

# PEARSON MAY

CHARTERED ACCOUNTANTS & CHARTERED TAX ADVISERS  
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## Some VAT changes which seem to have been overlooked by many businesses

**In October 2007, Customs set out several changes relating to the requirements for information to appear on sales invoices and this was included in one of the regular information sheets which were circulated with the VAT Returns, but it seems that many people do not review these in detail when they are received.**

The first change relates to the issue of VAT sales invoices by all businesses. It is now a requirement that in addition to all of the normal things which were compulsory to appear on a VAT invoice, it is now necessary for all VAT invoices to have a unique and sequential number. Many businesses have of course always done that, but it has not previously been a requirement to have anything other than a unique number. Some businesses use that unique number for all sorts of reference purposes, but did not arrange for them to be in a sequential order and that now needs to take place.

### ***Businesses using the various Margin Schemes for Second-hand Goods etc***

In the past, the wording which was required to be shown on each invoice was "Input Tax deduction has not been and will not be claimed by me in respect of goods sold on this invoice". The new message which has to be stated on such sales invoices is either "This is a Second-hand Margin Scheme supply" or "This invoice is for a Second-hand Margin Scheme supply".

### ***Businesses involved in intra-EC supplies of goods and services***

Most goods or services sold to another business in a different EU country are sold without UK VAT being charged provided that the UK business making the sale shows its VAT number with a GB prefix and also shows the VAT number of its overseas customer, again with a prefix representing the country in which that business belongs.

Incidentally, it is recommended by H M Revenue and Customs that

all UK businesses verify the VAT number of their overseas customer, and the way in which this can be done can be found on the HMRC website. In the case of many other EU countries, not only does the website enable the UK trader to check whether it is a valid VAT number, but it will also show the name of the VAT business to which that number is allocated, so that that can be compared with the name of the customer who is to be invoiced. Clearly, if there are any queries at that point, it is vital that they are raised, since if the VAT number turns out to be invalid, the UK supplier can become liable for the VAT which he should have charged. A substantial penalty for someone else's dishonesty.

One other aspect of these transactions which also perhaps requires a reminder at this stage is that if goods are being supplied to another EU country, appropriate evidence of the goods leaving the UK must be obtained and filed away very carefully by the UK supplier.

All sales invoices dealt with in respect of sales of standard rated items to other EU countries where no UK VAT is being charged need to have the following words added to them "Reverse charge supply", "This supply is subject to the reverse charge" or "Subject to reverse charge in the country of receipt".

If the goods or services being supplied are either zero rated or exempt, then again that needs to be stated on the invoice, possibly using the wording "Zero rated intra-EC supply" and for those which are exempt "This is a UK exempt supply which may be chargeable in the country of receipt".

*The above is for general guidance only and no action should be taken without obtaining specific advice* ■

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