

Constable VAT Consultancy

VAT Focus 15 June 2012

Changes to VAT Invoicing Rules

HMRC have published a [technical note](#) on changes to the existing UK VAT invoicing rules to reflect the changes introduced by the EU. The changes assist business by removing or largely reducing current VAT obstacles to the use of electronic invoices, simplifying a number of existing VAT invoicing requirements and removing some existing administrative burdens associated with VAT invoices.

Many of the changes are already included in existing UK legislation. The technical note outlines the minor changes that will be made to UK VAT regulations in order to implement the changes. It also includes draft legislation for technical consultation. In headline terms the changes are as follows:

- Member States can no longer impose conditions in relation to electronic invoices. The only condition will now be that the customer must agree to the use of electronic invoices.
- There will no longer be a need to issue a VAT invoice in respect of cross-border supplies of exempt services
- Less detailed tax invoices for supplies up to £250 will not apply only to retailers.
- When a reference is needed to support VAT treatment in the case of:
 - exempt supplies
 - margin scheme supplies
 - reverse charge supplies
 - self billed suppliesThe reference must be the appropriate reference specified in national legislation
- The time limit for issuing a VAT invoice for an EU cross-border supply will be aligned to time limits for issuing a VAT invoice requiring the invoice to be issued by the 15th day of the month following that in which the goods are removed or services are performed.

The changes to UK VAT invoice rules will be implemented with effect from **1 January 2013**, HMRC have indicated that they are happy to meet and speak to interested parties. The closing date for comments is **12 July 2012**

Legislation to remove VAT on freight transport services performed wholly outside the EU

HMRC has published draft [legislation](#) to be introduced in autumn 2012 to formalise VAT relief on freight transport services performed wholly outside the EU.

On 1 January 2010 the place of supply of services law changed the place of supply to business customers to a general rule of 'the place where the customer belongs' with a range of exceptions. This meant that supplies of freight transport and related services, which took place wholly outside the EU would fall to be taxed in the UK where received by businesses and charities.

To avoid this potential problem, on 15 March 2010 HMRC introduced a temporary easement detailed in Revenue and Customs' Brief [13/10](#) to allow such supplies of freight transport and related services to be supplied where performed under the "use and enjoyment" rules and signaled the intention to bring this easement into the law at a later date. The easement will remain in place until the proposed legislation becomes law.

DIY claimant successful at Tribunal

In a recent case *Mark Catchpole (TC01995)* the Tribunal considered the fairly unusual case of a DIY claim in respect of a new dwelling built as two separate buildings, one containing living accommodation and two bedrooms and the other containing just two bedrooms and a shower room. HMRC refused to refund VAT incurred on the build because in their opinion the works did not qualify as 'the construction of **a building** designed as a dwelling or number of dwellings' as is required by VAT law as there were two buildings rather than one.

This case is of interest because it considers in detail the interpretation of this part of the law and because the taxpayer was successful in his appeal. The Tribunal also considered whether its interpretation of the law was 'tenable, so as not to create unfair distinctions between two substantially similar situations' and concluded that it was.

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Thinking outside the box

