

# VAT : 2020 QUICK FIXES - CUSTOMER VAT IDENTIFICATION NUMBER

## Introduction

The EU “quick fixes” package relating to cross-border trade will come into effect from 1 January 2020. These short-term measures are designed to improve the day-to-day functioning of the current VAT system, until the definitive regime has been fully agreed and implemented (which is now expected to be delayed beyond the original proposed date of 2022). The aim of the quick fixes is to reduce compliance costs and increase legal certainty for businesses.

Here we provide an overview of the quick fix relating to the requirement to obtain a customer’s VAT identification number.

## Customer VAT identification number quick fix

This quick fix introduces an additional and substantive condition that a supplier must obtain the VAT identification number of its customer in order to zero-rate an intra-Community supply of goods.

## The current rules

Obtaining a customer’s valid VAT number is currently only a formal requirement for zero-rating the intra-Community supplies of goods to another business.

Recent CJEU case law has found that a taxable person only has to comply with the substantive conditions in order to apply the zero rate. Zero rating cannot therefore be refused by tax authorities on the basis that a supplier has not obtained a valid VAT number from its customer.

## What is changing?

Under the new rules, obtaining and validating the customer’s VAT identification number will become a substantive condition for zero-rating intra-Community supplies of goods. Zero-rating will also be dependent on the filing of a correct ECSL.

If at the time of issuing an invoice the customer has not communicated his VAT identification number to the supplier (including circumstances where the purchaser is still in the process of registering for VAT), the supplier must charge VAT.

## Points to note

Key points to be aware of are:

- the VAT identification number of the customer does not have to be one issued by the Member State to which the goods are transported - it is sufficient that it is a VAT identification number from a Member State other than that in which the dispatch or the transport begins
- the way in which the VAT identification number is communicated is not stipulated in the new regulations
- the condition is deemed to be met by the supplier showing his customer’s VAT identification number on the sales invoice.

## What businesses need to be doing now

We recommend that all businesses :

- obtain their customers’ VAT identification numbers for all zero-rated intra-Community supplies, and periodically validate these on the EU’s VIES portal
- provide their own VAT identification number to suppliers in order to avoid being charged foreign VAT on intra-Community purchases of goods.

**For further guidance on the 2020 Quick Fixes please contact us on:**

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