

VAT – New Place of Supply Rules

For suppliers of services, 1 January 2010 was an important date because the place of supply rules for cross-border services changed.

The new basic rule is that the place of supply of a trans-national service is the place in which the recipient of the service belongs, provided that the recipient is regarded as a 'taxable person'. You might think this would exclude a business person who is not registered for VAT in their own country, but this is not the case. The rule will apply wherever the recipient is a business or a person acting in a business capacity, or indeed to an entity which undertakes both business and non-business activities.

In such cases, the recipient of the service must account for any VAT using the 'reverse charge' procedure.

As always, there are exceptions to the rule. These include the following:

- Supplies connected with immoveable property (supplied where the property is situated);
- Short-term hire of transport (supplied where the vehicle is put at the disposal of the hirer);
- Cultural etc. services (supplied where performed, but this is due to change next year);
- Restaurant and catering services (supplied where carried out); and
- Transport of goods (supplied where the transport takes place).

For more information, see VAT leaflet 741A.

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