

VAT eLearning module 2

TERRITORY

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 (2006/112/EC), the EU VAT Refund Directive (2008/9/EC) and the EU VAT Implementing Regulation (282/2011))

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 what the Territory of the European Union means and how it sets the limits for how far the VAT extends, in order to determine whether the VAT applies. This covers the question: "our VAT?"

1. Learning objectives

At the end of the training you will be able to:

- Appreciate how important it is to be able to determine **the territorial scope**;
- Describe what are **third territories** and **third countries**;
- Know what the **VAT Territory** and what **Customs Territory** are and understand the difference between;
- Distinguish between what is and what is not part of the VAT territory and understand the consequences of the limits to it;
- Use the VAT Directive to determine the exact territorial scope;

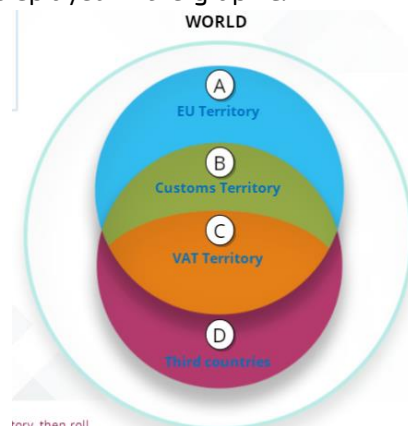
2. How to determine the Territorial Scope

The Territory where the VAT Directive applies is the EU, in other words the countries which are members of the European Union.

VAT territory determines if EU VAT applies or not. **Only transactions carried out within VAT territory will be subject to VAT.**

There are **four** categories of **relevant transactions for VAT**: supply of goods (art. 14), Intra-Community acquisition of goods (art. 20), supply of services (art.24), Importation of goods (art. 30).

The **four main territories** are displayed in the graphic:



EU Territory: The EU Territory is made up by the territory of each of the Member States to which the treaty of the European Union is applicable.

Customs Territory: The customs territory is made up by the territory of all EU Member States. However, it **excludes certain territories of the Member States**: Busingen, Ceuta, Island of Heligoland, Livigno, Melilla and **includes** the territory of **certain third countries** which are not part of the EU for historical reasons: The Principality of Monaco, UK Sovereign Base Areas of Akrotiri and Dhekelia (no import duties have to be paid on good arriving from such States).

VAT Territory: The VAT territory **is the territory of all EU Member States** but it **excludes** certain territories of Member States: **called third territories** : Busingen, , Ceuta, Island of Heligoland, , Livigno, Melilla under article 6(2) and the Canary Islands, Mount Athos, the Aland Islands, French Overseas Departments, Lake Lugano, Campione d'Italia under article 6(1) (import VAT must be paid since they are not part of the VAT territory). VAT territory **includes** the territory of **certain third countries** which are not part of the EU for historical reasons: The Principality of Monaco, UK Sovereign Base Areas of Akrotiri and Dhekelia (there is no import VAT to be paid on goods arriving from such States).

Third Countries: Third countries are the rest of the world. Any territory to which the EU Treaty is not applicable qualifies as a third country. The VAT Directive does not apply here, nor does the Customs code.

The difference between the VAT territory and the customs territory: VAT territory includes members of the EU in **both customs and VAT**. **Customs territory** concerns third territories: customs **but not VAT**

VAT must be paid for transactions taking place within Member State which **is both part of the VAT territory and part of customs territory**. For territories which are part of the EU but do not belong to the VAT territory (third territories) see article 6(2), EU VAT does not apply to transactions carried out in these territories.

Import duties and import VAT must be paid on goods arriving from such territories as these are not part of the custom territory nor of the VAT territory.

3. Summary

Which countries and which territories are part of the VAT territory:

The EU **Member States** except the following **third territories**: Mount Athos, the Canary Islands, the French overseas departments, the Åland Islands, the Island of Heligoland, the territory of Büsingen, Ceuta, Melilla, Livigno, Campione d'Italia, the Italian waters of Lake Lugano.

Which countries and which territories are not part of the VAT territory:

Third countries and the above mentioned third territories.

Which third countries and territories are part of the VAT territory and are treated as Member States:

The Principality of Monaco (as France) the United Kingdom Sovereign Base Areas of Akrotiri and Dhekelia (as Cyprus).

How the territorial scope impacts on the decisions as to whether VAT must be paid:

The scope sets the limits for how far the VAT extends. For transactions carried out within the VAT territory, EU VAT will apply. Outside the VAT territory, EU VAT does not apply. Only transactions carried out within the VAT territory are captured by the tax.

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.