

# Electronically supplied services: evidence of customer location and status

VAT Information Sheet 05/03

## April 2003

This Information Sheet explains how suppliers of electronically supplied services should identify the status and location of their customers in order to determine their place of supply following the implementation of the VAT on E-Commerce Directive with effect from 1 July 2003.

If you supply electronically supplied services you will also need to read the following VAT Information Sheets:

[01/03 - Electronically supplied services and broadcasting services: New EU place of supply rules](#)

[04/03 - Electronically supplied services: A guide to interpretation](#)

[Electronically supplied services: Special Scheme for non-EU businesses](#)

## Introduction

### What is this Information Sheet about?

This Information Sheet explains how suppliers of electronically supplied services should identify the status and location of a customer in order to determine their place of supply.

The aim is to ensure the correct VAT treatment of these supplies as required under the VAT on E-Commerce Directive, but at the same time to draw upon or utilise existing business practices in electronic commerce, wherever possible, so as to minimise any burdens on business.

Examples are provided of the type of process and evidence that are acceptable as a reasonable level of verification of the information required. It should be noted that this approach is subject to periodic review to take account of, for example, developing technology.

The guidance in this Information Sheet is not appropriate for radio and television broadcasting services. Such services are covered by the same place of supply rules as telecommunication services. Information about these rules is available in [VAT Notice 741 Place of supply of services](#).

# Status and location of customer

## Why do all such suppliers need to know the location and status of their customers?

Suppliers of electronically supplied services need to know:

- the country where a customer belongs
- whether the customer is a business, a non-business entity or a private consumer
- as this will determine whether the supplies are subject to VAT and, if so, in which Member State <sup>[1]</sup>.

## What are electronically supplied services?

Full and further guidance can be found in [VAT Information Sheet 04/03: Electronically supplied services: a guide to interpretation](#).

# Verification of business status

## How can a supplier verify their customer's business status?

For business-to-business supplies within the EU the evidence required at the time of the transaction would normally be the customer's VAT registration number and country identification code prefix. The number must conform to the format for the registered person's Member State. Guidance on this can be found in [VAT Notice 725 The Single Market](#).

Under normal trading practices businesses will often know their business customers and, in such cases, they will not therefore need to routinely check all VAT numbers quoted, provided that the numbers conform to the correct country format.

However, where a relationship has not been established with a business customer the VAT number should be checked when:

- the VAT involved exceeds £500 on a single transaction
- the cumulative VAT on transactions for electronically supplied services to a single customer in a VAT quarter exceeds £500.

Similarly, businesses that supply downloaded music, games, films, etc of a kind that is normally made to a private consumer would not expect that a VAT number would be quoted in such circumstances. However, where a VAT number is quoted in what is clearly a supply to a private consumer then the use of that number should be challenged.

Full verification should be undertaken in all cases where a business has any reason to believe that a VAT number quoted by a customer is false or is being used incorrectly.

If a customer claims to be in business but not to be VAT registered then alternative evidence should be obtained. This can be in the form of other reasonable commercial evidence or records that should normally be available eg contracts, business letterheads, a commercial website address, publicity material, certificates from fiscal authorities, etc. A digital certificate from a reputable organisation can also be used for this purpose.

The VAT Information Exchange System (VIES) can support the supplier's decision-making process by providing an online verification system. The system can be accessed on the [europa.eu website](http://europa.eu).

Businesses may also contact the National Advice Service, as they will be able to verify names and addresses as well as dates of registration and deregistration where appropriate.

Other Member States may have similar systems by which it is possible to check the validity of VAT registration numbers.

If any of above checks fail to confirm that the customer is in business or if there remains any doubt about the use of a VAT registration number, VAT should be charged as appropriate on all supplies to that customer including supplies that have already been made.

Any VAT that has been charged in error may be credited under the normal rules.

## Verification of location

### How can a supplier identify their customer's country of residence?

Under normal trading practices suppliers will often know their business customers and where they are located. However, this is less likely to be the case with supplies to private customers and with lower value transactions to business customers. As technology cannot determine with certainty the place where such customers belong, **self-declaration by the customer combined with a reasonable level of verification** will be acceptable.

Many businesses already have in place established procedures to identify and verify the country where their customer belongs. Customs will rely as much as possible on that practice to ensure business is not burdened with unnecessary requirements. If the method you use is not included in the list of examples in the following paragraph, you are advised to contact Customs.

Where one or other of the following practices is followed, customer self-declaration will be acceptable (without prior approval from Customs) in respect of electronically supplied services:

- (a) use your customer's postal address provided it has been used to send goods, catalogues, samples, CD ROMs, invoices, correspondence, etc and the correspondence has not been returned. (However, alternative means will have to be used if mail is returned undelivered)
- (b) accept payment by credit/debit card and you compare the customer's home address with the billing address, but then rely on satisfactory alternative evidence if the match is unsuccessful
- (c) accept payment by credit/debit card and, using proprietary software, you compare the customer's country of residence with the location of the issuing bank but then rely on satisfactory alternative evidence if the match is unsuccessful
- (d) use geo-location or proprietary software to verify where your customer belongs but then rely on satisfactory alternative evidence if the match fails
- (e) use systems that are configured to identify where the service is used and enjoyed (eg telecommunication suppliers). We will accept the arrangement as a proxy for identifying the country where the customer belongs.

If you use one or other of the above methods, you will need to demonstrate that Customs' requirements have been met. For example you may be asked to show how your system processes the relevant information.

## **What if the information provided by customers to suppliers is found to be incorrect?**

Where verification has been undertaken and the details provided were believed to be correct at that time, but subsequently the customer is found to have made a false declaration, we will not seek to recover VAT from the supplier where it was not charged to the customer. This does not apply if there was reasonable information at the time of the sale to indicate that the customer's information was incorrect. Customs' treatment of such cases will be subject to periodic review.

## **Who can I contact for further information?**

If you require further information about establishing the status and location of your customers for supplies of electronically supplied services please ring the **National Advice Service on 0845 010 9000. You can call between 8.00 am and 8.00 pm, Monday to Friday.**

If you have **hearing difficulties**, please ring the **Textphone** service on **0845 000 0200**.

If you would like to speak to someone in **Welsh**, please ring **0845 010 0300, between 8.00 am and 6.00 pm, Monday to Friday.**

[<sup>1</sup>] For guidance on the use and enjoyment provisions that apply to certain business-to-business transactions (and can affect VAT treatment) please refer to [VAT Information Sheet 01/03 Electronically supplied services and broadcasting services: new EU place of supply rules](#).