

VAT eLearning module 5

PLACE OF TAXABLE TRANSACTIONS

Course takeaways

This is a handy summary of the most relevant course information.

This eLearning course is based on EU VAT Legislation as it stands on 01.01.2020 (valid for the EU VAT Directive, the EU VAT Refund Directive and the EU VAT Implementing Regulation).

This module is a part of a VAT broader course which is made up of the following units:

- Introduction
- Territory
- Taxable person
- Transactions
- **Place of taxable transactions**
- Digital Services and Mini One-Stop Shop (MOSS)
- Chargeable Event & Taxable Amount
- Rates
- Exemptions
- Right to deduct
- Refund
- Obligations

In this course you will learn where the transaction takes place. This course covers the question "Where?".

1. Learning objectives

At the end of the training you will:

- Describe the different rules that govern the **place of supply of goods**: where the goods are located when the transport begins or, if there is no transport, where the goods are located when the supply takes place.
- Explain the two basic rules and other specific rules governing the **place of supply of services**: rule of origin and rule of destination.
- Identify the particular rule that governs **the place of an intra-Community acquisition** of goods and a variation to the rule: the place of acquisition is the Member State where the transport of the goods ends but also the Member State which issued the VAT number used by the taxable person to acquire the goods.
- Identify the general rule that governs the **place of importation of goods**: the place where the goods are when entering the EU.

2. Guiding principles

Place of transaction: it is the place where the transaction will be taxed. It will be determined as either being the country of origin or the country of destination.

Country of origin: it is where the goods or the services originate. If the origin principle applies, this is the country where the tax is due.

Country of destination: it is where the goods or services are supplied to. If the destination principle applies, this is the country which has the taxation rights.

3. Basic rules

There are four types of transactions: supply of goods, intra-community acquisition of goods, supply of services, importation of goods. For each transaction it is important to know the general rule and understand variations to that rule.

3. 1 Place of supply of goods

The **place of supply** of goods is where the goods are located **when the supply takes place**, if there is no transport (art.31).

Example: A customer from A hires good from a shop in B and uses at home in A. After one year he decides to buy this good. The place of supply is the customer's home in A.

If there is transport, regardless of who transports the goods, **the place of supply** is where the goods are located **when the transport begins** (art.32).

Example: A customer from A goes to a shop in B, buys goods and returns to A. The place of supply is the shop in B.

3. 2 Place of supply of services

For all supplies of services the place of taxation should in principle be the destination where the actual consumption takes place.

There are exceptions as in certain cases it has been necessary to deviate from the destination principle for both administrative and policy reasons.

Directive 2008/8 modifying the VAT Directive has introduced **two basic rules**:

Destination principle: in **B2B** transactions the place of supply is where the customer's business is established (art. 44). This principle applies for supply of services to taxable persons and non-taxable legal persons already identified for VAT purposes.

Example: a veterinary established in A supplies services to a farm in B. The place of supply will be B

Origin principle: in **B2C** transactions the place of supply is where the supplier's business is established (art. 45). This principle applies for supply of services to non-taxable person.

Example: a veterinary established in A supplies services to a customer's dog in B. The place of supply will be A where the vet is established.

With the beginning of 2015 **the place of taxable transactions for digital services** changed to **the destination principle for non-taxable persons**. For more information, refer to the "Digital services and MOSS" course.

Other particular provisions for supply of services can be found in the VAT Directive (cultural services, passenger transport, services to non-EU residents, catering etc)

3. 3 Place of intra-Community acquisition

For the Intra-Community acquisition of goods, the basic rule is that **the place of an acquisition is where the dispatch or transport of the goods to the buyer ends** (art. 40).

Sometimes the company acquiring the goods has VAT identification numbers in several Member States. In this case an additional intra-Community **acquisition of goods takes place** within the **Member State which issued the VAT identification number** used by the taxable person to acquire the goods (art. 41).

3. 4 Place of importation

The place of importation of goods is **where the goods are located when entering the EU**.

Articles 60 and 61 state that the place of importation of goods shall be the Member State within whose territory the goods enter the EU or where the special transit arrangements cease.

When goods which are imported pass through a transit country we need to check Article 61 to decide in which Member State VAT must be paid. In the case of **temporary import relief** or **external transit arrangements** the **place of importation** will be in the Member State **where the arrangement cease**.

Example: If the car is imported from A to B and only transits C, and is actually delivered to B, the place of importation is B.

Access to non-restricted eLearning courses is available via EUROPA website: https://ec.europa.eu/taxation_customs/eu-training/general-overview_en.

Remember, this is a quick and handy summary of the most relevant course information. Only the European Union legislation published in the Official Journal of the European Union is deemed authentic. The Commission accepts no responsibility or liability whatsoever with regard to the training.