01 / FIRST IDENTIFY THE TRANSACTION

Foreign currency does not decide the VAT.

Start with what is supplied, who the customer is and where the relevant business belongs.

Four checks before you invoice

1. What are you selling? Goods, ordinary business services, property services, events and digital products can follow different rules.

2. Who is buying? A business customer and a private consumer are not necessarily treated the same.

3. Where do they belong? Keep the legal name, address, contract and evidence of business status. An overseas billing address alone is not always enough.

4. Which establishment receives the service? A foreign company's UK operation can change the answer.

THE WORDS MATTER

Outside the scope of UK VAT is not the same as UK zero-rated or exempt. Different treatments can affect turnover tests and purchase VAT recovery.

For UK-established businesses. Examples concern services unless stated; they do not decide foreign VAT, sales-tax or registration obligations.

A common business-to-business example

UK CONSULTANT TO A US BUSINESS

A UK VAT-registered consultant supplies ordinary business consultancy to a US business, for its US business establishment.

Fee: £2,000. UK VAT: not charged under the general business-to-business place-of-supply rule.

Keep evidence of the customer's status and location. Use the correct outside-scope treatment in your software, not "VAT exempt".

An overseas invoice is not automatically tax-free income. The £2,000 remains business revenue for the accounts and profit-tax calculation.

Selling to a private customer abroad? Do not copy this example. General consumer rules and exceptions for particular services must be checked.

These services generally do not count as UK taxable turnover for compulsory registration. Existing VAT registrations can still require reporting of the sale value.

CHECK THE RULES Overseas services: Notice 741A · VAT registration: Notice 700/1 · VAT invoices and agency rules

02 / BUYING SERVICES FROM ABROAD

No VAT on the bill may still mean VAT to report.

For many overseas software, advertising and consultancy bills, the UK customer accounts for VAT itself.

What is a reverse charge?

Instead of the supplier collecting UK VAT, you report it as VAT due on your return. You also claim the amount you are entitled to recover. Those entries may cancel, but they still need reporting.

£1,000 overseas software service	Full VAT recovery
Pay the overseas supplier	£1,000
Report UK VAT due at 20%	£200
Reclaim eligible purchase VAT	(£200)
Extra VAT payable	**£0**

NOT ALWAYS ZERO COST

With only **40% recovery**, the claim is £80. £200 due less £80 reclaim means **£120 extra VAT**. Exempt or mixed activities and VAT schemes can change recovery.

Assumes a £1,000 general-rule business service from a supplier belonging outside the UK, a 20% rate and the recovery position shown. This is not a rule for every foreign bill.

Examples you may see

Software subscriptions: check the actual contracting entity, not the brand or the card-payment currency.

Online advertising: business ad accounts often produce invoices from an overseas provider. Download the full monthly invoice.

Freelance support: consultancy or administrative services from an overseas business may follow the same general rule.

What to do

Give providers your correct legal business details and VAT number once issued. Send SBX every bill, including ones showing no VAT.

If UK VAT appears to have been charged incorrectly, request a correction. Do not simply reclaim it or assume that a reverse-charge obligation disappears.

NOT VAT REGISTERED?

These relevant overseas service purchases can themselves push you over the registration threshold when combined with UK taxable turnover. Ask before assuming “I only buy, so VAT cannot affect me”.

CHECK THE RULES Buying services from abroad · Overseas services: Notice 741A · When to register for VAT

03 / COMMON EXCEPTIONS

Check the supply before choosing “no VAT”.

A hotel abroad, imported stock and an overseas software bill are three different situations.

Scenario	Likely starting point	What to send SBX
French hotel for a work trip	French local VAT is not reclaimed on a UK VAT return. It is not normally a general-rule service reverse charge. Separate foreign recovery may be possible.	Hotel invoice, dates, business purpose and payer.
Overseas seller supplies goods from UK stock	UK VAT may correctly apply. Check the supplier invoice and normal claim conditions.	Full invoice, delivery location and supplier details.
Stock imported into Great Britain	Import VAT may arise separately from the supplier bill. Customs duty is not VAT.	Customs documents and C79 or postponed-import-VAT statement.
Automated digital downloads to foreign consumers	Consumer-location rules and foreign obligations may apply. A qualifying platform can be responsible for VAT.	Product description, customer locations and platform contract.
Live advice provided by video call	Using the internet does not automatically make it an electronically supplied digital service.	Actual service, customer business/consumer status and location.

Property and events need a separate check

Services connected with land can be taxed where the land is located. Event admission, consumer services, transport and other exceptions can override the ordinary business-service rule.

Do not promise a VAT-free price for an unusual overseas job before SBX reviews the facts.

VAT and the expense are different questions

A genuine overseas cost can still belong in your business accounts when no UK VAT is reclaimable. Keep the invoice and record the foreign currency and sterling amount consistently.

For goods, Northern Ireland and cross-border movements can have additional rules. This service-focused guide is not a customs checklist.

CHECK THE RULES Overseas services: Notice 741A · Digital services and platforms · Foreign VAT refunds · Import VAT and evidence

04 / BEFORE THE FIRST PAYMENT

Send us the facts once, then use the agreed treatment.

Recheck if the supplier, customer location, service or contract changes.

Information to collect	Customer sale	Supplier purchase
Legal name, country and relevant business establishment		
Business or consumer? VAT / tax ID and other evidence		
Exactly what is supplied and where it is used / delivered		
Contract, invoice and any platform / agent involvement		
Invoice amount, currency, date and any tax charged		
SBX treatment agreed and date checked		

NEW-CUSTOMER MESSAGE

Before we invoice, please confirm your legal business name, registered address, country, tax/VAT registration details if applicable, and which business establishment is receiving our services.

A VAT number is useful evidence, but not every overseas business has one. We may need other evidence of genuine business activity.

A SIMPLE MONTHLY ROUTINE

Download the actual supplier invoices, match them to payments and flag changes in tax shown. Do not code everything in dollars or euros as “no VAT”.

Contact our office or your account manager. info@sbxaccountants.com | 020 7046 1730

Complete a private copy and send it through your agreed SBX upload channel. Do not put completed client records in the shared resource library.

CHECK THE RULES Overseas services: Notice 741A · Digital services and platforms · VAT records