

1	Contents	
2	General principles	2
3	General resources	3
3.1	Commentary/analysis by VAT specialists	3
4	HMRC / Gov UK sources	4
4.1	Place of Supply of Services (VAT Notice 741A)	4

General Principles:

- This is **not VAT advice**, we are showing a ‘mechanical’ means to achieve certain results in the system, if you are unsure of the VAT treatment then you must seek specialist advice
- This booklet is designed to be a summary of the situation around buying and selling Services in your Dynamics NAV or Dynamics 365 Business Central system. This is a guide only, general suggestions that will broadly apply to most businesses.
- We are showing a summary of the resources we can find out there
- If unsure how to set things up then ask us for help, book one to one help via your Account Manager
- An example of possible setup is shown, each time the NAV / RTC / Desktop Client is shown first, then the Web Client/Business Central
- You are in control of all of this, these are just suggestions, but we are aiming to show best practice

Short summary:

For Services bought from EU/ROW suppliers we must account for this in the following boxes:

- Box 1 (output VAT)
- Box 4 (input VAT)
- Box 6 (value of deemed supply)
- Box 7 (purchase value)

See HMRC VAT Notice 741a section 5 for more information

<https://www.gov.uk/guidance/vat-place-of-supply-of-services-notice-741a#sec5>

Also see HMRC VAT Notice 700/12 for more information:

<https://www.gov.uk/guidance/how-to-fill-in-and-submit-your-vat-return-vat-notice-70012#para46>



2 General principles

Most of the focus (ours included) has been on the customs changes, the rules surrounding the physical movement of goods over the EU border and the VAT treatments for these. The issues surrounding Northern Ireland have proved difficult and at time of writing the issue of Tariffs versus a Free Trade Agreement is continuing.

It is actually quite hard to find clarifications on what if anything changes for Service transactions.

So, for trading goods with a business (**B2B**) its reasonably straight forward, all movements become **imports** or **exports** rather than the **zero-rated B2B intra-community supplies** that they were previously treated as. Intrastat reporting continues for one year and only for arrivals. All imports over £135 in value will face import VAT (import tax) which will be handled through the VAT return (PAV - Postponed accounting for VAT). Tariffs may apply (currently unresolved). Traders need to review their **Incoterms** and **Commodity Codes** and ensure they are prepared with the correct documentation for **customs declarations**.

Selling goods to a consumer in the EU (**B2C**) has significant changes, mostly caused by the loss of the **Distance Selling Thresholds**, meaning UK sellers need to take advice regarding registering for VAT in the EU.

For services, selling to consumers (**B2C**) does have quite dramatic changes due to the loss of the **EU Mini One-Stop Shop**, meaning UK sellers of *electronic, broadcast or telecoms services to consumers* will have to look into registering for VAT in an EU country to be able to make their VAT declarations for sales of services within the EU.

For services that are business to business (**B2B**) there are only limited changes on the VAT on services. The reverse charge will still apply. There may be some minor changes to the use and enjoyment rules. The EC Sales List does end in January.

Our summary

For services please mostly disregard our earlier document regarding setup changes which was really focused on trade in goods. We feel that continuing with your current treatment for services only appears to be the favoured route, but please keep in mind we are not in a position to give VAT advice and have found this particular aspect of Brexit challenging to find detailed resources for.

Please do get specialist advice from an appropriate source if you feel this requires further clarification.

We await further clarification, and will share updates as soon as we are able

No changes required in your system if you only trade in services

But - If you trade in both goods and services, we feel you should be ensuring these are split effectively in the system, to allow different treatments to be applied to goods and services, i.e., use a **VAT20** Vat Product Posting Group for goods only and a **SERV20** VAT Product Posting Group for services. This will allow EU goods transactions to be treated as import/export (a change in your system away from EU Reverse Charge) whilst service transactions will continue with the reverse charge process. Please see our other document regarding system setup for images and further detail on this.



3 General resources

We feel the following sources of information may be helpful.

3.1 Commentary/analysis by VAT specialists

The main source for ideas on what if anything will change for Services is provided mostly by VAT specialists, HMRC seem to be relying on existing Vat notices (see later section)

Various blog posts do give a helpful commentary, such as

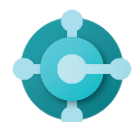
this one by CBW on "VAT after Brexit" <https://www.cbw.co.uk/2020/10/vat-after-brexit/>

and this from Avalara "UK to leave the EU VAT regime 31 Dec 2020" <https://www.avalara.com/vatlive/en/vat-news/uk-to-leave-eu-vat-regime-31-dec-20200.html> along with this one also from Avalara

<https://www.avalara.com/vatlive/en/vat-news/brexit-northern-ireland-vat-and-eoro--xi--number.html>

which although written from the perspective of sorting out how to handle Northern Ireland trade, it does also reference service transactions as 'General Rules'.

Country/State	Type	Ship from	Ship to	EU rules Seller (reverse for buyer)	Transaction type
2 Great Britain B2B sales	Goods	GB	NI	GB to GB (XI if EU party)	UK domestic
	Services	GB	NI	GB to GB	UK domestic
	Goods	GB	EU	GB to EU	Export
	Services	GB	EU	GB to EU	General rule
	Goods & Services	GB	NI	GB to GB	UK domestic
	Goods & Services	GB	EU	GB to EU	Export/General rule
	Goods	GB	3rd country	GB to 3rd country	Export
	Services	GB	3rd country	GB to 3rd country	General rule
	Goods	GB	EU via NI	GB to EU	Export from GB with seller self accounting for UK import VAT; Then Intra-community NI to EU.



4 HMRC / Gov UK sources

There is a **Transition Period community forum** <https://community.hmrc.gov.uk/forums/customerforums/tp>
It does seem to have some answers but the only question and answer we could find regarding the treatment of services was from a year ago **"VAT on supplying and receiving services to/from businesses in the EU"** <https://community.hmrc.gov.uk/forums/customerforums/tp/cfc46da0-54fa-e911-a813-000d3a7ed688>
and this raises the lack of published guidance on B2B services, it does get the following answer from HMRC *"The rules on the place of supply of services should not change following Brexit and your customer would still account for any VAT due in their own Member State. This avoids the need for you to register for VAT in the Member State where you are supplying your services. However, you should also check with your customer and that member state how their rules will work post Brexit."*

There are some official resources, in the Brexit Transition, new rules for 2021 guidance there is **"Selling services to the EU, Switzerland, Norway, Iceland and Liechtenstein from 1 January 2021"** for which the link is: <https://www.gov.uk/guidance/providing-services-to-any-country-in-the-eu-iceland-liechtenstein-norway-or-switzerland-after-eu-exit> But this is quite general and only covers VAT from a B2C perspective (the MOSS)

There are also specific country guides, giving the rules and requirements for each EU country in the collection "Providing services and travelling for business to the EU, Switzerland, Norway, Iceland and Liechtenstein: country guides" <https://www.gov.uk/government/collections/providing-services-to-eea-and-efta-countries-after-eu-exit>

4.1 Place of Supply of Services (VAT Notice 741A)

Section 6, place of supply rules, gives General Rules, 6.3 B2B Supplies "The B2B general rule for supplies of services is that the supply is made where the customer belongs"

[Place of supply of services \(VAT Notice 741A\) - GOV.UK \(www.gov.uk\)](https://www.gov.uk/guidance/place-of-supply-of-services-vat-notice-741a)

This appears to still be the main relevant document/rule but it has not been updated regarding the Brexit changes (not since December 2018), section 5 refers to the reverse charge process <https://www.gov.uk/guidance/vat-place-of-supply-of-services-notice-741a#sec5>

4.2 Considerations

The EC Sales List stops, there will be no mechanism to report the value of sales of services sold from the UK into the EU, which in the past was required. The goods figures will be available via customs declarations and Boxes 8 and 9 on the VAT return. So, our best guess is 'something' will be requested by the ONS at some point for this data. Maybe consider still running the EC Sales List each month and just filing it internally (if you sell services) or keeping equivalent internal records - but this is not a recommendation, more a guess.

