

No. 4 - Fees: VAT in European Union

October 1995

Dear Sirs

Fees: VAT in European Union

May we refer to our circular dated October 1995 regarding Fees: Invoicing/Payment Procedures. These procedures (repeated below in paragraphs 2 and 3) are necessary to comply with VAT regulations in the EU. This circular is therefore only relevant to those instructed in States within the EU; those instructed outside the EU are asked to note that any tax that may be applicable to their services is beyond the scope of this circular.

1. Application of VAT in EU

Member States often interpret the EU directives differently, thereby causing different VAT liabilities. We therefore strongly recommend that those instructed within the EU obtain professional advice from their own tax advisers regarding the treatment of VAT on services provided. Those instructed must decide if VAT has to be charged. This will depend on a number of factors including:

- a. The nature of the services.
- b. The place where those instructed belong.
- c. The place where the Member belongs.
- d. The place where the services are supplied.

Subject to particular advice the general position is as follows:

- a. Representation services of a Club correspondent will be outside the scope of VAT.
- b. Services of surveyors will generally be outside the scope of VAT but there may be instances where VAT may apply depending on the nature of the survey (eg surveys relating to land such as a survey of damage to a berth may be subject to VAT in the Member State in which the land is situated).
- c. Services of consultants, engineers, consultancy bureaux, lawyers, accountants and similar are deemed to be supplied where received (ie in the State where the Member belongs):
 - i. If the Member is outside the EU these services should be outside the scope of VAT.

- ii. If the Member belongs in the same State within the EU as those instructed VAT will have to be charged. In a Class I case the Member will then be asked to collect the VAT from his tax authorities and credit the Club accordingly. In a Class II case we will reimburse the Member net of VAT.
- iii. If the Member belongs in a different State within the EU the reverse charge procedure will apply. VAT should not then be charged but the Member should add the VAT to his VAT returns in his own State where the VAT would be paid and recovered. (It should be noted that EU VAT-registered companies receiving services from outside the EU are also required to apply the reverse charge principle on such services.)

2. Invoicing

All invoices for services supplied to a Member (even if instructions are given by the Club on the Member's behalf) should be made out to the Member (at his address if known or care of the Club if not known) and should not be made out to the Club.

3. Payment procedures

Payment procedures will remain unchanged:

Class I: Unless we advise to the contrary Class I bills should be sent to the Club for payment by the Club in the usual way.

Class II: Unless we advise to the contrary Class II bills should be sent to the Member (direct or via the Club) for payment by the Member.

If correspondents or Members have any questions on these procedures they should contact the Managers.

Yours faithfully

**The West of England Ship Owners
Insurance Services Limited**
(As Managers)

J.M. STEVENSON
Director