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Advanced Certification in VAT Compliance and Reporting (United Kingdom)

## VAT in International Trade

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### VAT (Value Added Tax)

VAT, or Value Added Tax, is a consumption tax that is added to the price of goods and services at each stage of the supply chain. It is ultimately borne by the end consumer, making it an indirect tax. In the context of international trade, VAT plays a crucial role in ensuring that goods and services are taxed appropriately as they cross borders.

### Acquisition VAT

Acquisition VAT refers to the VAT that is due when goods are imported from another EU country into the United Kingdom. This type of VAT is typically accounted for through the reverse charge mechanism, where the importer reports and pays the VAT on their VAT return.

### Business to Business (B2B)

Business to Business (B2B) refers to transactions that occur between two businesses. In the context of international trade, B2B transactions often involve the supply of goods or services from one business to another, where VAT rules may differ from those that apply to Business to Consumer (B2C) transactions.

### Business to Consumer (B2C)

Business to Consumer (B2C) refers to transactions that occur between a business and a consumer. In the context of international trade, B2C transactions often involve the sale of goods or services directly to consumers in different countries, which can have implications for VAT compliance.

### Capital Goods Scheme

The Capital Goods Scheme is a mechanism used to adjust the input tax recovery on certain capital assets over time. In the context of international trade, businesses may need to account for the VAT implications of capital goods that are used in cross-border transactions.

### Customs Duty

Customs Duty is a tax imposed on goods that are imported or exported across international borders. It is separate from VAT but is often payable in addition to VAT on imported goods. Customs duties are typically calculated based on the value of the goods and the relevant duty rates.

### Distance Selling

Distance Selling refers to the sale of goods or services to customers in another EU country without the supplier having a physical presence in that country. In the context of international trade, distance selling thresholds may impact a business's VAT registration obligations in different countries.

### Double Taxation

Double Taxation occurs when the same income or transaction is subject to tax in more than one jurisdiction. In the context of international trade, double taxation can arise when goods or services are subject to VAT in

both the country of origin and the country of destination, leading to potential compliance challenges.

#### EC Sales List

The EC Sales List is a report that businesses are required to submit to HM Revenue and Customs (HMRC) in the United Kingdom to declare sales of goods or services to VAT-registered customers in other EU countries. The information provided in the EC Sales List helps tax authorities track cross-border transactions and ensure VAT compliance.

#### Exempt Supplies

Exempt Supplies refer to goods or services that are not subject to VAT. In the context of international trade, businesses may make exempt supplies that are outside the scope of VAT, which can impact their input tax recovery and VAT compliance obligations.

#### Export VAT

Export VAT refers to the VAT treatment of goods that are sold to customers located outside the European Union. In the United Kingdom, exports are generally zero-rated for VAT purposes, which means that no VAT is charged on the sale of goods to customers in non-EU countries.

#### Goods in Transit

Goods in Transit refer to goods that are being transported from one location to another, such as across international borders. In the context of international trade, the VAT treatment of goods in transit may vary depending on the specific circumstances of the transaction and the relevant VAT rules.

#### Intrastat

Intrastat is a system used to collect and compile statistics on the trade of goods between EU member states. Businesses that exceed certain thresholds for intra-EU trade are required to submit Intrastat declarations to provide detailed information on the movement of goods across borders, including the value and volume of transactions.

#### Place of Supply

The Place of Supply is the location where a taxable supply of goods or services is deemed to take place for VAT purposes. In the context of international trade, determining the correct place of supply is crucial for applying the appropriate VAT rules and ensuring compliance with the relevant regulations.

#### Reverse Charge

The Reverse Charge is a mechanism used to account for VAT on certain types of transactions where the recipient, rather than the supplier, is responsible for reporting and paying the VAT to the tax authorities. In international trade, the reverse charge mechanism is often used to account for VAT on imports of goods and services.

#### Triangulation

Triangulation is a simplified VAT compliance mechanism that can be used by businesses involved in triangular transactions within the EU. In a triangular transaction, goods are sold by one EU business to another, who then sells them to a third EU business, with the goods physically moving directly from the first

to the third business. Triangulation allows the middle business to avoid registering for VAT in the country of the final customer.

These glossary terms provide a comprehensive overview of key concepts and terms related to VAT in international trade, covering essential topics such as VAT treatment, compliance mechanisms, and reporting requirements. By understanding these terms, individuals can navigate the complex world of VAT in international trade more effectively and ensure compliance with the relevant regulations and obligations.