



Practical VAT Update 60: July 2025

Looking Again At Cross-Border Services

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Revisiting Cross-Border Services

1. Introduction

It has been some time since we last looked at this subject, and it is one which comes up a great deal. There is a good reason for this: it is very fertile terrain for questions.

So let's get stuck in again...

Surprisingly, many of the rules here didn't change that much with Brexit (I look at what HAS changed as well in this Update, you'll be delighted to hear), but that doesn't mean that they have suddenly become easy to understand. They were complex and messy before – and they still are!

This Update then takes you like Dante into the various Circles of Hell which are the rules on cross-border services, and aims to show you how to survive the experience and to emerge relatively unsinged...

We start by examining the basic framework for the rules: place of supply... then we take a look at how to work out whether your supply is business to business (“B2B”) or “business to consumer” (“B2C”), and why that matters. An examination of the fascinating reverse charge follows, and then a short gallop through the areas of services affected by Brexit. And just one more thing...

One thing has changed since January 2025: livestream events provided B2C. See section 6.

The Update then finishes up with a recap as normal.

I don't need to remind any readers that this is one of those areas where it is depressingly easy to get things mixed up, so care is always needed...

If you have any questions about VAT on cross-border services, please don't hesitate to give me a call on **02871 876 220** or email me at ciaranmcgee@cjmtax.co.uk.

2. Where, Whom? ...And What?

Lenin famously said that the only important question in politics was “Who - Whom?”: meaning, who will defeat whom in the inevitable class struggle.

I am not sure whether the perpetual struggle in the world of VAT is a *class* struggle... I'll leave that to our sociologists.

Anyway, for services supplied across borders, the most important questions are “where?” and “whom?”, i.e.:

- Where are you making the supplies to?
- And to whom are you making them?

The answers to these questions go a long way to determining the “place of supply”.

Nevertheless, thanks to the exceptions to the rules which are a speciality of VAT, you will also need to take into account “what?” as well. I take a look at this in section 5.

The place of supply is a crucial concept in VAT law, as it determines which country has the right to collect the VAT on a particular supply.

Services, being generally intangible, need special legal rules to decide “where” they take place, and therefore which government is entitled to the VAT. The place of supply needs to be addressed in addition to the separate question of liability to VAT – and should usually be dealt with first.

Why? Because unless you are 100% certain that the supplies in question are exempt or zero-rated, you need to know which country’s rules apply, to work out whether you actually are exempt (or zero-rated).

Place of Supply of Services

For services, the place of supply is determined by two general rules, one for business to business (“B2B”) supplies, and one for business to consumer (“B2C”) supplies. Both general rules are then subject to a number of exceptions.

The “basic” position can be summed up as follows:

- The B2B general rule is that the place of supply is where the **customer belongs**
- The B2C general rule is that the place of supply is where the **supplier belongs**

These rules affect *not only* which government is entitled to the VAT, *but also* how this VAT is accounted for and collected by the authorities. I take a look at this in section 4 below.

To give very short examples of how the general rule works, if it’s B2B, and the customer belongs in (say) Germany, then the place of supply will be Germany.

If it’s B2C, then it doesn’t really matter where the customer belongs: the place of supply will be the UK (assuming it’s a UK supplier).

Note that this applies for the general rule. There are many exceptions to the general rule, and for those supplies, where the customer belongs often does matter for B2C supplies. Similarly, for some exceptions, it is irrelevant where the customer belongs... it matters where (for instance) land is located (for land-related services). All really easy, then!

However, as you'll appreciate, we need to begin with deciding whether a given supply is B2B or B2C.

If you have any questions about the place of supply of services (or even goods...), please don't hesitate to give me a call on **02871 876 220** or email me at ciaranmcgee@cjmtax.co.uk.

3. A Grisly Business...

The fact that the general rules differ for B2B and B2C supplies means that we need to decide "whom" (see above...) as a matter of urgency.

As you'll discover in section 5, there are also different exceptions to the general rules, depending on whether it is a B2B or a B2C supply.

B2B vs B2C

For obvious reasons I am looking at the UK interpretation of the rules in this area.

Nevertheless, in real life, it may be necessary (especially in areas of doubt) to consider the rules in the jurisdiction where the customer belongs, or where the supply ends up "happening" for VAT purposes (these are not necessarily the same...).

However, most of the time, it will be enough for businesses based in the UK to consider HMRC's views on the matter.

VAT Notice 741A

The best place to begin is probably with HMRC's public guidance, and in particular, VAT Notice 741A, para 2.4, which reads as follows:

"There are different rules depending on whether you're supplying services to consumers B2C or business B2B.

B2C supplies means supplies to a:

- private individual
- charity, government department or other body which has no business activities
- 'person' (natural or legal) who receives a supply of services wholly for a private purpose

B2B supplies means supplies made to businesses. It also includes supplies to customers that have both business and non-business activities such as charities, local authorities and government departments. Unless you have information that suggests the service is wholly for private use, **you may presume that your customer is in business if they provide you with their VAT number.**” *[Emphasis added]*

The key point here is the presumption of B2B where the VAT number is provided by the customer.

Thus if you are provided with a VAT number by your customer (and confirm that the VAT number is valid, which for EU VAT numbers can be done [HERE](#)), you can proceed on the basis that a supply is B2B.

However, this still leaves a great deal unclear, since it is theoretically possible to have a B2B supply made to a customer who is not VAT-registered.

Later on in the Notice, some additional information is provided, at para 6.3:

“The B2B general rule for supplies of services is that the supply is made where the customer belongs.

Where the B2B rule applies you should obtain commercial evidence showing that your customer is in business and belongs outside the UK. For EU customers their VAT registration numbers is the best evidence that your EU customer is in business. If your customer is unable to provide a VAT number you can accept alternative evidence. This includes certificates from fiscal authorities or other commercial documents indicating the nature of the customer’s activities in their home country. Such evidence should be kept as part of your records.

Some customers may have non-business as well as business activities. Examples of such customers are government departments, local or municipal authorities and similar public bodies. In such circumstances, provided your customer can demonstrate that they have business activities (such as by providing a VAT number), the place of supply is determined by where the customer belongs.

Where a customer is unable to provide a VAT number, or other evidence to clearly demonstrate business activities, the supply should be treated as a B2C transaction.

If you are supplying services to a business customer that are being used for wholly private purposes, the B2C rules apply. To decide where a service is being used for private purposes, you should consider the nature of the services being provided. If in doubt, confirmation should be sought from the customer.”

I return to this below.

There is little else by way of HMRC comment on this matter. The internal Manual, which is usually a good source to establish the “mind” of HMRC on a particular matter, is less helpful than the VAT Notice in this case.

However, let’s focus on the practicalities for the vast majority of cases.

Steps to Identifying B2B or B2C

The starting-point is to request the customer’s VAT number.

If no VAT number can be provided, then the customer should be asked to provide other details, such as:

- Documentation from the customer’s local tax authorities providing their tax reference for income or corporation tax purposes
- In the absence of the above, then some other evidence to show that the customer is “in business” as commonly understood

For practical purposes, it may well be prudent to err on the side of caution.

If the customer cannot provide the above items, then the supply should be treated as a B2C supply, unless good reason can be documented to treat it otherwise.

All of that said, this is simply guidance, rather than the statute. Should the evidence available fall short of this level initially, but it is clear that the customer is in business, then it is doubtful that the supply will in fact be B2C, although it would be very important to seek more substantial evidence in due course.

Treating the supply as B2C may mean that UK VAT needs to be charged, as discussed in greater detail below.

If you would like some help in working out whether a particular supply is B2B or B2C, please don’t hesitate to give me a call on **02871 876 220** or email me at ciaranmcgee@cjmtax.co.uk.

4. Reversing The Charges

In some ways, it was easier to explain what was meant by “reverse charge” in the days when people still remembered actually doing that... I am sure I am not the only person who, as a penniless teenager, had to use a phone box (yes, one of those) and ask the person you were calling to accept the cost (a “reverse charge call”)...

Sadly, those days are increasingly long ago... and most of us haven’t reversed the charges on a call for more than twenty years.

Anyway, sad reminiscences aside, let's get into what the reverse charge means and how it works.

It is worth noting that it is (from the supplier's perspective, anyway) a big piece of good news in the operation of the cross-border VAT system.

The French Connection

Assuming that the place of supply is outside the UK (let's say it's France), then French VAT is due.

The rules determine that VAT is collected from either the supplier or the customer, depending on the circumstances. In practice, a distinction is drawn between B2B and B2C supplies, for reasons which will become clear.

B2B

Unsurprisingly, it is much more straightforward for the tax authorities to collect VAT from businesses based in their home country than overseas. For this reason, the reverse charge was developed as a way of ensuring that the relevant VAT was accounted for properly and in as easy a fashion as possible.

If services are supplied B2B, therefore, the vast majority of services supplied fall under the reverse charge. From the UK's perspective, HMRC's VAT Notice 741A explains at para 5.1 when the reverse charge will apply:

- the place of supply is the UK
- the supplier belongs outside the UK
- you belong in the UK
- the supply is not exempt (this includes exempt supplies subject to an option to tax)
- for supplies not within the general rule, you're VAT registered in the UK

Let's see how this works in practice, with the help of an example...

- **Example 1: Entente Cordiale**

UK Accountancy Services Ltd is a company based in Manchester providing accountancy services to clients in the UK and the EU. One of its clients, Grosse Entreprise SA, is a manufacturer based in Lille.

UK Accountancy Services Ltd issues a fee of £25,000 plus VAT to Grosse Entreprise SA for consultancy services for the year ended 31 August 2024.

The services are supplied B2B and fall under the general rule. This means that the place of supply is France, and also that the reverse charge will apply.

For UK Accountancy Services Ltd, this is good news! No VAT to pay, and it just has to issue a VAT invoice with a narrative along the lines “this is a reverse charge supply” or something similar, and job done. The supply appears in Box 6 of its VAT return.

Grosse Entreprise SA must charge itself French VAT on the supply, at the prevailing French rate, on its French VAT return. Because it is able to reclaim its input VAT, it reclaims the same amount as input VAT on the same return. Magnifique! No actual cash leaves anyone’s hands in respect of the VAT...

Further details of the operation of the reverse charge mechanism can be found in section 5 of VAT Notice 741A, accessible [HERE](#).

Similar rules apply in most EU countries, but as there are many local variations, local advice is always recommended!

B2C

For B2C supplies, the reverse charge mechanism cannot (logically) apply, since the customer is not VAT-registered.

Generally, this means that one of two things happens.

Where the general rule applies (see section 3 above), then the place of supply is regarded as being the **supplier’s** home country. The supplier will then charge whatever the local VAT rate is on the supply. For businesses based in the UK, this would mean charging UK VAT at the appropriate rate.

Where the general rule does *not* apply, typically the supplier will need to register in the country which is the place of supply, and then account for local VAT on that supply.

However, the EU VAT E-Commerce Package, which came in from 1 July 2021, has taken some of the hassle out of this... the existence of the “Non-Union OSS” means that multiple VAT registrations for B2C supplies can often be avoided.

Summary

The reverse charge mechanism means that overseas suppliers very often avoid an obligation of registering for VAT in a particular jurisdiction because their customer has the obligation of accounting for VAT.

Moreover, general rule B2C services can also help overseas suppliers avoid registering for VAT.

The main difficulty for overseas suppliers is therefore B2C services which do not fall within the general rule.

If you're wondering whether the supplies you're making would qualify for the reverse charge, please don't hesitate to give me a call on **02871 876 220** or email me at ciaranmcgee@cjmtax.co.uk.

5. Exceptions Make The Rules

Until I started working in VAT, I never really understood this saying. However (and I suspect the real meaning is actually a bit different...), VAT makes all sorts of rules for the exceptions. In fact, if there weren't any exceptions, VAT probably wouldn't be that hard to understand... Imagine that!

For supplies of services, the exceptions do really make the rules. There are all sorts of exceptions covering all sorts of different supplies.

In this section, I've included a table of the various exceptions. The place of supply for each one, B2B and B2C, is set out together with some brief notes which may help to explain what's going on. If you find yourself dealing with these, or not sure – get in touch. I'm always happy to help...

In the next section, I talk a bit more about some of the more important ones...

Give Me Land, Lots of Land...

Before that however, let's (briefly) talk about land-related services. These, together with digital services (on which more in section 6), crop up most often in practice.

Construction services – including engineering, etc – are almost always caught by the land-related services rule.

So too are things like conveyancing, land valuation and architectural services relating to specific sites (as they almost always do).

In the UK, the "extension" to the reverse charge will apply to these, so usually a non-UK supplier won't have to register for VAT if its customer is VAT-registered. This applies in many, but not all, EU countries, so TREAD WITH CARE.

An added complication is the domestic reverse charge for construction services, or "DRC", which is itself delightfully complex (most recently, see my Update for July 2023), and which

interacts with the cross-border rules in an “interesting” way. Some more of those unintended consequences, perhaps...? See para 7.7 of VAT Notice 741A for a flavour.

Incidentally, I suspect the DRC may be overdue for a review...

Night(mare)s of the Rectangular Table

I think that heading wins the prize for worst-ever pun, but I’m still working on some competitors...

As you will very quickly work out, this is not straightforward! For B2B, the general rule does (honest!) apply to the bulk of services. For B2C supplies, and for reasons I’ve set out above, there are more exceptions...

If the reverse charge doesn’t apply, and the place of supply (“PoS”) is not the UK, then you’re probably looking at registering for VAT in the other country, whether “normally”, or via one of the “one stop shops” (“OSSs”). See June 2021’s Update for more.

Service Type	B2B	B2C	Notes
<i>Land-related</i>	Place where land is located	Place where land is located	Reverse charge often applies B2B
<i>Passenger transport</i>	Country where transport takes place; if more than one, proportionate	Country where transport takes place; if more than one, proportionate	
<i>Hire of means of transport</i>	Place where transport put at customer’s disposal, with use and enjoyment rule	Place where transport put at customer’s disposal, with use and enjoyment rule	Short-term hire: <30 days for most; <90 days for vessels
<i>Restaurant & catering services</i>	Country in which services are physically carried out	Country in which services are physically carried out	
<i>Hire of goods</i>	Use and enjoyment	Use and enjoyment	Any goods other than transport
<i>Broadcasting services</i>	Use and enjoyment	Use and enjoyment	
<i>ESS</i>	Use and enjoyment	Country where recipient belongs	OSS registration recommended for B2C to EU
<i>Admission to events & ancillary services</i>	Country in which events take place	See events below – much wider exception	Local registration often required for B2B supplies

<i>Transport of goods</i>	Where PoS would be UK, but transport is wholly outside the UK, the PoS is outside the UK	Country where transport takes place; if more than one, proportionate	
<i>Ancillary transport services</i>	Where PoS would be UK, but services are physically carried out wholly outside the UK, the PoS is outside the UK	Country where services are physically performed	
<i>Repair services under contracts of insurance</i>	If customer is not insured party, then use and enjoyment	N/A, but see broader rule for valuation and work on goods below	
<i>Telecommunication services</i>	Use and enjoyment	Country where recipient belongs	OSS registration recommended for B2C to EU
<i>Intermediary services</i>	General rule	Same country as the underlying supply	
<i>Long-term hiring of means of transport</i>	General rule (but still watch out for the use and enjoyment rule)	Country where recipient belongs; special rule for “pleasure boats”	OSS registration recommended for B2C to EU; care needed with B2B
<i>Valuation services and work on goods</i>	General rule (though note special case of repairs under insurance contracts above)	Country where services are physically performed	
<i>Cultural, educational and entertainment services, etc</i>	General rule, unless providing admission to B2B customers (see above). Note also that PoS of education services can be very complex to determine	Country in which activities actually take place	
<i>Para 16 “intangible services”</i>	N/A	For B2C recipients belonging outside the UK, the PoS is the country in which the recipient belongs (i.e.: outside the scope of UK VAT)	A lot of overlap with ESS (see list below); also note apparent “gap” in VAT treatment by EU and UK rules

Mind the Gap

One of the areas (as I mention in the next section) which has been affected by Brexit is the “intangible services” provided B2C.

Prior to Brexit, the special rule only applied where the customer belonged outside the EU. After 1 January 2021, the rule applies to supplies made to customers who belong outside the UK... in other words, an awful lot more people!

Interestingly, while the EU has updated its OSS rules (see a bit more on this below), it does not appear to have changed the place of supply rules. Yet. This is, apparently, a target, so watch out.

Theoretically (again, a bit more detail is provided below), this means that a B2C supply of these services to a customer in the EU could fall into a gap in the VAT rules. Let’s see how long that lasts! It is also hard to get a straight answer from anyone to confirm this (surprise, surprise...).

The kinds of services covered are:

- List of “intangible services” per VATA 1994, Sch 4A, para 16
- Transfers, assignments, etc, of copyrights, patents, licences, etc: *note ESS rules here*
- Acceptance of any obligation to refrain from pursuing any business activity or any of the rights mentioned in the first bullet-point: *very rare in practice*
- Advertising services
- Services of consultants, engineers, consultancy bureaux, lawyers, accountants, and similar services, data processing and provision of information, other than any services relating to land: *note land and ESS*
- Banking, financial and insurance services (including reinsurance), other than safe deposit facilities
- Provision of access to, or transmission or distribution through-
 - A natural gas system in the UK or any network connected to a natural gas system in the UK
 - An electricity system
 - A network through which heat or cooling is supplied,
 - Any directly linked services to any of the three sub-points above
- The supply of staff
- Letting on hire of goods other than means of transport

Plenty to get your teeth into here, I think!

If you’re wondering whether the supplies you’re making fall under the general rule, or one of the exceptions, please don’t hesitate to give me a call on **02871 876 220** or email me at ciaranmcgee@cjmtax.co.uk.

6. *Breaking Up Is Hard To Do...*

Actually, for services, Brexit wasn't that bad. All the stuff set out above is pretty much as it was before.

However, some things DID change, and there are four big changes to consider.

The first one is administrative, and welcome: **no more EC Sales Lists** for services after 1 January! Yes, you read that right – there are **FEWER** forms to fill in post-Brexit...

Once you've recovered from that shock, have a look at the other three, which are set out below. The headlines are:

- **B2C digital services:** many businesses in this sector, providing things like downloadable games, e-books, videos, etc, will have been registered with the UK VAT MOSS. This came to an end with effect from 31 December 2020... hopefully you noticed!
- **Use and enjoyment rules:** these now apply to B2B services made to customers belonging in the EU, whereas previously they did not. See the table above for more detail on whether your supplies are covered...
- **Certain other "intangible" B2C services:** as noted above, this is a very catch-all term, but certain services such as accountancy (!) and other professional services are no longer caught by UK VAT after 1 January. In other words, they can be zero-rated

As Loyd Grossman might say, let's take a closer look....

Through the Keyhole

Taking each of our three problem children in turn:

- *I Supply Digital Services B2C – Do I Need To Worry?*

Unfortunately, the answer is "yes", you probably do. Digital services include things like videos, e-books, games, etc, which can be downloaded by the customer online. If you have any doubts about whether you're covered, feel free to give me a call.

HMRC's guidance on this (extremely broad) area of services is linked to at the end, and I strongly recommend looking at it if you think you might be affected. Note that sometimes HMRC's definitions of "digital services" seem to be a bit different from the definition used elsewhere...

If you do sell "digital services" to private customers in the EU, then you may well already be familiar with the "VAT MOSS" to account for VAT on your sales. The VAT MOSS ensured that each country in the EU got its "cut" of the VAT.

With effect from 1 January 2021, the “Union Scheme”, meaning the VAT MOSS open to EU member states, was no longer available for businesses based in the UK (including NI).

This meant that businesses had a choice:

- either they could register for VAT as a non-established trader in each member state in which they were making supplies, or
- they could register for VAT in a single EU member state and join the “Non-Union” VAT MOSS

For English speakers, the most obvious option would be to register for VAT in the Republic of Ireland (“ROI”). If you did join the VAT MOSS before 1 July 2021, then it will have been automatically converted into an account with the Non-Union OSS.

The Non-Union OSS is basically the same idea as the VAT MOSS, except it covers a wider range of B2C services. Given that all of these previously required registration in the country in question, this is a very welcome simplification.

For details of the other services covered by the OSS, see the table in section 5 above.

Note one complication which has applied since **January 2025**: livestream events. The EU says that they should be taxed like other OSS services, i.e.: in the consumer’s home country in the EU. HMRC, however, say that the B2C general rule should apply – and so does UK VAT. In other words, there is a real risk of **double taxation** here. Seek advice!

With that in mind, I have included a link to the Revenue Commissioners’ website on this issue at the end of the Update, but let me know if you need a name of someone who can offer local advice on the **registration process in the ROI**...

- *Use and Enjoyment Rules: What Are They?*

Some services have “use and enjoyment” provisions, the idea being that where a customer uses or enjoys the service outside the country where they belong, the VAT reflects this.

In practice, this would apply where your customer is based in (say) France, but “uses and enjoys” your services in the UK. That would mean you would need to charge UK VAT on your supply, or apportion it to reflect the level of UK use and enjoyment.

See the table above, and VAT Notice 741A (linked to below) for the kinds of services covered, and how they work.

Note that with effect from 1 January 2021, all customers based **outside the UK** are potentially covered by these rules, so take care.

And they cover **many B2B** services as well, so you should be aware of the issue for those supplies too...

- *Any Good News?*

Yes, there is a bit! At least, for now...

If you make B2C supplies which fall under the definition of “intangible services” (see section 5 above), then the new rules should mean that they are no longer subject to UK VAT.

The EU’s Brexit Readiness Notice confirmed that EU VAT will only be applicable after 1 January where the place of supply was *already* in an EU member state; in other words, these B2C supplies **appear** to be outside the scope of EU and UK VAT.

The changes from July 2021 explicitly did not change the place of supply rules, so they should not affect these services. However – don’t forget the comments made above... just as nature abhors a vacuum, so the tax authorities abhor a gap...

If you think you’re affected by any of the rules mentioned in this section, please don’t hesitate to give me a call on **02871 876 220** or email me at ciaranmcgee@cjmtax.co.uk.

7. Buying Services From Abroad

As the immortal Columbo would say: “oh, and just one more thing...”

If you are buying services from abroad, and you’re NOT registered for VAT, then B2B general rule services will contribute to your VAT registration threshold.

In a (ludicrous) example, a business might have sales of £40,000, but incur £46,000 of services expenditure from abroad. In order to make sure the UK VAT on the supply is accounted for, HMRC will want that business to get a VAT number. Just don’t hold your breath waiting for it to arrive...

If you’re buying services from abroad and you’re not VAT-registered, please don’t hesitate to give me a call on **02871 876 220** or email me at ciaranmcgee@cjmtax.co.uk.

8. Summary: What Are The Key Points I Need to Remember?

The VAT treatment of cross-border services is not straightforward. However, the following approach should help.

First, ask WHO is your customer. If it’s a business, then it’s (almost certainly) a B2B supply. Don’t forget to get their VAT number (if at all possible...).

Secondly, ask WHERE your customer is based, and where the services are taking place.

This brings us to the third question: WHAT are you supplying? Does it fall within the general rule? Or is it one of the exceptions?

Once you've answered all of these questions, you should be able to work out:

- Which country is going to get the VAT on the supply
- Whether it's you or your customer who is on the hook for the VAT (the "reverse charge" makes it the customer's problem)
- Whether you need to register for VAT in another country, or whether you can use the "Non-Union OSS" to handle the VAT

You will also be in a position to work out which country's VAT rules apply for working out whether exemption (or zero-rating, etc) applies to your supplies.

That brings us back to the tiny LAPD detective with the cigar... don't forget to remember (that's not a typo) VAT registration when you buy services from abroad. HMRC won't forget...

You may also find the following link of use:

- **HMRC's VAT Notice 741A can be found [HERE](#)**
- **HMRC's guidance on B2C Digital Services can be found [HERE](#)**
- **Irish Revenue Commissioners' guidance on the Non-Union OSS can be found [HERE](#)**

Hopefully this Update has been helpful, and should you wish to discuss any of the issues arising – or indeed anything else VAT-related – please don't hesitate to contact me for a free, no obligation initial enquiry.



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