

UK VAT zero-rating of goods / services for aircraft (legislation changes)

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For the attention of the Managing Director and Quality Manager.

Dear Sir or Madam,

Scope / Applicability:

This communication concerns all civil and defence aero suppliers in the UK who are delivering goods to Rolls-Royce facilities within the UK

Introduction:

With effect from 1 January 2011 the rules on the UK VAT zero-rating of goods and services provided for civil aircraft will change from being weight and use based to being based on the characteristics of the customer. Specifically:

A "qualifying aircraft" will be legally defined as any aircraft which:

- is used by an airline operating for reward chiefly on international routes; or
- is used by a State institution and is of a weight of not less than 8,000kg and is neither designed nor adapted for use for recreation or pleasure.

HM Revenue and Customs (HMRC) Notice 744c provides definitive guidance as to the application of the revised qualifying aircraft rules

Further, HMRC guidance on "down the line" supplies advise that before zero-rating can be applied, a supplier must be certain that his supplies will eventually be used on a qualifying aircraft.

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Clarification

Rolls-Royce and its group companies are neither State Institutions nor “airlines operating for reward chiefly on international routes”.

It is the supplier’s responsibility to determine the correct VAT treatment of their supplies to Rolls-Royce. HMRC guidance (Notice 744C) advises suppliers to obtain evidence of their customer’s entitlement to zero-rating. However, the customer is not obliged to provide additional evidence.

For the avoidance of doubt, Rolls-Royce will not provide additional documentation on final customer usage of aircraft over and above that already included in contractual documentation or purchase orders that would provide suppliers with further assurance as to the onward usage of their supplies

For ERS suppliers who receive automated electronic invoices from Rolls-Royce, we will amend all zero rated orders delivered by UK suppliers to Rolls-Royce Plc to full standard rated VAT (20%) from the beginning of 2011

All other suppliers will be expected to apply the legislation as per HMRC guidance, however as stated above , RR will not be providing additional documentation over and above contractual documentation and purchase orders

Note that the same rules apply in relation to supplies made in relation to “Qualifying Ships”. I.e. It is the suppliers’ responsibility to determine whether or not his supply to Rolls-Royce will ultimately be used on a qualifying ship in order for the supply to be zero-rated. However, Rolls-Royce will not provide additional documentation on final customer usage of ships over and above that already included in contractual documentation or purchase orders that would provide suppliers with further assurance as to the onward usage of their supplies

NTS Category Type:

General Information / Communication

Authorised by:

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VAT & Duty Controller**

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