

## **Business to Customer Services – Intra-EU Supplies**

### **New Rules – Effective – 1 January 2015**

Legislation has been introduced in Finance Act 2014 to tax B2C intra-EU supplies of the following services according to the member state in which the customer is located:

- telecommunications services
- broadcasting services
- e-services

These services are currently taxed in the country in which the service provider is established i.e. B2C supplies. The changes will take effect from 1 January 2015 and implement already agreed EU legislation into UK legislation, ensuring that these services are taxed fairly in the Member State of consumption.

This is likely to create multiple EU registration obligations for affected suppliers selling to EU individuals.

To save the need for businesses affected by these changes having to register for VAT in other Member States, a Mini One Stop Shop (MOSS) will also be introduced from 1 January 2015. This is an IT system that will give affected suppliers the option of registering in the UK and accounting for VAT due in other EU countries using a single MOSS return.

MOSS will avoid the need for a business having to register in each EU country where it sells electronic services (and also in relation to broadcasting and telecommunications services) to non-business customers. The supplier would still charge their customers the local VAT rate e.g. Hungarian VAT to Hungarian customers, but they would account for the VAT collected on a single MOSS return.

The MOSS return will not have any facility for recovering EU VAT incurred and any affected supplier would need to submit an electronic cross border refund claim for any such VAT incurred.

#### **Example**

An online games developer is established in London. Customers can visit their website and download any game of their choosing once payment has been made.

Up to 31 December 2014 the UK games developer will charge UK VAT to EU non-business customers as this is a B2C supply. No VAT is charged to non-EU customers as Schedule 4A Para 16 shifts the place of supply to where the non-EU customer belongs.

From 1 January 2015 the place of supply of electronic services changes for all B2C customers to where the customer belongs.

From 1 January 2015 the UK games developer is likely to have multiple EU registration obligations. For example, French customers mean French supplies for the UK games developer. Following the ECJ decision in Schmelz, a non-established business is unlikely to have access to the local registration limits.

In order to simplify the multiple EU registration obligations the UK games developer could register in the UK under MOSS. They would have to charge the consumption rate of VAT e.g. French VAT to French customers, but MOSS would allow them to account for all the EU VAT charged to just one member state i.e. the UK on their MOSS return. The UK authorities would then remit the VAT collected to the relevant member state e.g. French VAT to France.

The UK games developer must still retain their UK registration to account for any UK VAT charged to UK customers. The UK return is also required to recover any UK input tax it incurs in running its business.

Article – Mercier (Nov 2014)

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