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Fact Sheet

VAT, Digital Services and the Mini One Stop Shop (MOSS)

Change from January 2015 to VAT and place of supply rules for digital services.

Digital services include broadcasting, telecommunications and e-services. Supplies of e-services are automatically delivered over the internet and include: apps, website supplied digital documents, music or software.

Just using the internet to communicate, e.g. manually emailing a scanned or .pdf document, is not included.

No change for business to business, B2B, sales, e.g. still need a VAT registration number to identify an EU business customer.

The big change has been to business to consumer, B2C, sales. Now for VAT the place of supply, and so the rate of VAT to be applied, is the EU country where the consumer is located.

A UK business will need to get and keep evidence of where in the EU the customer is, so the right VAT can be applied. Certain place of supply presumptions apply, e.g. a supply to a mobile phone is to the EU country of the SIM card. Otherwise a business needs 2 pieces of non-contradictory evidence such as: billing address or the customer's bank details. For a UK micro-business below the VAT registration threshold until June 2015 HMRC may accept location information supplied by the payment service provider.

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Smaller UK business dealing through a third party web portal or marketplace should check if the e-services are supplied by them or the web portal. A digital supply through a business' own website would indicate them as the supplier. Whereas HMRC guidance considers if the platform operator sets general terms, authorises payment or handles download then they are considered the supplier who has to account for EU VAT.

Whichever it is a business will need to have evidence to prove to HMRC which one it is.

A UK business supply electronically to European consumers can register and account for the VAT due in individual EU countries. Or a business can use the HMRC "Mini One Stop Shop", MOSS, where HMRC act as a kind of clearer with other EU countries, and their tax authorities, for EU sales.

To sign-up for MOSS a business must be VAT registered. VAT Moss returns are calendar quarters ending March, June etc.

For a small business under the VAT registration threshold (currently £81,000) registering for VAT to get MOSS would mean all their UK sales then become liable to VAT as well.

But, HMRC in Business Brief 46/14, 10 December 2014, said a UK business below the VAT registration threshold could apply for VAT using a particular category (digital services below registration threshold under MOSS arrangement) and not pay VAT on its UK sales (with input claims limited to cross-border sales only).