

ISLE OF MAN

AUTHORITY GUIDE

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Introduction

This guide provides explanation to changes to the authority option of Default Services in the authority of Isle of Man.

According to article 7A of the VAT Act of Isle of Man that the general rule for place of supply of services is that the place of supply of services is where the customer is located on B2B transactions and where the supplier is located on B2C transactions. In turn, Schedule 4A establishes special place of supply rules for certain transactions (transport, electronic services B2C, etc.).

In turn, article 8 of the VAT Act establishes that when services are supplied by a person established in another country a reverse charge should apply if: i) the customer is registered in the Isle of Man, and ii) the place of supply of the services is within the island.

So, in the case of transactions in which the supplier is established in another country, the buyer is registered in the Isle of Man and place of supply of services is within the Isle of Man, the buyer should apply a reverse charge on the transaction and the supplier would not be required to register in the Isle of Man.

Currently in our system the default services authority option for Isle of Man is set to “Not Applicable/Not Applicable” and that setting does not allow for the reverse charge describe on the previous paragraph.

In order to solve the issue describe above, we have updated the authority option for default services in the Isle of Man and it is now set to “Both/Both”. Under this setting the reverse charge on B2B transactions for default services is correctly returned in the system.

Bellow you can find examples of expected results for Isle of Man for supply of default services by a non-established foreign supplier.

PART II – TAX RESULT EXAMPLE

Test 1: Foreign Default Services B2B – Sale

WORKBENCH ELEMENTS	VALUES
Company Role	Seller
Transaction Type	Default Services
Seller Primary	Ireland
Buyer Primary	Isle of Man
Seller Registration	IE1234567A
Buyer Registration	GB123456789
Seller establishment in Buyer Primary	No

Scenario 2017 November Update - Isle of Man default services authority option:

View Results: 1		Gross Amount: 1000.00	Eff%: 0%	Type Dir Fee Rate Tax Amt TT IT			
Zone	Authority	Invoice Desc					
Country:IRELAND	Ireland	No VAT liability in Seller's Country. Customer to Reverse Charge. Art. 44 & 196 EC Dir. 2006/112.		EC	O	0%	0.00
0.00 USD							
<input type="checkbox"/> Authority Messages:							
Authority	RuleOrder	Message					
Ireland	5006	EUSS28: No VAT liability in Seller's Country under Articles 44 of EC Directive 2006/112. Customer to reverse charge in Buyer's Country under Article 196.					

Test 2: Foreign Default Services B2C – Purchase

WORKBENCH ELEMENTS	VALUES
Company Role	Buyer
Transaction Type	Default Services
Seller Primary	Ireland
Buyer Primary	Isle of Man
Seller Registration	IE1234567A
Buyer Registration	GB123456789
Seller establishment in Buyer Primary	No

Scenario 2017 November Update - Isle of Man default services authority option:

View Results: 1 ▾		Gross Amount: 1000.00		Eff%: 0%							
Zone	Authority	Invoice Desc	Type	Dir	Fee	Rate	Tax Amt	TT	IT		
Country:ISLE OF MAN	Isle of Man	VAT	RC	O	20%	200.00					
Country:ISLE OF MAN	Isle of Man	VAT	RC	I	20%	200.00					
0.00 USD											
<input type="checkbox"/> Authority Messages:											
Authority	RuleOrder	Message									
Isle of Man	10000	EUBS04: Reverse charge in Buyer's country under Articles 196 and 44 of EC Directive 2006/112.									
Isle of Man	10000	EUBS05: Recovery of reverse charge in Buyer's country under Articles 196 and 44 of EC Directive 2006/112.									

CONCLUSION

This guide explains changes made to the authority options for Isle of Man in connection with the provision of default services by non-established foreign suppliers. Please contact Customer Support with any additional questions.