

VAT treatment of (digital) services

As a business established in the European Union you want to know if you should charge VAT on the services that you provide to your customers. There are 3 steps that are important.

1. Are you selling goods or services?

VAT is charged on the supply of goods and services. A supply of goods is *“the transfer of the right to dispose of tangible property as owner”*. Practically, this means that you must be able to pick-up or hold something, in order to qualify as a supply of goods. But note that electricity is also regarded a good.

A supply of services is *“any transaction which does not constitute a supply of goods”*.

Note that with these definitions, a book is a good, but an e-book would be a service.

Tip: Make sure that you know what you are selling. In case of doubt, or in case of mixed supplies, check with your advisor.

A distinction must be made between ‘normal services’ and ‘electronically supplied services’.

Electronically supplied services include services which are delivered over the Internet or an electronic network and the nature of which renders their supply essentially automated and involving minimal human intervention, and impossible to ensure in the absence of information technology.

These services are also referred to as ‘Digital services’, and include telecommunication, broadcasting and electronic services (such as software, website content or an app that is delivered online).

Tip: An advice that is given online (sent by email) is not (automatically) a digital service. Chatting with an IT specialist to solve an IT problem may well be a digital service. There is a thin line, so check with your advisor if you are unsure about the qualification of your services.

2. What type of services are you selling?

The main rule for the supply of services is that they are subject to VAT in the country where the customer is established. This generally also applies to electronically supplied services.

Does this mean that you must charge local VAT in the country of your customer? In some cases, Yes. Especially for non-business customers you should check if local VAT is due. Within the EU, it is possible to report this VAT via the Mini One Stop Shop (MOSS) VAT Return. [Contact us if you want to know more!](#)

3. Who and where are your customers?

Electronically supplied service	Business customer (VAT#)	Non-business customer (no VAT#)
Established in same EU country	Local VAT in your own EU country	Local VAT in your own EU country
Established in other EU country	Reverse charge	Local VAT customer EU country - MOSS
Established in non-EU country	Reverse charge – check req. in non-EU country	Local VAT in customer country? – Check local req.

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