions The sale of a right of admission to a remote live conference is likely to fall under rule 4 so if the supply is B2B the place of supply is where the customer belongs and if B2C where performed (the UK).

Sponsorship The sale of sponsorship to a business sponsor is likely to fall under the B2B general rule (where the customer belongs) via rule 4. The place of supply to the UK business will therefore be the UK.

Podcasts The automated sale of podcasts via a charity's own website is likely to be seen as a supply of electronically supplied services (rule 6) and as such supplied where the customer belongs (B2B or B2C).

If electronically supplied services are sold via an online marketplace the online marketplace is deemed to make the sale to the final customer and the seller is deemed to supply electronically supplied services to the online marketplace. For the UK charity, the supply to the online marketplace will be B2B general rule and seen as supplied in the USA.

The One Stop Shops (MOSS and OSS)

The Mini One Stop Shop (MOSS) and One Stop Shop (OSS) are EU simplification regimes for reporting and paying EU VAT. If a UK establishment supplies services to a customer in the EU it may be required (under EU law) to register for VAT in the EU, to charge the customer EU VAT and to report and pay this VAT to the VAT authority of the customer's state. EU states have a nil registration for non-established taxable persons (NETPs).

The MOSS and OSS are simplified ways to do this that avoid the need to register for VAT in each state in which the supplier has consumers.

Mini One Stop Shop

With effect from 1 January 2021, a UK supplier of BTE services to EU consumers (B2C) can either register for VAT in each EU state in which it has consumers or it can register for the *Non-Union Mini One Stop Shop* (Non-Union MOSS) in an EU state of its choice. It may then report and pay all EU VAT due on B2C BTE supplies via that single MOSS registration. The state of registration then distributes the VAT to the customer states. However if electronic services are sold via an agent such as an online marketplace, the agent is deemed to make the sale to the final consumer and the true seller is deemed to make a sale of BTE services to the agent.

The One Stop Shop

With effect from 1 July 2021 the EU is to extend its Mini One Stop Shop into a One Stop Shop (OSS), to include the ability to report and pay EU VAT in respect of a wider range of services and in respect of some supplies of goods.

There will be three versions of the OSS:

- 1 **The Non-Union OSS** – for non-EU businesses to report and pay EU VAT on all B2C services to EU consumers which are taxable in the customer's state
- 2 **The Union OSS** – for EU businesses, to report and pay EU VAT on all intra-EU B2C sales of services and on intra-EU B2C distance sales of goods (intra-EU means a supply from a supplier in one EU state to a customer in another)
- 3 **The Import OSS (IOSS)** – for non-EU businesses, under which non-EU suppliers of small value consignments of goods to EU consumers may report and pay EU VAT. Small value consignments are consignments of value up to €150. However it will not be obligatory to register for the IOSS and by default the customer will be responsible for paying any local import VAT due to be collected by the postal operator or import agent. If applicable, UK businesses will have to register for the non-union OSS and IOSS separately.

Concurrently with this change the EU is to make several changes to its place of supply rules for goods, see [Cross-border goods](#) below.

Cross-border goods

With effect from 1 January 2021 a distinction is made for UK and EU VAT purposes between Great Britain (GB) and Northern Ireland (NI) as far as goods are concerned, but not as far as services are concerned. NI is treated as still being a part of the EU's VAT system whereas GB is outside it.

Output VAT, import VAT and acquisition VAT

Cross-border movements of goods (including sales, movements of own goods and intra VAT group sales) can be subject to UK or EU VAT in three situations:

- 1 When supplied for consideration** – when the goods are sold. The VAT due is output VAT and due at the time of supply. This VAT may be payable in the supplier's state or in the customer's state. The rules for determining the state are known as the place of supply rules for goods.
- 2 When imported** – when the goods are brought into a relevant territory: GB, NI or the EU. This VAT is referred to as import VAT and is by default due at the place and time of import and payable by the person importing the goods, though there are exceptions and exemptions, including specific exemptions for imports by UK charities (see below).
- 3 When acquired** – when goods are received in one EU state by a VAT registered business from a VAT registered business in a different EU state a special type of VAT called *acquisition VAT* may be due. This VAT is payable by the acquirer of the goods in the acquirer's EU state. With effect from 1 January 2021 acquisition VAT is abolished for businesses in GB but not for businesses in NI.

VAT recovery

For all three types of VAT (output VAT, import VAT and acquisition VAT), the VAT paid is potentially recoverable for the person paying the VAT (the customer, importer or acquirer) if registered for VAT and if the purchase, import or acquisition is used or to be used to make taxable supplies.

B2B and B2C

The VAT cross-border rules for goods make a distinction between B2B (business to business) and B2C (business to consumer) sales of goods however B2B and B2C do not have the same meanings as for services.

For goods:

- B2B means sales to a customer who is registered for VAT
- B2C means sales to a customer who is not registered for VAT.

B2C sales include sales to individuals acting in a private capacity and sales to businesses that are not registered for VAT or who fail to provide a valid VAT number.

In order to apply the B2B treatment the customer must provide a valid VAT registration number to the supplier who must check its validity and keep a record of that check. The UK and EU tax authorities provide websites for checking the validity of VAT numbers, see [Further Information](#) below.

General rule for goods

There is a general place of supply rule for goods, which is overruled by more specific rules in specific situations. The general rule depends on the delivery status of the goods:

Goods sold without delivery If goods are sold without delivery, for example goods given directly to a customer in a high street shop, the place of supply is where the goods are sold.

Goods sold with delivery If goods are sold with delivery, for example goods ordered from a website, whether the delivery is arranged by the seller, customer or by a third party, then the goods are supplied in the state where they are located when the transport to the customer begins.

Specific place of supply rules

There are then several situations in which these general rules are overridden, including for:

Imported goods

If the goods are located outside the UK at the point of sale, then if the supplier is responsible for importing the goods into the UK, the supply to the UK customer is treated as taking place in the UK. If the customer is responsible for importing the goods, the supply is treated as taking place outside the UK.

Goods sold via online marketplaces

Goods sold via online marketplaces may be deemed sold to and by the online marketplace, see the section [Sales via online marketplaces](#) below.

Goods imported in small-value consignments

A small-value consignment is one whose value, excluding taxes, delivery and insurance, does not exceed £135. Goods imported into the UK in small-value consignments are subject to a special VAT regime – see the section [Imports in small-value consignments](#) below.

Distance sales

Distance sales are B2C sales of goods from a supplier in one EU state to a customer in another EU state where the goods are

transported by or on behalf of the seller. Distance sales commonly include goods ordered from websites.

Under the EU's distance selling regime (to 30 June 2021), all B2C distance sales of goods to customers in a particular EU state below that state's *distance selling threshold* are treated as supplied in the supplier's state but above the threshold, the place of supply becomes the customer's state (the state where delivery to the customer ends). In effect each EU state has a VAT registration threshold for distance sales. EU states generally set distance selling thresholds at either €35,000 or €100,000 per calendar year.

Between 1 January 2021 and 30 June 2021 the EU's distance-selling regime applies to NI but not to GB. See the section [Movements between NI and the EU](#) below.

With effect from 1 July 2021 the distance selling thresholds will be abolished and all intra EU B2C distance sales will be seen as supplied in the customer's state.

The EU's One Stop Shop will permit intra EU B2C distance sellers to report and pay EU VAT due on such sales via a One Stop Shop. See the section [The One Stop Shops](#). This potentially includes sellers in NI.

Other place of supply rules

Other special place of supply rules for goods rules include for:

- installed or assembled goods – these are treated as supplied where installed or assembled
- supplies on board ships, aircraft and trains on a journey to or from the UK are treated as supplied outside the UK
- gas and electricity – there is a special VAT regime for cross-border supplies of network gas and electricity.

The four cross-border scenarios for goods

With effect from 1 January 2021, there are four key *direct* cross-border scenarios for a UK supplier of goods or for a UK purchaser of goods:

- 1 **Export from GB or NI:** an export of goods from GB to a place outside the UK, and an export of goods from NI to a place outside the UK and EU
- 2 **Import into GB or NI:** an import of goods into GB from outside the UK and an import of goods into NI from a place outside the UK or EU
- 3 **Movements between NI and the EU:** movements of goods from NI to the EU and vice versa
- 4 **Movements between GB and NI:** movements of goods from GB to NI and vice versa

Each scenario is considered below.

Exports

Exports include the:

- export of goods from GB to a place outside the UK
- export of goods from NI to a place outside the UK and outside the EU.

In general the export of goods for consideration is zero-rated for UK VAT purposes. This is subject to various conditions being met (see below). If these conditions are not met the sale is subject to UK VAT at the appropriate UK rate of VAT.

Exports by charities

There is a special VAT zero-rating relief for the export of goods from the UK by a charity. This relief applies whether or not the goods are supplied for consideration, for example where a UK charity exports goods for free as aid.

The effect of zero-rating is to permit UK VAT recovery on associated purchases. With effect from 1 January 2021 exports include exports from GB to EU states.

Zero-rating conditions

The zero-rating conditions are:

- the goods are taken out of the UK within the specified time limits, which are usually 3 months but in some situations the time limit is extended, for example if the goods have to be processed or assembled the time limit is 6 months
- evidence of export is obtained within specified time limits and retained for at least six years
- the exporter complies with any other conditions of HMRC's VAT Notice 703 which have statutory force.

Retail export scheme

This is an EU scheme that allows non-EU visitors to the EU to reclaim EU VAT paid on purchases they make on the high street which they take home with them in their luggage.

To 31 December 2020 a non-EU visitor to the UK was required to pay UK output VAT on the purchase at the point of sale, and then obtain proof of export on departure from the UK. The visitor could then use the proof to make a claim for refund of the output VAT from the retailer.

With effect from 1 January 2021 the Retail Export Scheme is abolished in GB but not in NI. Non-UK visitors to GB can still zero-rate purchases of goods in GB by arranging for them to be sent by the UK seller to the customer's address as zero-rated exports.

If a person from GB purchases goods in NI they can use the scheme however they will be liable for UK import VAT on entry into GB so there will be no net VAT advantage in using the scheme.

Imports

Imports include:

- The import of goods into GB from a place outside the UK
- The import of goods into NI from a place outside the UK and outside the EU

Import VAT

An import of goods into the UK is (subject to exceptions and exemptions) chargeable to UK import VAT at the place and time of import. This VAT is payable by the registered importer of the goods to HMRC.

The rate of import VAT due is the rate applicable to the same goods if supplied in the UK, for example an import of books is zero-rated as a supply of books is zero-rated in the UK.

With effect from 1 January 2021 most VAT registered UK businesses can use postponed accounting to report and pay any UK import VAT due in their UK VAT return. The import VAT is entered in box 1, any recoverable import VAT is entered in box 4 and the net value of the import is entered in box 7.

Imports in small-value consignments

With effect from 1 January 2021 a special UK VAT regime applies to imports of goods in consignments not exceeding £135 in value (excluding delivery, insurance and taxes).

The £135 limit is designed to match a similar Customs Duty exemption for small value consignments and to speed the flow of small value consignments into the UK.

However the regime excludes imports in consignments containing excise goods or non-commercial goods.

Imports into GB

For imports into GB in small-value consignments, UK output VAT rather than UK import VAT is due on the consignment at the

point of sale and payable to HMRC by the seller.

Overseas sellers may be required to register for VAT in the UK and charge UK output VAT at the appropriate UK rate. However:

- 1 If the goods are sold via an online marketplace, the sale is deemed to be made by the overseas seller to the online marketplace and by the online marketplace to the UK customer. The online marketplace is responsible for charging, collecting and paying any UK output VAT due to HMRC (see [Sales via Online marketplaces](#) below)
- 2 if a UK customer is registered for VAT in the UK and provides their UK VAT registration details to the seller or if applicable, the online marketplace, a UK reverse charge applies.

Online marketplace example

Scenario: A UK VAT registered charity purchases goods worth £75 (net of delivery costs and VAT) from a French business via a French online marketplace. The goods are located in France at the point of sale. The UK charity provides its VAT registration details to the online marketplace.

VAT analysis

The goods are deemed sold to and by the online marketplace. As the UK charity provided its VAT registration details to the online marketplace a UK reverse charge applies for the UK charity.

Imports into NI

For imports of goods into NI which are outside of the UK and EU at the point of sale in consignments that do not exceed £135 in value, UK import VAT is due and the liability lies with the seller or online marketplace, where an online marketplace facilitates the sale, for B2C transactions.

Where a business customer provides its valid VAT registration number in a B2B transaction, the liability for import VAT lies with the business customer. This is regardless of whether it is a direct sale or through an online marketplace. Postponed VAT accounting is compulsory for these movements.

Sales via online marketplaces

In some situations a cross-border purchase of goods made via an online marketplace is deemed to be two transactions if it is:

- a sale by the true seller to the online marketplace and
- a separate sale by the online marketplace to the customer.

This occurs for:

- goods sold in low-value consignments
- if goods of any value are located in the UK at the point of sale and are sold by an overseas seller via an online marketplace.

However a non-UK online marketplace will not need to charge and account for UK VAT if the customer gives them a valid UK VAT registration number.

The business customer is then responsible for accounting for any UK VAT due on their VAT return if the goods are supplied in:

- GB: using a reverse charge procedure
- NI: using Postponed VAT Accounting

In both cases, the seller may be able to recover the VAT on the same VAT return under normal VAT recovery rules.

These rules do not apply to consignments of goods from Jersey and Guernsey, if UK VAT is collected and paid to HMRC under the UK's Import VAT Accounting Scheme.

Meaning of online marketplace

An online marketplace is a business using a website or mobile phone app (such as a marketplace, platform or portal) to handle the sale of goods to customers which meets all of the following conditions:

- The marketplace in any way sets the terms and conditions on how goods are supplied to the customer
- The marketplace is involved in any way in authorising or facilitating customers' payments
- The marketplace is involved in the ordering or delivery of the goods

A business is not classed as an online marketplace if it only provides one of the following services:

- Processing of payments for the supply of the goods to the customer.
- Listing or advertisement of goods.
- Redirection or transferring of customers to other websites or mobile phone apps where goods are offered for sale, without any further involvement in any sale that might take place on that website or app.

Import VAT exemptions

Some imports by charity are exempt from UK import VAT, including:

Goods for the needy: basic necessities obtained without charge for distribution free of charge to the needy by a relevant organisation.

Fundraising goods: goods donated by a person established abroad to a relevant organisation for use to raise funds at occasional charity events for the benefit of the needy. An occasional charity event normally means any event held not more than four times a year by any one organisation.

Donated equipment and office materials: equipment and office materials donated by a person established abroad to a relevant organisation for meeting its operating needs or carrying out its charitable aims.

Disaster relief goods: goods imported by a relevant organisation for distribution or loan, free of charge, to victims of a disaster affecting the territory of the UK. This includes goods imported by a relevant organisation for meeting its operating needs in the relief of a disaster. This relief applies only where the UK has made a decision authorising relief for the goods.

Goods for disabled persons: articles donated to and imported by a relevant organisation for supply to blind or other disabled persons and which are specially designed for the education, employment or social advancement of such persons, including spare parts, components or accessories and including tools for their maintenance, checking, calibration or repair.

Works of art and collector's pieces: imported by approved museums, galleries or other institutions for a purpose other than sale.

There are also import VAT exemptions and reliefs for: items for the promotion of trade; goods for testing or research; certain health products; donated medical equipment; works of art and antiques; and many others, see VAT Notice 702 imports and the HMRC guide Imports by charities.

Movements of goods between NI and the EU

For businesses in NI the EU VAT regime for goods (but not for services) carries on after 31 December 2020.

B2B sales

Sales of goods by VAT registered businesses in NI to VAT registered businesses in the EU are zero-rated in the UK subject to meeting various conditions (see below). The EU customer should account for local acquisition VAT under its local VAT rules and pay this to its local VAT authority.

The NI business must report such sales in its EC sales list and in boxes 6 and 8 on the UK VAT return. The NI business must use an XI prefix when communicating its VAT number to EU businesses.

B2C sales

B2C distance sales of goods from NI to consumers (not registered for VAT) in the EU are subject to the EU's distance selling regime (see [Cross-border goods introduction](#) above)

B2B purchases

Purchases of goods by UK VAT registered NI businesses from EU VAT registered EU suppliers are subject to NI acquisition VAT, chargeable at the appropriate UK rate of VAT and reportable in the UK VAT return box 2. This NI acquisition VAT is potentially recoverable under the UK VAT recovery rules in box 4. Such purchases must be reported in boxes 7 and 9 of the UK VAT return. The NI business must use an XI prefix when communicating its VAT number to EU businesses.

B2C purchases

B2C distance purchases of goods from EU VAT registered businesses are subject to the EU's

distance selling regime (see [Cross-border goods introduction](#) above).

Zero-rating conditions

In order to zero-rate sales to VAT registered EU businesses:

- The EU customer must be VAT registered in an EU member state and must have notified the NI supplier of its VAT number.
- The NI supplier must take reasonable steps to check the validity of the customer's VAT number, for example by checking it on the EU's VIES database (see [Further Information](#) below).
- The goods must be sent or transported out of NI to a destination in an EU member state within 3 months of the sale. Evidence of this must be retained. The 3 month time limit can be extended in some situations.
- The sale must be reported on the NI supplier's EC Sales List.

Movements of goods between GB and NI

In principle, movements of goods between GB and NI are exports from the exporting territory and imports into the importing territory and as such subject to the VAT treatments for imports and exports outlined above.

However in order to mitigate the effect on the UK's internal market the UK government has made several changes to the VAT rules for movements of goods between GB and NI.

Sales and purchases

Where goods are sold between a VAT registered supplier in one territory and a customer (registered or unregistered) in the other, the seller must charge the customer UK VAT at the appropriate UK rate and report this in box 1 of the UK VAT return as for output VAT. This is recoverable subject to the UK recovery rules.

However there are a few exceptions to this, including for goods declared into a special customs procedure and goods sold by an overseas seller via an online marketplace.

Movement of own goods

Movement of own goods means a movement of goods within an entity, for example a transfer of goods from a branch in GB to a branch in NI. There are different VAT rules for movements of goods from GB to NI and for movements from NI to GB:

GB to NI Where a VAT registered business moves its own goods from GB to NI, it must account for UK VAT and report this in the UK VAT return box 1 as output VAT. This VAT is recoverable subject to the UK VAT recovery rules, though with a modification (see below)

NI to GB Where a business moves its own goods from NI to GB, it will not be required

to account for VAT unless these goods have been subject to a sale or supply.

Intra-VAT group sales

Where goods are sold between entities that are both in the same UK VAT group, then two special rules apply:

- 1 GB to NI** If the goods move from GB to NI, UK VAT is due as for a movement of own goods from GB to NI (see above)
- 2 NI to GB** If the goods move from NI to GB these will be treated as a movement of own goods and disregarded if both members are established, or have a fixed establishment, in NI. Where one or both members only have establishments in GB, the disregard will not apply and VAT must be accounted for by the representative member. This VAT may be reclaimed subject to the normal VAT recovery rules.

VAT recovery

Where a business moves goods from GB to NI, after not having reclaimed the associated input VAT in full, then there is a possibility that there will be irrecoverable input VAT incurred again on the same goods. To prevent this, businesses can reattribute the previously unrecovered input VAT on the original purchase in GB as if the goods had been used for a taxable purchase. This may be taken into account by businesses when making their annual adjustment.

Further information

Other Sayer Vincent Made Simple Guides

- Charity shops
- VAT for hospices
- Tax for arts organisations
- Tax for charity fundraisers
- Collaborative working
- Mergers
- Subsidiaries
- Tax-effective giving
- Employee and volunteer taxation
- Gift Aid
- Grants and contracts

www.sayervincent.co.uk/resources/made-simple-guides

HMRC VAT Notices and guidance

Place of supply of services (VAT Notice 741A)
www.gov.uk/guidance/vat-place-of-supply-of-services-notice-741a

VAT on goods exported from the UK (VAT Notice 703)
www.gov.uk/guidance/vat-on-goods-exported-from-the-uk-notice-703

Imports (VAT Notice 702)
www.gov.uk/guidance/imports-and-vat-notice-702

The single market (VAT Notice 725)
www.gov.uk/guidance/vat-and-the-single-market-notice-725

VAT on movements of goods between Northern Ireland and the EU
www.gov.uk/guidance/vat-on-movements-of-goods-between-northern-ireland-and-the-eu

Changes to VAT treatment of overseas goods sold to customers from 1 January 2021
www.gov.uk/government/publications/changes-to-vat-treatment-of-overseas-goods-sold-to-customers-from-1-january-2021/changes-to-vat-treatment-of-overseas-goods-sold-to-customers-from-1-january-2021

VAT and overseas goods sold to customers in the UK using online marketplaces
www.gov.uk/guidance/vat-and-overseas-goods-sold-to-customers-in-the-uk-using-online-marketplaces

Checking VAT numbers

HMRC VAT number database
www.gov.uk/check-uk-vat-number EU VIES database
https://ec.europa.eu/taxation_customs/vies

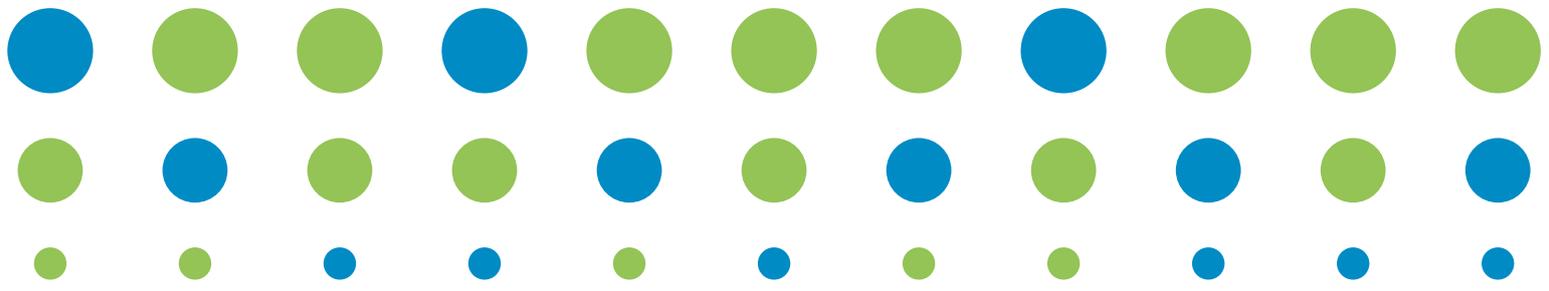
Literature

The Complete Charity VAT Handbook

Alastair Hardman and Kate Sayer

Published by the Directory of Social Change in 2016

www.dsc.org.uk/publication/complete-charity-vat-handbook



Made Simple guides

Made Simple guides are aimed at finance professionals and other managers working in charities. They cover technical areas such as tax and VAT treatments as well as information management areas and aim to provide practical guidance to busy managers and trustees in charities.



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