

VAT invoicing changes from 1 October 2007

HM Revenue and Customs (HMRC) have announced a number of important changes to the UK's VAT invoicing rules, which will affect a wide range of businesses.



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Background

Following a period of consultation, HMRC have announced a number of important changes to the UK's VAT invoicing rules. The changes are necessary to bring the UK's rules into line with the rest of the EU.

The new rules will come into effect on 1 October 2007 (2 months later than originally proposed). However, HMRC have stated that they will apply a 'light touch' when enforcing the new rules in the first 12 months.

Invoice numbering

The existing rules require VAT invoices to have an identifying number. From 1 October 2007, VAT invoices must have 'a sequential number based on one or more series which uniquely identifies the document'.

Most businesses will already be using a sequential numbering system for their invoices. Therefore, this change is only likely to impact a small number of businesses.

Exempt supplies

Businesses that make exempt supplies (or supplies that would be exempt if made in the UK) to a business customer in another EU Member State, will no longer be excluded from the obligation to provide a VAT invoice. However, an invoice will only need to be issued where it is required by the EU Member State of the customer.

Where an invoice is issued, it will be a requirement to show a reference on the invoice which indicates why the supply is exempt (see below).

Reverse charge and zero rated supplies

Invoices issued to customers in another EU Member State in respect of:

- Services where the customer is required to account for reverse charge VAT; or
- Zero rated 'dispatches' of goods to other EU Member States

must show a reference which indicates the nature of the supply (see below).

Margin scheme and tour operators supplies

Invoices issued in respect of supplies under the margin scheme for second-hand goods or business to business transactions under the Tour Operators Margin Scheme (TOMS) will need to include a suitable reference on the invoice (see below).

References on invoices

HMRC have stated that in all of the above cases, the reference on the invoice should be either:

- The appropriate reference from the EU 6th VAT Directive;
- The UK VAT legislation; or
- Some other reference indicating the nature of the supply.

Some examples of suitable references given by HMRC are:

Exempt supplies

- Exempt supply;
- Exempt supply for VAT purposes;
- This supply is exempt from VAT.

Reverse charge services

- Reverse charge supply;
- This supply is subject to the reverse charge;
- Subject to reverse charge in another EU Member State.

Zero rated intra-EU dispatches of goods

- Zero rated intra-EU supply;
- This is an intra-Community supply;
- Intra-Community supply subject to VAT in the country of acquisition.

Margin scheme for second-hand goods

Invoices for supplies under the margin scheme are currently required to show the following wording:

'Input tax deduction has not been and will not be claimed by me in respect of the goods sold on this invoice'

HMRC have stated that the above wording will

no longer be acceptable (although it can continue to be used until invoice stationary is reprinted or software upgraded).

The following will be acceptable alternative references:

- This is a second-hand margin scheme supply;
- This invoice is for a second-hand margin scheme supply.

Tour operators margin scheme

- This is a tour operators margin scheme supply;
- This supply falls under the Value Added Tax (Tour Operators) Order 1987.

Businesses, however, may wish to use a reference that refers to the EU 6th VAT directive, so that it will be more easily verifiable by the customer.

We will, of course, be happy to advise clients on the appropriate reference to use.

For more information, contact your usual Moore Stephens partner, or log on to www.moorestephens.co.uk