

VAT REFUND FOR TRANSACTIONS WITH THE UNITED KINGDOM: CLARIFICATIONS

Italian Revenue Agency ruling No. 22 dated 2 May 2024

- ✓ With the resolution in comment, the Italian Revenue Agency (IRA) provides clarifications regarding the procedures for refunding VAT concerning transactions carried out with the United Kingdom since January 1, 2021.
- ✓ IRA notes that the transition period of the so-called Brexit ended on December 31, 2020, until which the United Kingdom operated as a member country of the European Union for both VAT and excise purposes as well as for customs purposes. Therefore, as of January 1, 2021, the United Kingdom is no longer part of the EU's customs and VAT territory. As a result, Article 38-bis2 of Presidential Decree 633/1972 can no longer apply from that date onwards.
- ✓ In order to facilitate transactions between the two countries, a reciprocity agreement was concluded between Italy and the United Kingdom, which came into effect on February 7, 2024.
- ✓ This agreement was reached through the exchange of Verbal Notes between the representatives of the two countries, within which it is acknowledged that the Governments of both States recognize the existence of reciprocity conditions for the purpose of refunding VAT for purchases made by Italian operators in the British territory and by British operators in the Italian territory, starting from January 1, 2021. The representatives of the two States have specified that the Agreement will be implemented in compliance with any other relevant legislation, whether domestic, union-based (with reference to Italy), or international.
- ✓ IRA therefore asserts that, regarding operations carried out since January 1, 2021, with the United Kingdom, Article 38-ter of Presidential Decree 633/1972 applies. Therefore: (i) subjects established in Italy can apply for VAT refunds from the United Kingdom in accordance with the relevant regulations there; (ii) subjects established in the United Kingdom can request VAT refunds when the conditions of Article 38-ter of Presidential Decree 633/1972 are met, which, in turn, refers to the first paragraph of Article 38-bis2 of the same decree. The VAT refund request must be submitted according to the procedures established by the Director's Provision of the Italian Revenue Agency of April 1, 2010.

