

Finance

Place of Supply Guidance

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Contents

- 1. Introduction**
- 2. Sales - Supply of services**
 - 2.1 Business or Consumer
 - 2.2 Place of belonging
 - 2.3 General rules
 - 2.3.1 Place of Supply – Business to Business (B2B)
 - 2.3.2 Place of Supply – Business to Consumer (B2C)
 - 2.3.3 What the general rules mean in practice for GCU
 - 2.4 Special rules applying to the general rules
 - 2.5 VAT accounting options on Electronically Supplied Services
 - 2.6 EC Sales list (ECSL)
- 3. Purchases**
 - 3.1 Goods
 - 3.2 Services

1. Introduction

Place of supply is one of the basic principles of VAT. The place of supply is the place where a supply is made and where VAT may be charged and paid. Deciding the place of supply can be complicated.

These guidelines have been provided for use by the staff of Glasgow Caledonian University and cover the place of supply rules for both the University and GCUC Ltd (both GCU Academy Ltd and GCU INTO Ltd are not VAT registered).

2. Sales – Supply of services

In summary the following steps should be taken to determine if UK VAT is to be applied to an invoice:

- Identify who the service is supplied to – Business or Consumer (non-business),
- Determine place of belonging,
- Determine if the supply falls into what is known as the ‘general rule’. Some supplies are subject to special rules that will affect their place of supply,
- Apply VAT as required.

2.1 Business or Consumer

A **business** is considered to be a company or organisation whose activities are wholly of a business nature. It also includes supplies to entities which have both business and non-business activities such as charities and government departments.

A **consumer** is considered to be a private individual, a charity, government department or other body with non-business activities and not registered for VAT purposes.

There is an obligation on the University to check the business status of its customers. For business customers, the University will be able to rely on a valid VAT number provided by the customer as evidence of its business status. A valid VAT number should be requested by the University and shown on any invoices raised by the University or GCUC Ltd.

2.2 Place of belonging

You belong in the UK for the purposes of either making or receiving supplies of services when any of the following apply:

- you have a business establishment or some other fixed establishment in the UK and none elsewhere,
- you have a business establishment in the UK and fixed establishments in other countries, but the UK establishment is most directly connected with making or receiving the supplies in question,
- you have a fixed establishment in the UK and a business establishment and/or fixed establishments overseas, but the UK establishment is most directly connected with making or receiving the supplies in question, or
- you have no business or fixed establishment anywhere, but your usual place of residence is the UK.

The business establishment is the principal place of business and is usually the head office or headquarters from which the business is run. There can be only one such place which may be an office, showroom or factory.

A fixed establishment is an establishment other than the business establishment, which has the technical and human resources necessary for providing or receiving services permanently present. A business may have several fixed establishments, which may include a branch of a business or an agency.

The University “belongs” in the UK as its business establishment and fixed establishment (GCU London) is in the UK with none elsewhere. GCUC Ltd “belongs” in the UK as it only has a business establishment in the UK.

2.3 General rules

There are two general rules for the place of supply of services, one for business to business (B2B) and one for business to consumer (B2C) supplies:

2.3.1 Place of Supply – Business to Business (B2B)

Business to Business – Place of supply of services is the place where the business customer belongs for the purposes of receiving the supply. If the customer belongs outside the UK, no UK VAT is charged.

- Where the place of supply of services is deemed the UK, you must charge UK VAT at the applicable rate and account for it to HMRC.
- Where the place of supply of services is deemed to be in a EU Member State that is not the UK, that supply is subject to the VAT rules of that Member State and are said to be ‘outside the scope of UK VAT’. Responsibility for accounting for VAT will fall on the customer with the University/ GCUC Ltd being responsible for reporting this on an EC sales list. See section 2.6.
- Where the place of supply of services is outside the EU, that supply is made outside the EU and such supplies are said to be ‘outside the scope of both UK and EU VAT’.

Currently there are twenty-eight member states of the (EC):

Country	Code		Country	Code		Country	Code
Austria	AT		Germany	DE		Poland	PL
Belgium	BE		Greece	GR		Portugal	PT
Bulgaria	BG		Hungary	HU		Romania	RO
Croatia	HR		Irish Republic	IE		Slovakia	SK
Cyprus	CY		Italy	IT		Slovenia	SI
Czech Republic	CZ		Latvia	LV		Spain	ES
Denmark	DK		Lithuania	LT		Sweden	SE
Estonia	EE		Luxembourg	LU		United Kingdom	GB
Finland	FI		Malta	MT			
France	FR		Netherlands	NL			

2.3.2 Place of Supply – Business to Consumer (B2C)

Business to Consumer (Non Business) – Place of supply of services is the place where you, the supplier belong for the purposes of making your supply.

For all services (with the exception of the special rules in section 2.4) provided by the University and GCUC Ltd to consumers (non-business customers), the place of supply of the services is the UK. The supply is taxable at

the applicable rate of UK VAT and must be accounted for on that supply no matter where the consumer belongs.

2.3.3 What the general rules mean in practice for GCU

Education

Education, including **real time supplies** (face to face teaching, live webinars) and **distance learning** (correspondence between lecturers and students, recorded webinars), fall under the general place of supply of services rules. Electronically supplied services of education do not fall into these rules and are covered in section 2.4.

In the UK the provision of education, vocational training and closely related services (accommodation, catering, transport, field trips) by an eligible body is an exempt supply. GCU is an eligible body. GCUC Ltd is not an eligible body and therefore does not deliver education or vocational training. In the EU the exempt supply of education is contained in Article 123 of the EU Directive.

Examples of the VAT treatment for the supply of education:

- The University supplies education to students of a non-EU University at the campus of the non-EU University under the terms of the joint education programme with students receiving a degree from GCU. This is a B2B supply to a non- EU business customer (non-EU University), therefore is outside the scope of UK and EU VAT.
- The University supplies education to a student in the UK. The place of supply is the place of establishment of the University, thus the UK. The supply is education therefore exempt from VAT.
- The University supplies education where the lecturer is in the UK and the students are in Spain. As there is human intervention this is a supply of distance learning using webinars/ remote tutors (not an e-service) so the place of supply is the University's place of establishment, thus the UK. The supply is therefore exempt from VAT.

Other services

In addition to education other services supplied such as consultancy, training and research fall within the general rules.

Examples of the VAT treatment for the supply of other services:

- University provides consulting services to a customer who is headquartered in Norway but also has a fixed establishment in the UK. This is a B2B supply. If the supply is contracted with the Norway Office then the supply will be outside the scope of both UK and EU VAT. If the supply is contracted with the UK branch then it would be subject to UK VAT.
- University provides a rolling training programme to employees of a company that is headquartered in the US, and the training is provided in the UK. This is a B2B supply. As the supply is contracted with the US Office then the supply will be outside the scope of both UK and EU VAT. It is where the business customer belongs rather than where the training takes place.

2.4 Special rules applying to the general rules

There are a range of services where exceptions apply to the general rules in section 2.3. These include:

Land and property services

The place of supply of services in relation to land and property is always where the land or property is located and the University should charge VAT in the country where the land that they are supplying services on/ for is located. This includes the provision of car parking, provision of space in a warehouse, lease or hire of exhibition stand space where said space is reserved.

Events

The place of supply of admission to an event (including educational events) is where the event takes place, irrespective of where the customer or supplier is located. This applies to B2B and B2C supplies of admission to events. The event will take place over a short and specific period of time, a charge for attendance is made and the event is clear. This special rule moves away from the purpose of the supply to how it is delivered i.e. education supplied at a day seminar. Although it is a supply of education, because it is delivered as a seminar it is an event.

Examples of the VAT treatment for the events:

- The University runs a seminar in the UAE. The place of supply is where the event takes place. It is outside the UK and EU therefore outside the scope of UK and EU VAT. There may be VAT chargeable in UAE.

If you are thinking of holding events in overseas territories please contact the Financial Accounting Manager.

Electronically supplied services (ESS)

The supplies of ESS are not exempt from UK VAT. This includes educational ESS.

From 1 January 2015, supplies of telecommunications, broadcasting and electronically supplied services made by an EU supplier to private individuals and non-business customers (B2C) will be taxable in the member state of the customers i.e. the place of consumption.

It is worth noting if the supply is to a business customer (B2B), then the general rules apply.

The change applies to “e-services” that are “electronically supplied” to consumers and includes:

- Supplies of distance learning where it involves the customers interacting with a computer and there is no human intervention (pre-recorded or automated learning modules)
- supplies of images or text, such as photos, screensavers, e-books and other digitised documents e.g. pdf files
- supplies of music, films and games, including games of chance and gambling games, and of programmes on demand

However, using the internet or some electronic means of communication does not always mean that the University is supplying e-services:

- supplies of goods, where the order and processing is done electronically
- supplies of physical books, newsletters, newspapers or journals
- educational or professional courses, where the content is delivered with some human interaction over the internet or an electronic network (in other words, using a remote link)

2.5 VAT Accounting options on Electronically Supplied Services

Where the University provides electronically supplied services that are B2C they must consider how they intend to account for the VAT on those supplies. The University will have to make one of the following choices and either register:

- to use the UK VAT Mini One Stop Shop (VAT MOSS)
- for VAT in every EU member state where you make digital supplies to consumers, and file returns and make payments to the tax authorities in each of those member states

If you are thinking about supplying ESS to private individuals or non-business customers please contact the Financial Accounting Manager.

2.6 EC Sales List (ECSL)

The ECSL records the supply of goods and services to businesses registered for VAT in other EC Member States, or services that are subject to the reverse charge in the customer's Member State. The information provided on the ECSL is used by other EC Member States to ensure that VAT has been correctly accounted.

Finance will prepare the ECSL for the University and GCUC Ltd. When raising a manual invoice request for a business customer in the EC, the information that is required to be included is:

1. Customers VAT registration number
2. Total value of supplies in GBP
3. Whether the invoice is for the supply of services or goods. Departments should mark **ECSER** or **ECGOODS on the invoice request**. Accounts Receivable must mark the invoice as **'This invoice is subject to reverse charge'**.
4. If a supply is exempt then it is not subject to the reverse charge and does not go on an ECSL. Education is usually exempt in all Member States so not including education supplies on the ECSL is the approach to take. However, guidance on this should be sought from Finance.

3 PURCHASES

3.1 Goods

If you're registered for VAT in the UK and receive goods from other countries in the EC you'll normally pay VAT at the time the goods come into the UK. For the University, it should be paying VAT at the same rate that it would have paid if it had acquired them from a UK supplier.

Invoices from suppliers should not include VAT as the invoices received should have been zero rated on receipt of the University's or GCUC Ltd's VAT number. Invoices that do contain VAT should be returned to the supplier to be corrected.

The University or GCUC Ltd will account for VAT through the Acquisition Tax mechanism. If the supplier is in the EC, Accounts Payable must include the narrative **ECGOODS** and if the supplier is outside the EU include the narrative **RoWGOODS** when posting the VAT element of the invoice to Oracle.

- University - the VAT is irrecoverable and will be charged to the original account to which the purchase was charged (Dr I&E, Cr Vat control account).
- GCUC Ltd, the VAT can be recovered and the VAT will not therefore be charged to the I&E (Dr & Cr VAT control account).

For goods acquired and imported from outside the EC, VAT is paid at port of entry.

3.2 Services

For the purchase of **services** from companies/ organisations outside the UK the place of supply is generally where the customer i.e. where the University or GCUC Ltd belongs.

The supplier should not charge overseas VAT however the University or GCUC Ltd is required to account for any UK VAT due. VAT will therefore be charged on the invoice at the UK standard rate under the **Reverse Charge** procedure.

- The University library purchases online periodicals from a US supplier. In the UK online journals and periodicals are subject to standard rated VAT. The US supplier will not account for US VAT on the invoice, however the University should account for UK VAT via the reverse charge procedure.

- University staff attend an educational lecture in Germany. The University belongs in the UK therefore the German supplier would not charge German VAT and there would be no UK VAT applicable as education is an exempt supply in the UK.

If the supplier is in the EC, Accounts Payable must include the narrative ECSER and if the supplier is outside the EC include the narrative RoWSER when posting the VAT element of the invoice to Oracle.

- University, the VAT is irrecoverable and will be charged to the original account to which the purchase was charged (Dr I&E, Cr Vat control account).
- GCUC Ltd, the VAT can be recovered and the VAT will not therefore be charged to the I&E (Dr & Cr VAT control account).

We must be careful that the University and GCUC Ltd do not double count VAT when using the Reverse Charge VAT method on services supplied that fall into the special rules. It is important to note that if the place of supply of the service is in another country and the University or GCUC Ltd receives and has the benefit of the supply of services in that country, any invoice received should contain VAT for that country and not then subjected to the reverse charge procedure by GCU/ GCUC Ltd.

- There is a conference (event) being held in South Africa and GCUC Ltd staff will be in attendance. Any invoice received for this service should contain South African VAT and should not be subject to the reverse charge in the UK.