

# Changes to UK VAT legislation

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## Introduction

On 1 February 2016 the law concerning the charging of VAT on wholesale supplies of voice telecommunication services in the UK will change. In this briefing we have summarised the changes, how they will affect your business and what BT is doing to implement the change in legislation.

These changes affect the way that BT applies VAT to its invoices and but does not change the way we contract with you or the price of our services.

These changes only affect voice and related data services (SMS, MMS and VoIP) but do not affect data, access or line rental services.

## What is changing?

On 1 February 2016 HM Revenue and Customs (“HMRC”) introduce emergency legislation to combat the threat of VAT fraud in the wholesale telecommunication sector.

From this date the supplier of services falling within the scope of the legislation cannot charge VAT. Instead the UK VAT registered business receiving the service will be required to self-account for VAT using a process called “reverse charge accounting”.

## What does this mean for you?

From 1 February you will notice some changes to our invoices. Specifically we will not be applying the 20% standard rate of VAT to the whole of some invoices and in some cases you will receive invoices from us without VAT being charged at all.

As the recipient of these services, you are required to account for the VAT due on the services you receive from BT.

You will still be entitled to recover the VAT you account for as input tax as part of the reverse charge accounting process.

This means that there should be no net tax payable to HMRC and you do not suffer financially.

## How do you account for the VAT reverse charge?

Details of how to apply the VAT reverse charge can be found in HMRC Business Brief 01/16 which can be found on HMRC’s website at

<https://www.gov.uk/government/publications/revenue-and-customs-brief-1-2016-vat-domestic-reverse-charge-for-businesses-wholesaling-telecommunications-services/revenue-and-customs-brief-1-2016-vat-domestic-reverse-charge-for-businesses-wholesaling-telecommunications-services#the-domestic-reverse-charge->

## How BT will be implementing this change

BT will cease charging VAT on the majority of the services affected by this change from 1 February 2016.

Unfortunately we will not be able to update all of our systems and processes immediately and therefore we have agreed with HMRC that we will implement the remaining changes by 30 June 2016. Consequently, you may not see an immediate change to our invoices issued after 1 February 2016.

We recognise that this might cause some confusion and have compiled a list of Frequently Asked Questions at the end of this briefing.

## **Further questions**

If you have any questions about your BT invoice please contact your usual BT contact who will be pleased to help.

If you have questions about the changing legislation or how to apply the reverse charge accounting, you should contact HMRC directly. HMRC have agreed that BT's customers can contact the HMRC VAT Fraud Policy team directly for further support.

The contacts are Nick Chambers or Steve Morgan who can both be reached by telephone on **0300 585457** or by email;

Nick Chambers – [nick.chambers@hmrc.gsi.gov.uk](mailto:nick.chambers@hmrc.gsi.gov.uk)

Steve Morgan - : [steve.morgan@hmrc.gsi.gov.uk](mailto:steve.morgan@hmrc.gsi.gov.uk)

You will need your VAT registration number and postcode with you when you call.

## Frequently Asked Questions

Question	Answer
I am not registered for VAT in the UK, do these changes affect me?	No, these changes only affect supplies between two UK VAT registered businesses. If you are registered in another EU Member State or outside the EU we do not charge VAT on our invoices to you currently.
What will my invoice look like if I buy both standard and domestic reverse charge services from BT?	Your invoice will look the same but we will not charge VAT on the services you buy from us which are impacted by the legislation.  BT has agreed with HMRC that we will only apply the reverse charge to services in scope of the legislation and therefore the other services on the invoice will continue to have VAT charged.
How will I know if the service I have bought is subject to the reverse charge?	Services subject to the reverse charge will be shown separately on the invoice and one of the following sentences will also be shown on the invoice <ul style="list-style-type: none"> <li>• Reverse charge: VAT Act 1994 Section 55A applies</li> <li>• Reverse charge: S55A VATA 94 applies</li> <li>• Reverse charge: Customer to pay the VAT to HMRC</li> </ul>
Why have you charged VAT on services subject to domestic reverse charge after 1 February 2016?	Due to the complexity of our billing systems we cannot make all the necessary changes immediately.  Therefore we have agreed with HMRC that we can still charge VAT on some invoices until the changes can be made. We have agreed with HMRC that all system changes will be made by 30 June 2016.
Should I pay BTs invoices which continue to show VAT on the affected services after 1 February 2016.	Yes, invoices which are issued after 1 February 2016 which show VAT being charged on services covered by these changes are still compliant and should be paid in accordance with your agreed payment terms.
How will the change impact credit notes issued by BT, where the credit note is to amend charges on a tax invoice which was issued with VAT before 1 February 2016?	BT has agreed with HMRC that credit notes issued after 1 February 2016 will also have no VAT applied. You would have already recovered VAT charged on the earlier invoice which the credit note relates to.
If I have a query about how the legislation change has impacted my bill, can I withhold payment until the query has been resolved?	No, you should continue to pay our invoices in the usual way, all of the changes made to BT invoices have been agreed with HMRC and you will be able to recover any VAT you may be

	charged as the changes are phased in.
I receive a single invoice with a mixture of services, some of which are affected by the change and some not. Will I still get a single invoice after the change?	Yes, we will continue to send you a single invoice. Supplies which remain subject to standard rated VAT after the change will continue to be shown as such and supplies affected by the change will be shown separately on the same invoice.