

## Tax points — reference material

### Pro forma invoices

If you need to issue a sales document for goods or services you haven't supplied yet, you can issue a 'pro forma' invoice or a similar document to offer goods or services to customers.

A pro forma invoice is not a VAT invoice, so it can't fix the tax point.

A pro forma invoice is not a VAT invoice, and you should clearly mark it with the words "This is not a VAT invoice".

If your potential customer accepts the goods or services you're offering them and if you actually supply them, then you'll need to issue a VAT invoice within the appropriate time limit.

The terms 'tax point' and 'time of supply' are used interchangeably, but they are not necessarily the same as the 'date of physical supply'.

### Tax points

The time of supply, known as the 'tax point', is the date when a transaction takes place for VAT purposes. This date is not necessarily the date the supply physically takes place.

Generally, you must pay or reclaim VAT in the VAT period in which the time of supply occurs (usually quarterly), and use the correct rate of VAT in force on that date. This means you'll need to know the time of supply/tax point for every transaction so you can put it on the right VAT Return. In particular, you cannot delay accounting for VAT until you have received payment from a customer.

You must issue the VAT invoice within the correct timescale and showing the correct tax point – you cannot delay issue until the customer pays, as that might be two or three months later.

If no VAT invoice is issued, the usual rule is that the tax point is the date of physical supply.

### Time of supply (tax point) for goods and services

The time of supply (tax point) for VAT purposes is defined as follows.

- For transactions where no VAT invoice is issued (for example, sales to customers who aren't registered for VAT), the time of supply is normally the date the supply physically takes place (as defined below)
- For transactions where there is a VAT invoice, the time of supply is normally the date the invoice is issued, even if this is before or after the date the supply physically took place (as defined below). To issue a VAT invoice, you must send (by post, email or so on) or give it to your customer for them to keep. A tax point cannot be created simply by preparing an invoice.

Usual rule: A VAT invoice is issued so usual tax point is date invoice issued.

However, there are exceptions to these rules on time of supply, detailed below.

## Date the supply physically takes place

For goods, the time when the goods are considered to be supplied for VAT purposes is the date when one of the following happens.

- The supplier sends the goods to the customer.
- The customer collects the goods from the supplier.
- The goods (which are not either sent or collected) are made available for the customer to use. For example, if the supplier is assembling something on the customer's premises.

For services, the date when the services are considered to be supplied for VAT purposes is the date when the service is carried out and all the work — except invoicing — is finished.

## Exceptions regarding tax point (time of supply)

The above general principles for working out the time of supply do not apply in the following situations.

- For transactions where a VAT invoice is issued or payment is received in advance, the time of supply is the date the payment is received or the date the invoice is issued — whichever is the earlier.
- If the supplier receives full payment before the date when the supply takes place and no VAT invoice has yet been issued, the time of supply is the date the payment is received.
- If the supplier receives part-payment before the date when the supply takes place, the time of supply becomes the date the part-payment is received but only for the amount of the payment but only for the amount of the part-payment (assuming no VAT invoice has been issued before this date – in which case the time of supply is the date the invoice is issued). The time of supply for the remainder will follow the normal rules — and might fall in a different VAT period, and so have to go onto a different VAT Return.
- If the supplier issues a VAT invoice more than 14 days after the date when the supply took place, the time of supply will be the date the supply took place, and not the date the invoice is issued. However, if a supplier has genuine commercial difficulties in invoicing within 14 days of the supply taking place, they can contact HMRC to ask whether they can have permission to issue invoices later than 14 days and move the time of supply to this later date.

## Time limits for issuing VAT invoices

There is a strict time limit on issuing VAT invoices. You must normally issue a VAT invoice (to a VAT-registered customer) within 30 days of the date you supply the goods or services — or if you were paid in advance, the date you received payment. This is so your customer can claim back the VAT on the supply, if they're entitled to.

You can't issue invoices any later without permission from HM Revenue and Customs (HMRC), except in a few limited circumstances.

To fix the date of physical supply of services, take the date all the work is completed.

Where payment is made or a VAT invoice is issued in advance of supply, the tax point is whichever is earlier: the date the advance payment is received, or the date the invoice is issued.

If part-payment is received in advance but there's no VAT invoice in advance, there are two tax points: 1. The date the advance part-payment is received, for the amount of the part-payment, and 2. The date the invoice is issued, for the remainder.

The VAT invoice must be issued within 30 days of whichever comes earlier: the date advance payment is received, or the date of physical supply.

There are three methods for fixing the date of the physical supply of goods: date of despatch, collection or being made available for use.

The usual rule (that the tax point is the invoice date) won't apply if **either** some or all of the payment is received in advance of the date of physical supply **or** issue of the invoice is delayed.

If advance payment is received but there's no VAT invoice in advance of supply, the tax point is the date advance payment is received.

If no VAT invoice is issued within 14 days after the date of physical supply, the tax point is the date of physical supply.