



EUROPEAN COMMISSION
DIRECTORATE-GENERAL
TAXATION AND CUSTOMS UNION
Indirect Taxation and Tax administration
VAT and other turnover taxes

VAT in the European Community

**APPLICATION IN THE MEMBER STATES,
FACTS FOR USE BY
ADMINISTRATIONS/TRADERS
INFORMATION NETWORKS ETC.**

Note

This document collates a range of basic information on the application of VAT arrangements in the Member States which has been obtained from the tax authorities concerned.

The sole purpose of distributing details of national provisions is to create a work tool. In no way does this document reflect the views of the Commission of the European Communities. Nor does it signify approval of the relevant legislation.

UK

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GENERAL INFORMATION

1. IF A FOREIGN TRADER WANTS TO OBTAIN INFORMATION ABOUT YOUR VAT SYSTEM, WHOM SHOULD HE CONTACT? (ADDRESS, TELEPHONE, FAX, EMAIL)

If the trader has no business establishment in the UK and has NOT appointed a tax representative or agent they must contact:

Aberdeen Non-established Taxable Persons Unit (NETPU)
Custom House
28 Guild Street
Aberdeen AB9 2DY
United Kingdom.

Telephone: + 44 1224 844651/ 844655/ 844664

Fax: + 44 1224 844611

E-mail netpu@hmce.gsi.gov.uk

For all other general enquiries (and printed copies of all forms and notices) about Value Added Tax, and other duties and taxes for which HM. Customs and Excise have responsibility contact the National Advice Service (NAS) on telephone number + 44 208 929 0152. The service is available Monday to Friday from 8.00am to 8.00pm UK time.

2. WHAT IS THE ADDRESS OF THE NATIONAL TAX ADMINISTRATION WEBSITE? WHICH CATEGORIES OF INFORMATION ON VAT IS AVAILABLE ON THAT WEBSITE (GENERAL INFORMATION, LEGISLATION, CONTACT POINTS, FORMS, ETC.)? AND IN WHICH LANGUAGE(S)?

The address of the HM Customs and Excise website is: <http://www.hmce.gov.uk>

Categories of VAT information on the website include:

- General introduction
- When to register for VAT (including associated forms and notices)
- Cancellation of VAT registration (including associated forms and notices)
- When and how to change your registration details (including associated forms and notices)
- Further information about forms to complete (including associated forms and notices)
- VAT Returns - Electronic VAT Return, VAT returns sent back to you for correction and where to send returns
- Frequently Asked Questions (FAQs)
- The full text of all VAT notices

- VAT On e-Services (special Value Added Tax (VAT) scheme for non-EU businesses providing electronically supplied services to EU consumers)
- Paying your VAT and duties – how C&E can help
- Information on Default Interest - charged by Customs & Excise on under-declared VAT
- Motor trade issues
- Legal updates
- Information of the VAT Flat rate scheme
- Link to EU Member States' VAT identification number checker
- Insolvency information and guidance
- Contact information for the National Advice Service (NAS)

The information is available in English and some available in Welsh.

3. WHERE IS IT POSSIBLE TO FIND NATIONAL VAT LEGISLATION AND REGULATIONS? IN WHICH LANGUAGE(S) ARE THEY AVAILABLE?

You can purchase printed copies in English from a bookshop, or order them from The Stationery Office Ltd (telephone order line +44 870 600 5522, fax order line +44 870 600 5533) or by accessing Her Majesty's Stationery Office (HMSO) website at:

www.legislation.hmso.gov.uk

VAT REGISTRATION OF FOREIGN TRADERS

4. WHAT ARE THE CIRCUMSTANCES GOVERNING THE NEED TO BE REGISTERED FOR VAT?

NORMAL REGISTRATION

(a) COMPULSORY REGISTRATION

If a business makes taxable supplies in the UK and the total value of those supplies in the immediately preceding 12 months exceeds, or in the coming 30 days alone is expected to exceed, the UK VAT registration threshold (currently GBP 56,000 (€87,678 *)) it will be liable to register for VAT in the UK.

(b) VOLUNTARY REGISTRATION

If a trader can satisfy Customs and Excise that their activities constitute a business for VAT purposes, i.e. it is making taxable supplies, it may register for VAT voluntarily.

A business may also register voluntarily if it can satisfy Customs and Excise it has a firm intention to make taxable supplies.

A trader making only exempt supplies does not fulfill the criteria for UK VAT

registration, i.e. is not making taxable supplies, and is therefore neither liable nor entitled to be registered.

DISTANCE SELLING

a) COMPULSORY REGISTRATION

Any business established in another EC state which sells goods, and is responsible for their delivery, to persons not registered for VAT in the UK, must register for VAT if the value of those sales to the UK exceeds GBP 70,000 (€109.598*) in a calendar year.

(b) VOLUNTARY REGISTRATION

A distance seller below the threshold of GBP 70,000 (€109.598*) may opt to make the place of supply the UK and must register here as a result.

ACQUISITIONS

(a) COMPULSORY REGISTRATION

If a business is not registered for VAT in the UK and they acquire goods in the UK direct from a VAT registered supplier in another Member State, they will be required to register for VAT if the total value of these goods exceeds GBP 56,000 (€87,678*) in a calendar year, or is expected to exceed GBP 56,000 (€87,678*) in the next 30 days alone.

(b) VOLUNTARY REGISTRATION

A business may also register voluntarily if they can satisfy Customs and Excise that they make, or have a firm intention to make, relevant acquisitions.

5. WHAT ARE THE SITUATIONS WHERE REGISTRATION IS UNNECESSARY BECAUSE THE RECIPIENT OF THE GOODS OR SERVICES IS LIABLE FOR THE TAX? IN SUCH SITUATION, IS IT POSSIBLE TO REGISTER ON A VOLUNTARY BASIS?

Where the UK customer accounts for the VAT as the goods are liable for acquisition tax or services are subject to the reverse charge procedure there is no requirement for the supplier to be registered in the UK. However the supplier can choose to register voluntarily if they wish. The answer to the previous question gives further information on this.

6. WHOM SHOULD A FOREIGN TRADER CONTACT TO GET REGISTERED FOR VAT? (DETAILS ABOUT THE DEPARTMENT, INCLUDING ADDRESS, TELEPHONE AND FAX E-MAIL...)

(See question 1 above).

7. PLEASE DESCRIBE THE DETAILED PROCEDURES (INCLUDING NECESSARY DOCUMENTS) FOR ISSUING VAT IDENTIFICATION NUMBERS, SPECIFICALLY TO FOREIGN TRADERS.

VAT identification numbers (called registration numbers in the UK) are issued by Regional Registration Units.

When a business applies for VAT registration the regional VAT Registration Unit will check the details on the form(s) provided. Once satisfied the information is correct, the regional VAT Registration Unit will issue a VAT registration number and advise the date of registration. A certificate of registration showing the full registration details will be sent shortly afterward.

A foreign trader permanently established in the UK should complete form VAT 1. This must be sent, with any additional information asked for, to the regional VAT Registration Unit. A foreign trader who does not have a business establishment in the UK (a non-established taxable person) may be liable to be registered for VAT. He may choose to deal with his VAT obligations himself, in which case he must register at Aberdeen Non-established Taxable Persons Unit (NETPU). If he chooses to appoint an agent or a tax representative to act on his behalf, registration must be effected at the Registration Unit for the area in which the agent or representative is located.

The minimum period of duration of a VAT registration is:

(1) NORMAL UK REGISTRATION

No minimum limit.

(2) DISTANCE SELLING

2 calendar years for voluntary registrations, otherwise no limit.

(3) ACQUISITIONS

2 calendar years for voluntary registrations, otherwise no limit.

THRESHOLDS

8. WHICH THRESHOLD DO YOU OPERATE AS REGARDS INTRA-COMMUNITY DISTANCE SELLING UNDER ARTICLE 34 OF THE VAT DIRECTIVE (2006/112/EC)?

http://ec.europa.eu/taxation_customs/resources/documents/taxation/vat/traders/vat_community/vat_in_EC_annexI.pdf

9. WHICH THRESHOLD DO YOU OPERATE AS REGARDS ACQUISITIONS BY NON-TAXABLE LEGAL PERSONS OR EXEMPT PERSONS UNDER ARTICLE 3 OF THE VAT DIRECTIVE (2006/112/EC)?

http://ec.europa.eu/taxation_customs/resources/documents/taxation/vat/traders/vat_community/vat_in_EC_annexI.pdf

APPOINTMENT OF TAX REPRESENTATIVES BY FOREIGN (NON-EU) TRADERS

10. WHAT ARE THE SITUATIONS IN WHICH THE APPOINTMENT OF A TAX REPRESENTATIVE IS OBLIGATORY?

There are no situations where the appointment of a tax representative is obligatory. However, under certain conditions, where the revenue may be at risk, the UK authorities may direct those businesses based outside the EU which do not have mutual assistance arrangements similar to those in the EU to appoint a tax representative to act on their behalf in relation to Value Added Tax.

11. WHAT ARE THE CONDITIONS GOVERNING THE APPOINTMENT OF A TAX REPRESENTATIVE?

Apart from the circumstances above, a business based outside of the EU may voluntarily appoint a tax representative. Anyone resident in the UK can be appointed as a tax representative.

12. WHAT ARE THE RIGHTS AND OBLIGATIONS OF TAX REPRESENTATIVES?

- He has access to the independent VAT Tribunal.
- He may resign his appointment as Fiscal Representative if he so chooses.

– A tax representative is jointly and severally liable for compliance with UK VAT law and will be liable for any VAT debts incurred by the business. However, the tax representative would not incur criminal liability if he has acted entirely innocently.

Further information on ‘fiscal representatives’ and ‘agents’ can be found in Notice 700/1.

13. WHAT ACTION CAN YOU TAKE IN THE EVENT OF FAILURE BY A TRADER IN ANOTHER COUNTRY TO DESIGNATE A TAX REPRESENTATIVE IN YOUR TERRITORY?

Customs will still be able to require those businesses based in countries where mutual assistance arrangements do not exist to appoint a tax representative.

14. IS IT NECESSARY TO SET UP A BANK GUARANTEE?

No. There is no requirement for a business not based within the EU to set up a bank guarantee. However, the UK authorities can require security if they believe the revenue is at risk.

APPOINTMENT OF TAX REPRESENTATIVES BY FOREIGN TRADERS ESTABLISHED IN THE EU

15. IS IT POSSIBLE TO APPOINT A TAX REPRESENTATIVE?

The UK authorities will not direct a business established in the EU to appoint a tax representative. However they may appoint a tax representative or agent voluntarily.

16. WHAT ARE THE CONDITIONS GOVERNING THE APPOINTMENT OF A TAX REPRESENTATIVE?

A tax representative must be anyone who is resident in the UK.

17. WHAT ARE THE RIGHTS AND OBLIGATIONS OF A TAX REPRESENTATIVE?

- He has access to the independent VAT Tribunal.
- He may resign his appointment as Fiscal Representative if he so chooses.
- A tax representative is jointly and severally liable for compliance with UK VAT law and will be liable for any VAT debts incurred by the business. However, the tax representative would not incur criminal liability if he has acted entirely innocently.

Further information on ‘fiscal representatives’ and ‘agents’ can be found in Notice 700/1.

18. ARE THERE SITUATIONS WHERE IT IS OBLIGATORY TO SET UP A BANK GUARANTEE?

No. There are no situations where it is obligatory for a business established in the EU to set up a bank guarantee. However, the UK authorities can require security if they believe the revenue is at risk.

INVOICING

RULES ABOUT INVOICING

19. WHERE CAN THE RELEVANT RULES (LAWS, REGULATIONS, INSTRUCTIONS, GUIDELINES...) BE FOUND?

Rules on invoicing can be found in:

- Paragraphs 2, 2A, 2B, and 3 of Schedule 11 to the Value Added Tax Act 1994 (as amended/inserted by section 24 Finance Act 2002);
- Regulations 13 – 20 of the Value Added Tax Regulations 1995 as amended by The Value Added Tax (Amendment) (No 6) Regulations 2003 effective from 1 January 2004;
- Notice 700 The VAT Guide sections 16 and 17, Notice 700/62 Self billing and Notice 700/63 Electronic invoicing (available early 2004).

General enquiries about VAT invoicing in the UK should be made to the National Advice Service (NAS) on telephone number + 44 208 929 0152. The service is available Monday to Friday from 8.00am to 8.00pm UK time.

Email enquiries can be sent to enquiries.lon@hmce.gsi.gov.uk

ISSUANCE OF INVOICES

20. CASES WHERE AN INVOICE NEEDS TO BE ISSUED

a) Is an invoice to be issued only in cases referred to in Article 22 paragraph 3 point a) (supplies made by taxable persons to other taxable persons or non-taxable legal persons, distance sales and sales of new means of transport and payments on account) or also in other cases? If so, in which cases and under which specific rules?

Yes. There are no other cases.

b) Is there an exemption from the obligation to issue invoices in specific situations (such as exempt or zero-rated supplies)?

A VAT invoice need not be issued:

- for supplies of goods excluded from credit for input tax under the Value Added Tax (Input Tax) Order 1992 e.g. motor cars and goods supplied under the margin schemes for second-hand goods, works of art, antiques and collectors' items;
- for any supply on which VAT is charged although it is not made for consideration e.g. a gift of business assets;
- for an exempt or zero-rated supply made in the UK where both the supplier and customer are registered for VAT in the UK;
- where the supply is to a person in the UK who is not registered for VAT in the UK;
- if a Distance Seller established in another Member State is registered in the UK there is no requirement to issue a VAT invoice where the UK customer is not VAT registered;
- for supplies between members of a Group VAT registration or between the divisions of a VAT Divisional registration.

21. WHAT ARE THE RULES ON CORRECTIVE INVOICES (CREDIT / DEBIT NOTES)?

Where documentation amending an invoice (credit/debit note) is issued to a person in another member State it must state all the details required for such invoices.

For amending documents (credit/debit notes) relating to supplies made in the UK to persons registered for VAT in the UK, less details are required. The guidance on credit notes within the UK is in section 18 of Notice 700 *The VAT Guide*.

22. WHAT IS THE TIME LIMIT FOR ISSUING INVOICES?

A VAT invoice must normally be issued within 30 days of the supply.

23. WHAT ARE THE RULES FOR SUMMARY INVOICING?

There are no specific rules for summary invoices. Invoices may include several separate supplies of goods or services to the same customer, provided that where invoicing data elements differ these are shown separately, e.g. the time of supply, and that the summary invoice is issued within the time limit.

24. WHAT ARE THE CONDITIONS IMPOSED ON SELF-BILLING?

Taxable persons wishing to operate self-billing with their suppliers must set up agreements with their suppliers before beginning to self-bill. Each party to the agreement must be able to produce a copy of it, if requested to do so by an officer of Customs and Excise.

The self-billing agreement must include:

- acceptance to the customer raising self-billed invoices for all transactions with the supplier named on the document, for a period of up to 12 months or, if they have a contract with the supplier, for the duration of that contract.

The self-biller (customer) must:

- complete self-billed documents showing all the details required to be shown on a VAT invoice. Also, each self-billed invoice must be marked with the statement,

“THE VAT SHOWN IS YOUR OUTPUT TAX DUE TO CUSTOMS & EXCISE”;

- set up a new agreement if the supplier transfers his business as a going concern, and both the taxable person and the individual who has bought the business want to continue operating self-billing;
- make it clear in the agreement if he intends to outsource responsibility for issuing the self-bills to a third party, such as an accounting bureau;
- **not** issue self-billed VAT invoices on behalf of suppliers who are not registered, or who have deregistered; and
- keep a list of the names, addresses and VAT registration numbers of the suppliers who have agreed to self-billing, and be able to produce this list for inspection at any time if asked to do so.

Suppliers in self-billing agreements must:

- **not** raise sales invoices for any transactions with the customer named on the document for the period of the self-billing agreement;
- agree to accept all the invoices the customer raises on their behalf for the duration of the agreement; and
- agree to notify their customer at once if their VAT registration status changes.

More detail can be found in Notice 700/62 Self-billing.

25. IS THERE ANY SPECIFIC RULE IN RELATION TO OUTSOURCING OF INVOICES TO A PERSON WHO IS ESTABLISHED OUTSIDE THE EU?

No

CONTENT OF INVOICES

26. UNDER WHAT CONDITIONS MUST THE VAT NUMBER OF THE CUSTOMER BE ON THE TAX INVOICE?

The customer’s VAT number only needs to be shown on VAT invoices issued to a

person in another member State, it is not required on invoices for supplies made in the UK.

27. ANY OTHER SPECIFIC RULE IN RELATION TO THE CONTENT OF THE INVOICE

No

ELECTRONIC INVOICING

28. AS REGARDS INVOICES SENT WITH ADVANCED ELECTRONIC SIGNATURES, IS IT OBLIGATORY TO USE QUALIFIED CERTIFICATED AND SECURE-SIGNATURE-CREATION DEVICES? IF SO, PLEASE GIVE DETAILS.

No

29. AS REGARDS INVOICES SENT BY ELECTRONIC DATA INTERCHANGE, IS AN ADDITIONAL SUMMARY DOCUMENT ON PAPER OBLIGATORY? IF SO, PLEASE GIVE DETAILS ABOUT ITS CONTENT AND PROCEDURE.

No

30. DO YOU ALLOW INVOICES ISSUED PURSUANT TO ARTICLE 233(1) SECOND SUB PARAGARPH OF THE VAT DIRECTIVE ("BY OTHER ELECTRONIC MEANS")? IF SO, UNDER WHICH CONDITIONS AND FORMALITIES?

Yes. The UK accepts invoices issued using 'other electronic means' as long as the issuer can impose a satisfactory level of control over the authenticity and integrity of his invoice data. The conditions are set out in Notice 700/63 Electronic Invoicing.

31. ANY OTHER SPECIFIC RULE IN RELATION TO ELECTRONIC INVOICING

No

STORAGE OF INVOICES

32. WHAT ARE THE RULES ON THE PLACE OF STORAGE OF INVOICES?

Businesses may choose where they store their invoices. If they are stored outside the EU, the business must ensure that European Data Protection principles regarding the storage of personal data (names/addresses etc) is respected. The taxable person registered for VAT in the UK must be able to produce any records required by H. M. Customs & Excise in a readable form, within a reasonable period of time, normally at the principal place of business.

33. IS PRIOR NOTIFICATION OF INVOICES STORED IN ANOTHER COUNTRY AN OBLIGATION? IF SO, PLEASE SPECIFY.

No

34. WHAT IS THE OBLIGATORY STORAGE PERIOD FOR INVOICES?

6 years. H. M. Customs and Excise may agree a shorter time on application.

35. WHAT ARE THE SPECIFIC RULES ON STORAGE FORM AND POSSIBLE CONVERSIONS?

Taxable persons must be able to guarantee the authenticity and the integrity of the content of their source documents throughout the storage period by electronic or procedural means.

They must also store their invoices in a readable format. They must readily be able to recreate the invoice information as at the time of its original transmission. And they must keep history files so that they can find the appropriate details from any particular time in the past if they are asked to do so by an officer of Customs & Excise.

36. ANY OTHER SPECIFIC RULE IN RELATION TO INVOICE STORAGE.

No

SIMPLIFIED INVOICES

37. WHAT ARE THE SITUATIONS WHERE SIMPLIFIED INVOICING IS ALLOWED PURSUANT TO ARTICLE 238 OF THE VAT DIRECTIVE (2006/112/EC)? AND WHAT ARE THE SPECIFIC RULES?

The following invoice simplifications apply to supplies made in the UK, and not to supplies with other Member States:

(i) Invoices issued by retailers for a total consideration (including VAT) of up to £250 (approx. €352).

These invoices need only contain:

- the name, address and registration number of the retailer;
- the time of supply;
- a description sufficient to identify the goods or services supplied;
- the total amount payable including VAT; and
- for each rate of VAT chargeable, the gross amount payable including VAT and the VAT rate applicable.

They only have to be issued to VAT registered customers or on request. Such invoices must not relate to a supply to a person from another Member State or include any exempt supplies.

(ii) Invoices issued by banks.

Banks may modify the data elements on their invoices as follows:

- the customer's account number may be used in lieu of the address on VAT invoices for services provided by the bank;
- identifying numbers may be omitted from such invoices; and
- the bank branch or department issuing VAT invoices may use their sorting code number in place of the bank address, since this is a distinctive identification.

(iii) Invoices issued by 'Cash & Carry' wholesalers for supplies of goods by way of cash sales only.

For these supplies 'Cash and Carry' wholesalers may:

- adapt till roll receipts to meet the invoicing requirements;
- use product codes in lieu of a description of the goods, providing that each customer is issued with an up to date product code listing;
- use reference numbers to identify a customer's name and address e.g. a 'buying card' number or the customer's VAT registration number, provided that they keep a record of the allocated reference number with the customer's name and address and advise the customers of the number to be used in writing; and
- use VAT rate codes where the percentage cannot be shown.

(iv) Invoices issued by retailers for road fuel purchases.

These may be modified as follows:

- the vehicle registration number of the vehicle being fuelled may be shown instead of the name and address of the person being supplied; and
- the number of litres supplied need not be shown.

(v) Invoices issued by driver-salesmen for returnable containers.

These invoicing modifications are mainly intended to meet the invoicing and costing problems of beverage manufacturers selling by driver-salesmen:

- both goods and containers may be invoiced at tax-inclusive prices provided that the invoice indicates this clearly and also shows the total amount of tax chargeable; or
- the goods may be invoiced in the ordinary tax-exclusive manner but the containers may be invoiced at tax-inclusive prices. The containers so invoiced must be clearly

indicated and the customer advised that the tax in respect of the containers is the appropriate VAT fraction of the tax inclusive amount.

(vi) Invoices issued under the Retail Export Scheme.

Under the UK's Retail Export Scheme (provided under Article 15 of the EC Sixth VAT Directive) the retailer must complete a VAT refund document that both he and the customer must sign. The scheme allows the retailer to seek prior approval to include the additional information required for the scheme, normally shown on the VAT refund document (VAT 407), on his normal commercial invoice. This might include the simplified retailer's invoice outlined at (a) above. However this invoice option is not often used for the purposes of the scheme, as most retailers prefer to use the Form VAT 407.

(vii) Invoices issued by suppliers of electricity, piped gas and water.

Due to particular practices and difficulties within these sectors the UK allows the following simplifications:

- VAT Invoices may be issued which do not contain any quantity of supply information. (This happens when a customer makes a payment on account, and no metering information is available. A VAT Invoice is issued to the extent of the payment which enables the customer to recover input tax. The rest is sorted out later).
- VAT Invoices may be issued which do not contain a single unique identifying number. The date of issue combined with customer account number (which are both shown) together provide a unique combination.
- Owners of electricity distribution networks make daily charges for the use of their networks. Rather than billing the customer, they bill the supplier, and a single daily VAT Invoice is raised by the network owner to each supplier which covers all their customers. The invoice only shows the overall use of network charge. It is not broken down to customer level. For various reasons, there will be adjustments to this charge, at customer level. Again, the credit notes and supplementary invoices do not break the adjustments down to a customer level, but only show the net overall adjustment. The simplification only applies to invoices sent by the network manager (or owner) to the supplier of electricity, piped gas, or water, and not to the invoices sent by the suppliers of electricity, piped gas, or water, to their customers.

PERIODIC VAT RETURNS

38. UNDER WHAT CIRCUMSTANCES IS A TRADER OBLIGED TO SUBMIT A VAT RETURN?

Every person who is registered or who is required to be registered for VAT must submit VAT returns, including 'Nil' returns where appropriate.

39. AT WHAT INTERVALS ARE VAT RETURNS AND ASSOCIATED PAYMENTS TO BE MADE?

Traders who make payments:

3 months is the standard VAT return period. Optional 12 months for small businesses with annual taxable turnover of less than GBP 600,000 - subject to approval and meeting requirements. Tax periods not based on calendar months are allowed – again subject to approval.

Submission is required within 1 month of period end. Payment of VAT due must accompany the return.

Traders who receive repayments regularly:

1 month - subject to approval and meeting conditions, otherwise the standard period of 3 months.

40. DOES A SPECIAL REGIME AS REGARDS PERIODIC VAT RETURNS EXIST FOR SMALLER TRADERS AND/OR CERTAIN CATEGORIES OF BUSINESS? IF SO, PLEASE DESCRIBE THEM.

Annual Accounting Scheme

Small traders with an annual taxable turnover of GBP 600,000 (€ 939.408*) or less (excluding VAT) may apply to use the Annual Accounting Scheme, once they have been registered for VAT for 12 months. Very small businesses with an annual taxable turnover of £150,000 or less may apply to join the scheme as soon as they register for VAT. Businesses on the scheme make one VAT return a year instead of the usual four. Businesses normally make nine monthly interim payments before the balance of the year's VAT is due with the annual return. They may opt to pay three larger interim instalments if Customs agree.

All traders have the facility to make additional voluntary payments if they wish. Final balancing payments are made with the VAT return which is due two months after the end of the annual period. VAT Notice 732 refers.

41. DO YOU OPERATE SIMPLIFIED CALCULATIONS OF TAX LIABILITY? IF SO, WHAT ARE THE QUALIFYING CRITERIA, TO WHOM DO THEY APPLY AND WHAT IS THE NATURE OF THE SIMPLIFICATION?

Cash Accounting Scheme

Small businesses with an annual taxable turnover of less than GBP 600,000 may use the Cash Accounting Scheme.

Under the Cash Accounting Scheme traders can account for VAT on the basis of payments received and made, rather than tax invoices issued and received which should help ease cash flow problems.

VAT Notice 731 provides further information.

Retail Schemes

The retail schemes are methods for arriving at the value of taxable retail supplies and determining what proportion of those supplies are taxable at the different VAT rates.

They are available only to retailers in circumstances where a large number of supplies are made direct to final consumers.

Flat rate scheme

This scheme allows businesses with a VAT exclusive annual turnover of up to GBP 150,000 to calculate the net tax they must pay by multiplying their VAT inclusive turnover by a flat rate. These flat rates are published as percentages. From 1 January 2004 they will vary from 2% to 13.5% and are different for each of a range of trade sectors. Also from 1 January 2004, businesses that are in their first year of VAT registration will use a flat rate one percentage point below the published rate because of the different circumstances they are in.

VAT Notice 733 provides further information. The January 1 2004 changes are contained in information sheet 17/2003.

RECAPITULATIVE STATEMENTS

42. AT WHAT INTERVALS ARE RECAPITULATIVE STATEMENTS TO BE SUBMITTED?

In the UK Recapitulative statements are called EC Sales Lists. These are usually submitted calendar quarterly but can be submitted annually or monthly depending on certain criteria being met.

Additionally, submissions made by Electronic Data Interchange (EDI) or via the Internet may be made more frequently.

43. IS ANY ADDITIONAL INFORMATION REQUIRED OTHER THAN THAT SET OUT IN CHAPTER 6 RECAPITULATIVE STATEMENTS OF TITLE XI OF THE VAT DIRECTIVE (2006/112/EC)?

No.

44. DO YOU OPERATE SIMPLIFIED PROCEDURES AS REGARDS RECAPITULATIVE STATEMENTS AS PROVIDED FOR IN ARTICLE 269 OF THE VAT DIRECTIVE (2006/112/EC)? IF SO, WHAT ARE THE RELATED THRESHOLDS FOR APPLYING SUCH PROCEDURES?

Yes. Provided that total taxable turnover does not exceed GBP 72,500, **and** the annual value of supplies to other EC Member States is not more than GBP 11,000; **and** the supplies do not include new means of transport (boats, aircraft and motorised land vehicles), businesses can submit a simplified annual list of the registration numbers of their EC customers. Values are not required.

ELECTRONIC RETURNS

45. IS IT POSSIBLE TO SUBMIT VAT RETURNS BY ELECTRONIC MEANS? IF SO, HOW AND USING WHICH TECHNOLOGY? WHO SHOULD BE CONTACTED TO APPLY TO SUBMIT RETURNS ELECTRONICALLY?

Yes. The service is available via the Department's website at www.hmce.gov.uk (which provides detailed guidance on the service). It is optional, giving businesses the choice of sending their VAT returns and payments on-line rather than by post.

46. IS IT POSSIBLE TO SUBMIT RECAPITULATIVE STATEMENTS BY ELECTRONIC MEANS? IF SO, HOW AND USING WHICH TECHNOLOGY? WHO SHOULD BE CONTACTED TO APPLY TO SUBMIT STATEMENTS ELECTRONICALLY?

Yes. ESLs can be sent electronically using the United Nations EDIFACT standard.

Transmission methods include:

- Value Added Networks
- Public X400 facilities
- Port DTI communities
- 3.5 inch disks
- Internet e-mail

You can find out more about EDIFACT, including the Trade Interface Specifications, by visiting HM Customs and Excise website at <http://www.hmce.gov.uk>. Alternatively contact our National Advice Service (see question 1 above and ask for the Electronic Data Interchange (EDI) helpdesk.

In addition, a new service for Internet submissions is due to be released early in 2004. Two options will be available;

- an on-line form
- an upload facility for submitting bulk data using CSV or XML.

ADMINISTRATIVE REQUIREMENTS

47. DO YOU OPERATE A FLAT-RATE SCHEME? IF SO, TO WHOM DOES THE SCHEME APPLY?

A Flat Rate Scheme for farmers was introduced on 1 January 1993. Subject to certain conditions it is open to persons involved in "designated activities", based upon Annexes A and B of the Sixth VAT Directive 77/388/Article 25. The Flat Rate Scheme is optional. The rate is 4 per cent.

For further information please refer to VAT notice 700/46.

Flat rate scheme

This scheme allows businesses with a VAT exclusive annual taxable turnover of up to GBP 150, 000 and a total turnover of GBP 187,500 including exempt and/or non-taxable income to calculate the net tax they must pay by multiplying their VAT inclusive turnover by a flat rate. These flat rates are published as percentages. From 1 January 2004 they will range from 2% to 13.5% and are different for each of a range of trade sectors. Also from 1 January 2004, businesses that are in their first year of VAT registration will use a flat rate one percentage point below the published rate because of the different circumstances they are in.

VAT Notice 733 provides further information. The January 1 changes are contained in information sheet 17/2003.

48. DO YOU OPERATE SIMPLIFIED ADMINISTRATIVE REQUIREMENTS OTHER THAN THOSE ALREADY MENTIONED? IF SO, PLEASE GIVE A DESCRIPTION.

Businesses whose taxable turnover is above the VAT registration threshold may request exemption from registration if their supplies are mainly zero-rated. Under this arrangement a business must bear the cost of VAT incurred on its inputs, but is relieved of the burdens associated with VAT registration.

49. IN WHICH LANGUAGE(S) ARE FORMS (PERIODIC VAT RETURNS AND RECAPITULATIVE STATEMENTS) AVAILABLE OR TRANSLATED INTO?

VAT returns and Recapitulative statements (EC Sales Lists) are available in English and in Welsh.

RIGHT TO DEDUCTION

50. FOR WHICH CATEGORIES OF GOODS AND SERVICES IS THERE NO RIGHT OF DEDUCTION?

There is no right of deduction:

- on goods and services purchased for non-business purposes;
- on cars, including fitted accessories and delivery charges which are available for private use (Notice 700/64 *Motoring expenses*);
- on business entertainment expenses (Notice 700/65 *Business entertainment*);
- if you are a developer, on certain articles that are installed in buildings that you sell or lease at the zero rate (Notice 708 *Buildings and construction*);
- on purchases that fall within the tour operators' margin scheme (Notice 709/5 *Tour operators' margin scheme*);
- on goods sold to under a VAT second-hand schemes;
- on assets of a business transferred as a going concern; and

- on goods and services which relate to exempt supplies (Notice 706 *Partial exemption*).

51. ARE THERE CATEGORIES OF GOODS AND SERVICES IN WHICH THERE IS A PARTIAL RIGHT OF DEDUCTION? IF SO, WHAT IS THE PERCENTAGE?

There is a partial right to deduct on certain leased cars for business purposes – no more than 50% of the VAT can be claimed.

ANNEX 1: THRESHOLDS

http://europa.eu.int/comm/taxation_customs/taxation/vat/traders/vat_community/index_en.htm#annexI

ANNEX 2: VAT IDENTIFICATION NUMBERS

http://europa.eu.int/comm/taxation_customs/taxation/vat/traders/vat_community/index_en.htm#annexII

ANNEX 3: ABBREVIATIONS

http://europa.eu.int/comm/taxation_customs/taxation/vat/traders/vat_community/index_en.htm#annexIII