

# VAT: MINI ONE STOP SHOP (MOSS)



Whitepaper

From 1st January 2015 VAT on digital products sold in the EU is chargeable in the place of purchase (the country where the consumer is based), rather than the place of supply (the country where the vendor is based) for business to consumer (B2C) sales. This means that potentially your business would need to register for and charge VAT at different rates in every EU country in which it intends to sell digital products.



The change was brought in to stop big corporations gaining a competitive advantage by diverting sales through low-VAT countries, however small businesses have equally got to ensure that they're complying with these regulations.

The VAT MOSS scheme has been introduced as an alternative to the administrative burden of reporting to individual VAT authorities in every EU country in which you're making qualifying sales. However, whilst this means that businesses can avoid the requirement to register for VAT in overseas states, they will still be required to charge VAT at the rate applicable to the location of their customers.



## WHO DOES THIS EFFECT?

VAT MOSS only applies to digital products being sold to consumers within the EU - business to business (B2B) sales are not affected.

The changes will particularly effect those in the creative and IT sectors; making sales of digital products to end consumers - with digital products being defined as follows:

- Images or text, such as photos, screensavers, e-books and other digitised documents e.g. PDF files
- Music, films and games, including games of chance and gambling games, and of programmes on demand
- Online magazines
- Website supply or web hosting services
- Distance maintenance of programmes and equipment
- Supplies of software and software updates
- Advertising space on a website



The reporting requirements are not limited to those businesses whose UK VATable turnover exceeds the UK VAT registration threshold. If your UK VATable turnover is below the threshold you still need to register for UK VAT to use the VAT MOSS scheme.

If this scenario applies to your business, you can charge and account for VAT in respect of your EU cross-border B2C supplies but won't have to charge and account for VAT on your UK domestic supplies unless you exceed the UK VAT registration threshold.

In addition, you will also be able to reclaim any UK VAT suffered on business expenses directly related to your cross-border digital service supplies.

## HOW SHOULD YOUR BUSINESS ADMINISTER THE SCHEME?

The MOSS filing requirements are different from those for UK VAT registration. Firstly, the MOSS period of return is fixed at calendar quarters (UK VAT returns are not necessarily submitted on the same basis) and are to be submitted within different deadlines (only 20 days from the period end date).



Records for MOSS must be kept for 10 years from the end of the year in which the transaction occurs, longer than the standard six years required for UK VAT records.

Poor compliance is penalised by excluding businesses for two years. This sanction will prevent the business from using the MOSS scheme in any EC member state, with the result that the business will be required to register for VAT individually in each of its customers' territories.

Short reporting deadlines and the threat of expulsion make it essential that your business is using adequate financial reporting software which can cope with these additional reporting requirements and provide the necessary information in real-time.

## HOW CAN WE HELP?



For small businesses, compliance with any new VAT regulations can be an administrative headache. If your considering providing digital services to consumers in other EU countries, or perhaps you're already making qualifying sales, we can work together with you to advise and assist in the following:

- Assessing whether your business should be reporting under MOSS 
- Registration of your business for the VAT MOSS scheme 
- Implementation of cloud accounting systems capable of coping with multiple EU VAT rates whilst also enabling real-time reporting - essential for the completion of financial returns 
- Quarterly reporting of both VAT and MOSS returns to HMRC 

Contact Chaddesley Sanford to arrange a call with our VAT specialist. You can call us on 0207 183 6088 or email us at [enquiries@chadsan.com](mailto:enquiries@chadsan.com).

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