

VAT Changes – January 2015

From the 1st January 2015 the VAT rules around the sales of digital services to consumers (private individual and non business entities) in the EU changed to the location of the customer. The supplier is now responsible for accounting for the VAT in the customers EU country.

The new rules only apply where a UK business meets all of the following criteria:

- supplies digital services from the UK to another EU member state (goods and non-digital services sold over the internet are not within scope)
- supplies those services to a private consumer in another EU member state
- charges for that supply (digital services provided free of charge are outside the scope of VAT)

Digital services include the following:

Radio and television broadcasting services

These include:

- the supply of audio and audio-visual content for simultaneous listening or viewing by the general public on the basis of a programme schedule by a person that has editorial responsibility
- live streaming via the internet if broadcast at the same time as transmission via radio or television

Telecommunications services

This means transmission of signals of any nature by wire, optical, electromagnetic or other system and includes:

- fixed and mobile telephone services for the transmission and switching of voice, data and video, including telephone services with an imaging component, otherwise known as videophone services
- telephone services provided through the Internet, including Voice over Internet Protocol (VoIP)
- voice mail, call waiting, call forwarding, caller identification, 3-way calling and other call management services
- paging services
- access to the internet

It does not cover services simply provided over the telephone, such as call centre helpdesk services.

Electronically supplied services

The rule change only applies to 'e-services' that are 'electronically supplied' and includes things like:

- supplies of images or text, such as photos, screensavers, e-books and other digitised documents eg, pdf files
- supplies of music, films and games, including games of chance and gambling games, and of programmes on demand
- online magazines
- website supply or web hosting services

- distance maintenance of programmes and equipment
- supplies of software and software updates
- advertising space on a website

Sales not affected by the change

Using the internet, or some electronic means of communication, just to communicate or facilitate trading does not always mean that a business is supplying e-services. Using the internet for the following doesn't count:

- supplies of goods, where the order and processing is done electronically
- supplies of physical books, newsletters, newspapers or journals
- services of lawyers and financial consultants who advise clients through email
- booking services or tickets to entertainment events, hotel accommodation or car hire
- educational or professional courses, where the content is delivered by a teacher over the internet or an electronic network (in other words, using a remote link)
- offline physical repair services of computer equipment
- advertising services in newspapers, on posters and on television

VAT accounting options for businesses supplying digital services to consumers

Apart from those businesses who sell digital services entirely through digital platforms or marketplaces who take on responsibility for accounting for the VAT due (see below) businesses must consider how they intend to account for the VAT on those supplies. Businesses will have to make one of the following choices and either register:

- to use the UK [VAT Mini One Stop Shop \(VAT MOSS\)](#).
- for VAT in every EU member state where you make digital supplies to consumers, and file returns and make payments to the tax authorities in each of those member states

HMRC strongly recommends that you register for and use UK VAT MOSS. It makes accounting for VAT due in all the EU member states much easier.

If you are below the UK VAT registration threshold (currently £81,000) you can register for UK VAT to use the UK VAT MOSS. You can charge and account for VAT in respect of your EU cross-border B2C supplies but won't have to charge and account for VAT on your UK domestic supplies. In addition, you will also be able to reclaim any VAT charged on business expenses directly related to your cross-border digital service supplies.

There are specific deadlines for registering for the VAT Moss scheme, click [here](#) for further guidance

If you believe you fall within the rule change and you would like further guidance please contact Leonherman on **0161 249 5040** or email partners@leonherman.co.uk