



# 2020 'Quick Fixes' - VAT reform to simplify trade in the EU

With effect from 1 January 2020 new VAT rules have come into force for the cross-border supply of goods throughout the EU. This could have a big impact on your business.

The changes, commonly referred to as 'quick fixes', have been introduced to simplify international trade VAT rules and provide a level of consistency amongst EU countries.

There is a total of four 'quick fixes', which will need to be adhered to by all UK businesses involved in trade with customers and suppliers in other EU countries:

## 1. Intra-EU call off stock arrangements

Up until now, a supplier could transfer goods to a known customer in another EU Member State using 'call-off stock' arrangements. When using 'call-off stock' arrangements, the ownership of the goods at the time of transfer stays with the supplier, and therefore the supplier does not need to register in the customer's member state and account for VAT. The customer can use and pay for the goods as and when they need them, not when goods are initially transferred.

Under the new rules, the transfer of goods to a warehouse or a customer's premises in another EU Member State will no longer qualify as a deemed intra-community supply and a deemed acquisition. However, the customer must take the goods (call them off) within 12 months of the original transfer, and it will be at this point the intra-community supply takes place.

This particular "quick fix" has been introduced to make practices equal throughout the EU as call off stock arrangements rules differ between countries.



## 2. Customer VAT identification number

Obtaining a customer's valid VAT number is a requirement for applying the zero percent VAT rate to intra-community supplies of goods. Recent case law has shown that the zero percent rate cannot be refused simply because a supplier either didn't receive or did not record the customer's VAT number on the sales invoice. Under the new rules, the customer has to provide their VAT number and the transaction must be included in the supplier's EC Sales List in order for the intra-EU supply to be zero-rated.

## 3. Documentary proof of transport

To apply the zero percent VAT rate on intra-community supplies, a supplier must provide evidence that the goods left the UK.

Currently, EU Member States have discretion over the evidence that is required to prove that the goods were dispatched. Now, however, the supplier must obtain and retain at least two independent, noncontradictory documents, to prove the movement of the goods.

## 4. Intra-EU chain transactions

Intra-EU chain transactions refer to the successive supplies of goods from one EU member state to another Member State directly from the first supplier to the last customer in the chain. Although there may be multiple transfers of ownership, only one physical transfer of the goods takes place, so the difficulty is in determining which link in the chain should be treated as the intra-community transaction.

Under the new rules it is necessary to distinguish the first and last party in the chain from the intermediaries. Where there is an intermediary in the chain who arranges transportation of the goods, the dispatch or transport shall be ascribed only to the supply made to that intermediary party.

These quick fixes apply to all EU members.

Depending on the terms of the trade deal upon which the UK leaves the EU, these rules may not apply in the future. However, for now, UK businesses need to adhere to these new rules.

### How we can help

If these changes impact your business and you would like to discuss this further, please contact Jas Dhillon, VAT Director, here at Lubbock Fine ([jaspaldhillon@lubbockfine.co.uk](mailto:jaspaldhillon@lubbockfine.co.uk)).

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