Reporting supplies made over long period (2/28/18)

The statutory deadline is approaching that traders should report any continuous domestic supplies they have made over the last six months. The VAT return for a tax period should show supplies of goods or services made over a long period during the calendar year with no tax invoices issued or payments made in the early months of the year by agreement between the parties. This reporting deadline even binds a supplier that is not required to issue a tax invoice (e.g. for exempt financial services).

Statutory requirements

Sections 31(2) and 32(3) of the VAT Act specify the date a continuous transaction spanning a long period is considered to have taken place (the “tax point”). Where goods (other than hire purchase) or services (other than lease of movables) are supplied continuously over a long period with regular tax invoices or deferred payments, the supply will be treated as occurring at the end of the period those invoices or payments belong to, but at least once every six months. The tax invoice for a taxable supply made over a long period should be issued once every six months or more frequently under section 129(9) of the VAT Act.

The tax point is determined not only by reference to a tax invoice but also considering that the supply generates a payment belonging to a certain period. In domestic supplies the period should not exceed six months, a condition that is especially important for exempt supplies. Linking the tax point with a payment belonging to a given period, section 127(2) of the VAT Act says the tax point should be determined also in exempt supplies the taxable person is not required to issue a tax invoice for.

The VAT return for a tax period should be filed in respect of any supplies made in that period. Thus a supply made over a long period should be reported once every six months or more frequently on the VAT return for the tax period the supply is considered to have taken place in. An exception in domestic supplies is construction services, which are treated as supplied when a statement of acceptance is signed for each stage of building work, but at least once every 12 months under section 32(5) of the VAT Act.

It’s important to remember the tax point should be determined to report not only the taxable person’s supplies but also any reverse-charge VAT where a tax invoice is not received after the invoicing deadline through the supplier’s fault.

Examples of supplies commonly made over a long period include electricity, heating and water supplies, construction-related goods, real estate leases, and loan interest.

For example, a company that makes a long-term loan in January, with an agreed annual interest charge falling due along with the final repayment of the loan, should calculate interest revenue once every six months or more frequently and report it as part of exempt supplies on the VAT return for the tax period. If exempt interest supplies exceed 5% of the trader’s total supplies, then a ratio for input tax deduction will need to be calculated.