

Changes to UK VAT legislation

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 will affect the way that BT accounts for VAT on the invoices we receive from you with effect from 1 February 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”) introduced 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 change must not charge VAT. Instead the UK VAT registered business customer receiving the service will be required to self-account for VAT using a process called “reverse charge accounting”.

What does this mean for you?

A domestic reverse charge means that you must not charge VAT on your supply of wholesale telecommunications services to BT on invoices issued with effect from 1st February 2016. BT, as the recipient of those services, must account for the VAT due (output tax) and will be entitled to recover the VAT incurred as input tax.

BT will expect you to comply with the terms of this reverse charge VAT legislation when issuing invoices on or after 1 February 2016. You must also display one of the following legends on your invoices so that BT can recognise it is an invoice which includes services subject to the domestic reverse charge.

- Reverse charge: VAT Act 1994 Section 55A applies
- Reverse charge: S55A VATA 94 applies
- Reverse charge: Customer to pay the VAT to HMRC

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

We recognise that it may take a while for some of our suppliers to implement this change on their systems. We have agreed with HMRC not to hold up payment of any invoices incorrectly received with VAT charged in the first 2 months.

From 1 April 2016 BT will invoke a strict interpretation of the law. Invoices received with VAT incorrectly charged on wholesale services subject to the domestic reverse charge, will not be accepted. We will contact you to request a legally compliant invoice before we can make payment. You will be required to issue a credit note to cancel the original invoice issued incorrectly with VAT.

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 **03000 585457** or by email;

Nick Chambers – nick.chambers@hmrc.gsi.gov.uk

Steve Morgan - : steve.morgan@hmrc.gsi.gov.uk

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