CIRCULAR

TYPE & NUMBER	ELEXON Circular – EL02113
Date	19 June 2014
To	BSC Parties
From	ELEXON Finance
Purpose	For information

VAT Domestic Reverse Charge for Wholesale Supplies of Gas and Electricity

This ELEXON Circular is to inform BSC Parties of forthcoming changes re VAT treatment for trading charges.

On 29 May 2014, HMRC published a briefing note http://www.hmrc.gov.uk/briefs/vat/brief2314.htm on the introduction of a VAT domestic reverse charge for wholesale supplies of gas and electricity, effective from 1 July 2014. This is in response to the threat of missing trader intra-community (MTIC) fraud. The brief made a reference to ELEXON and suggested that Imbalance Trading Charges (section N charges) will be in scope of the policy.

We have met with the HMRC VAT policy team to discuss and agree a plan for implementing the changes required to BSC systems to accommodate the policy. We believe that HMRC has already made some BSC Parties aware of these policy changes.

Under a domestic reverse charge, the customer receiving wholesale supplies of gas or electricity must account for the VAT due on these supplies on their VAT return (rather than the supplier of that gas or electricity accounting for it on their VAT return).

In terms of the impact on BSC Parties, from payment date 1 July all daily Trading Charges will be invoiced without VAT. The customers (ie BSC Parties who owe money to ELEXON) will need to account for VAT due on the invoiced supplies. For ELEXON's self-bills (ie where ELEXON owes money to BSC Parties) ELEXON will account for VAT due on the invoiced supplies on ELEXON's VAT return. The policy only applies to parties registered or liable to be registered for VAT in the UK. Overseas parties are unaffected by this change.

The threshold for advice notes totalling less than £500 will be released earlier this quarter to fall before the effective date of the policy changes. The threshold will be released for a payment date of 30 June 2014.

Section D cost recovery invoices are not in scope, and will continue to include VAT.

We will issue an update with further implementation details shortly.

For more information, please contact the BSC service desk bscservicedesk@cgi.com.

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