

Brexit

Changes to VAT on Services

There are significant changes to the movement of goods between the UK and the EU after Brexit but there are also changes to the VAT treatment of some services from 1 January 2021. In addition the EU will introduce further changes to the VAT treatment of certain services on 1 July 2021 and these changes will affect some UK businesses.

This publication looks at these changes to help you prepare:

Digital services provided B2C to and from the EU

The VAT Mini One Stop Shop (MOSS) scheme allows non-established suppliers of electronically supplied services including telecoms and broadcasting services, to file a single VAT return – documenting their sales by member state of consumption – in only one member state. UK businesses will no longer be able to use MOSS in the UK. The final MOSS return should capture all sales made up to and including 31 December 2020 and be submitted by 20 January 2021.

UK suppliers can register for the non-Union MOSS scheme in an EU member state, for example the Republic of Ireland. If you make supplies in January 2021, you must register by 10 February 2021.

UK businesses will no longer get the benefit of the current EU-wide VAT threshold for supplies of digital services to consumers (£8,818). This means that EU VAT will be due on all supplies of digital services to EU consumers, regardless of the value of the sales.

If you are selling digital services from the EU to the UK, the EU MOSS scheme will no longer apply to the UK. You will need to register in the UK to account for UK VAT on supplies to UK consumers.

Business to consumer supplies of a professional, technical and intangible nature

If you're supplying services that are treated as supplies from the UK to consumers outside the UK, your services are supplied where your customer belongs and so are outside the scope of UK VAT. These services supplied to consumers inside the EU were previously VATable. This means that from 1 January 2021 unless the service is

deemed to be in the UK based on where the consumer belongs, no UK VAT is charged on services to anyone, consumer or business outside the UK. However, the EU will tax B2C supplies to EU consumers from 1 July 2021 (see next section).

Extension of MOSS to other services

From 1 July 2021, MOSS will be extended to cover all B2C cross border services where the place of supply is deemed to be in the EU. This is likely to include legal and professional services, freight transport and the provision of information.

B2B Services to non-UK businesses after 1 January 2021

Most services B2B to non-UK businesses prior to 1 January 2021 are outside the scope of UK VAT and this treatment will continue. After 1 January 2021 businesses in Great Britain will no longer be required to complete EC Sales Lists although the requirement continues for businesses in Northern Ireland.

Tour Operators Margin Scheme (TOMS)

TOMS will continue to apply to all tour operators located in the UK. From 1 January 2021 the margin on designated travel services which take place inside the EU will be zero rated in line with the current treatment of supplies that take place outside the EU. The margin on travel services enjoyed in the UK will remain taxed at the standard rate except for passenger transport (the margin will be zero rated) and certain hospitality and accommodation services taxed at 5% until 31 March 2021 (the margin will be 5% rated).



Finance and insurance services supplied to persons outside the UK

If you make specified supplies from the UK to a business or consumer who belongs outside the UK, you will be entitled to recover VAT incurred on costs relating to:



Financial services supplied to persons belonging outside the UK or directly related to an export of goods



Insurance services supplied to persons belonging outside the UK or directly related to an export of goods



The making of arrangements for these specified supplies

Prior to 1 January 2021, the rules allowed input tax recovery when making such supplies to non-EU recipients only.

However HMRC say that VAT incurred before the end of the transition period that is used to make specified supplies to persons belonging in EU member states cannot be recovered.

International trains

Services provided for the operation of international trains and the loading, unloading and storage of goods carried on them will be zero rated from 1 January 2021 provided the service is physically performed in the UK.

Please contact Steve Chamberlain to discuss this further



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Use and enjoyment rules

If you're supplying services from the UK that come under use and enjoyment rules and are effectively used and enjoyed outside the UK, they will be outside the scope of UK VAT. Before 1 January 2021, these rules did not apply if the services were used and enjoyed within the EU. The services covered by these rules are:



The letting on hire of goods (including means of transport)



Electronically supplied services (B2B only)



Telecommunications services (B2B only)



Repairs to goods under an insurance claim (B2B only)



Radio and television broadcasting services

Conversely, where such services are supplied to customers outside of the UK, but are effectively used and enjoyed here, they will be liable to VAT. Previously this rule only applied where the customer belonged outside of the EU but extends to all non-UK customers from 1 January 2021.

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