

VAT Agenda

Reverse Charge

What is the reverse charge?

Normally the supplier of the service is the person who must account, to the tax authorities, for any VAT due on the supply. With effect from 01 January 2010 it is the customer who must account for the VAT due on intra-EC taxable supplies. Although called reverse charge, the procedure may also be referred to as tax shift. Where it applies to services you receive, you, the customer must act as if you are both the supplier and the recipient of the services.

How do I account for reverse charge services on my VAT return?

You should credit your VAT account with an amount of output tax, calculated on the full value of intra-EC taxable supplies of services received from another Member State and at the same time debit your VAT account with the input tax to which you are entitled, in accordance with the normal rules.

The partial exemption implications for reverse charge services are explained in Public Notice 706 Partial Exemption.

You should then include in the following boxes of your VAT return:

- The amount of output tax in box 1 **VAT due on sales**
- The amount of input tax due in box 4 **VAT reclaimed on purchases**
- The full value of the supply in box 6 **total value of sales**
- The full value of the supply in box 7 **total value of purchases**

The value of supplies/acquisitions of services should not be included in boxes 8 and 9 of the VAT return.

If you require further information regarding any of the points above please do contact us.

Elysian Associates
August 2009
0024