
CROSS-BORDER VAT CHANGES 2010: TIME OF SUPPLY RULES

Who is likely to be affected?

1. Businesses receiving cross-border supplies of services in the UK, who are required to account for the VAT on those supplies as a reverse charge.

General description of the measure

2. This measure makes changes to the time of supply rules for cross-border supplies of services. The changes will affect supplies treated as made in the UK by the person who receives them. The time of supply determines when VAT is to be brought to account.
3. The changes are linked to the introduction of EC Sales Lists (ESLs) for services (BN76). They are intended to harmonise the reporting of cross border supplies by the supplier (on an ESL) with the inclusion of the supply (by the customer) on the VAT return. There are other related changes to the place of supply of services (BN74) and the VAT refund scheme (BN77).

Operative date

4. The changes will have effect on and after 1 January 2010.

Current law and proposed revisions

5. The current time of supply rules are set out in regulation 82 of the VAT Regulations 1995. The changes will be implemented by amending the Regulations.
6. At present the time of supply (or tax point) for this category of cross border supply is normally when the supply is paid for. But if the consideration is non-monetary, the tax point will occur at the end of the VAT accounting period during which the service is performed.
7. From 1 January 2010, the rules will be governed primarily by when a service is performed and a distinction will be made between single and continuous supplies.

8. For single supplies, the tax point will occur when the service is completed or when it is paid for if this is earlier.
9. In the case of continuous supplies, the tax point will be the end of each billing or payment period. For example, if leasing charges are billed monthly or the customer is required to pay a monthly amount, the tax point will be the end of the month to which the bill or payment relates. Again, if a payment is made before the end of the period to which it relates or before the end of the billing period then that payment date, rather than the end of the period, will be treated as the tax point.
10. For continuous supplies that are not subject to billing or payment periods, the tax point will be 31 December each year unless a payment has been made beforehand. In that case the payment will create a tax point.

Further advice

11. Although time of supply was not specifically covered, the underlying changes were subject to the consultation *VAT Place of supply of services: Changes to implement EC law* which ran from 22 December 2008 until 13 February 2009. A response to the consultation document has been published today on the HM Revenue & Customs website.
12. Further information about all aspects of the Cross-Border VAT Changes 2010 will be available through a Revenue & Customs Brief from 1 May 2009.
13. If you have any questions please contact the National Advice Service on 0845 010 9000. Information about Budget measures is available on the HM Revenue & Customs website at www.hmrc.gov.uk