



FAX MESSAGE

HM CUSTOMS AND EXCISE
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To: Eddy Allison, Glasgow Prestwick International Airport

Fax Number: (01292) 511120

From: A F Lemming, Officer, HM Customs and Excise

Date: 1st June 1999 Number of Pages (including this one): 6

Dear Sir,

RELIEF FROM VAT FOR US FORCES

I refer to our conversation earlier today regarding how to provide goods and services for the official use of the US forces free of VAT.

Please find attached an extract from Notice 431 regarding relief from VAT.

If you require any further information, please contact you local VAT Advice Centre.

Yours faithfully,

A F LEMMING
Officer of HM Customs and Excise

Section 2 Relief from VAT for US forces

2.1 How can I make a VAT free supply to the US forces?

An authorised contracting officer will issue you an official contract or a purchase order. Individuals may also make official purchases with a US Government credit card - either the International Merchants Purchase Authorisation Card (IMPAC) or the Procurement Card (PRO Card).

The goods or services bought must be for the official use of the US forces (see paragraph 1.2 of this Notice). This includes purchases made by the Army and Air Force Exchange Service (AAFES) and the US Navy Exchange (USNX) of goods for sale at their outlets on the US bases.

2.2 What must an official contract or purchase order contain?

The contract or purchase order must:

- be placed by an authorised contracting officer of the US forces, AAFES or USNX;
- be signed with the original signature of the contracting officer. **This must not be a rubber stamp or a photocopy;** and,
- include the following clause:

'The goods and/or services listed are to be delivered at a price exclusive of VAT under arrangements agreed between the appropriate US authorities and HM Customs and Excise (Reference PRIV 46/7). I hereby certify that these goods and/or services are being purchased for United States official purposes only.'

If the contract or purchase order does not contain the above details you must not make the supply free of VAT. If necessary check the details with the US forces contracting officer.

When you have made the supply you must obtain an official receipt from the US force authorities. This will show that the supply has been received free of VAT.

If you are in any doubt about supplying goods free of VAT you should contact your local VAT Advice Centre for assistance.

2.3 What is the IMPAC?

The International Merchants Purchase Authorisation Card, or IMPAC, is a VISA card with a unique prefix: 4716. This may be used by authorised personnel for official purchases to the value of \$ 2,500 (approximately £ 1,500).

Please note that there are special arrangements for official purchases to a higher value. If you want further details, please contact your local VAT Advice Centre.

2.4 How does the IMPAC work?

The purchaser must give you a letter from the contracting office that issued the IMPAC. This must state that the goods or services are being bought for the official use of the US Government. An example of this letter can be found in Appendix A. You may then make a supply free of VAT.

You must keep the credit card slip and letter as evidence that you have made the supply free of VAT. For further details, please contact your local VAT Advice Centre.

2.5 What is the PRO Card?

The Procurement Card, or PRO Card, is a Mastercard with a unique prefix: 5405. This may be used by authorised personnel in AAFES for official purchases to the value of \$ 2,500 (approximately £ 1,500).

Please note that there are special arrangements for official purchases to a higher value. If you want further details, please contact your local VAT Advice Centre.

2.6 How does the PRO Card work?

The purchaser must give you a copy of a letter from the General Manager of AAFES. This must state that the goods or services are being bought for the use of the US Government. An example of this letter can be found in Appendix B. You may then make a supply free of VAT.

You must keep the credit card slip and letter as evidence that you have made the supply free of VAT. For further details, please contact your local VAT Advice Centre.

2.7 Can I supply goods and services free of VAT to individual servicemen for their personal use?

Yes. Individual servicemen are allowed relief on single purchases of goods and services provided the total value is more than £ 200.

The individual must first ask whether you are willing to make the supply free of VAT. If you are willing then they will ask for a written quote stating the price of the goods or services excluding VAT. This quote will be used by the individual to purchase a US Government cheque in pounds sterling. The individual will then present this cheque and two copies of a US Force VAT-Free Purchase Certificate to you. An example of this certificate can be found in Appendix C. You may then make the supply free of VAT.

One copy of this certificate is to be signed and returned to the individual. You must keep the second copy of the US Force VAT-Free Purchase Certificate as evidence that you have made the supply free of VAT.

Please note: this is a voluntary scheme. If you require further information, please contact your local VAT Advice Centre.

2.8 What is an AAFES concession contract?

This is an official contract with AAFES to sell goods to individual servicemen from a shop on the US base. It must be in the format described in paragraph 2.2 of this Notice.

2.9 How does an AAFES concession contract work?

You must keep a 'Concessionaire's Daily Sales Report' listing each purchase. You must produce two copies of this report to the AAFES authorities who will certify it and return one copy to you. The certification will be as follows:

- a. 'I certify that this is a true and complete summary of sales made to entitled personnel for

.....
 (Date)

For and on behalf of
 (Name of Concessionaire)

.....
 (Concession Manager)

- b. 'The price to be paid for the goods and/or services liable to VAT covered by this summary will be exclusive of VAT in accordance with the arrangements agreed between the appropriate US authorities and HM Customs and Excise (Ref: PRIV 46/7).

.....
 (Exchange Manager)

You must keep the certified copy of the report as evidence.

2.10 Can I supply hotel accommodation free of VAT?

Yes. You may supply hotel accommodation (bed and breakfast) to the US forces free of VAT for official purposes only under the following circumstances:

- the accommodation must be for US forces personnel on official business only;
- you must have a contract or 'blanket' purchase order with the US forces to supply hotel accommodation to their personnel. This must include a reference to the category of personnel covered, for example: temporary duty

(TDY) personnel, etc. In addition, it must also contain the same details as those listed in paragraph 2.2;

- each individual must provide you with an additional purchase order from the base authority booking the accommodation. This must be kept as evidence of the supply under the contract; and,
- payment should normally be made by the individual using a US Government American Express credit card. The unique prefix code is: **3783**.

Please note: this does not include the supply of incidental food, drinks or other services.

2.11 How should I treat imported goods?

If you have to import or withdraw goods from a customs warehouse to be supplied to the US forces under an official contract, you may have to pay any VAT due. See Section 3 for full details.

2.12 What happens if I subcontract work or purchase supplies when fulfilling a US forces contract?

Relief is only allowed on supplies by contractors to the US forces. VAT must be charged by subcontractors on supplies made to the contractor.

2.13 Can I supply goods and services free of VAT to the US forces or their personnel in another European Union Member State?

Yes. Supplies to the US forces and their personnel based in other EU Member States may be zero-rated under Article 15.10 of the EC Sixth VAT Directive (EC Council Directive 77/388/EEC). The scope of the relief, the restrictions and conditions are decided by the host nation taxation authority for the US forces. If your customer has any doubts regarding these arrangements, they should contact their taxation authority.

Before you can make the supply free of VAT, you must be able to meet the following conditions:

- the goods and/or services must be for either the personal use of entitled persons or the official use of the US forces;
- you must obtain the documentation from the customer, as laid down by their taxation authority, claiming exemption under Article 15.10 of EC Council Directive 77/388/EEC. An example of this document can be found in Appendix D. If you have any doubts regarding the documentation you receive you should contact your VAT Advice Centre;
- any goods supplied must be removed from the UK; and

- you must keep proof of the removal of the goods.

For further details please refer to paragraph 8.11, Notice 703 (Exports and removals of goods from the United Kingdom).

2.14 How do I account for VAT free supplies to the US forces?

VAT free supplies of goods and services to the US forces should be treated in the same way as supplies that are zero-rated. You may reclaim any VAT previously paid on the supplies as input tax on your VAT return. Notice 700 (The VAT Guide) gives more information about this.

2.15 What happens if I do not have the right documents?

Before you make a VAT-free supply to the US forces you must make sure that you have the correct documentation as explained in paragraph 2.2 otherwise you will be liable to account for the VAT on the supply. If you are in any doubt you should contact your local VAT Advice Centre.