



TB 19

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VAT ON ADJUSTER'S FEES

The following outlines the position regarding VAT on adjuster's fees as confirmed by HM Customs & Excise, September 2003.

These are governed by the place of supply rules for services of loss adjusters, which are covered within VAT Notice 741 (Place of supply of services). The important criterion under this is the "place of belonging" of both supplier and customer.

1 Place of supply of services

1. With regards to adjusters "place of belonging" this note specifically relates to adjusters who are based in a permanent office, or business establishment, in the UK. Under Section 2 of the Notice they are considered as having their "place of belonging" in the UK.
2. Under Section 3 the basic rule of "Place of supply" is that the place of supply of services is the place where you belong for the purposes of making your supply. Thus for adjusters, as confirmed in 1 above, such place of belonging is in the UK.
3. Where services relate to "land", then under Section 4 the place of supply of those services is where the land itself is located, irrespective of where you or your customer belong. The definition of "land" covers all forms of land, and includes plant and machinery or equipment which is an installation or edifice in its own right.
4. Section 5 covers "Services supplied where performed", which covers loss-adjusting services to items other than land (stock, contents, BI etc). This states that the place of supply is where the service is physically carried out, irrespective



of where the supplier or customer belongs. Services falling under this heading include “valuation of, or work carried out on, goods”.

5. Under Section 5.11 examples of such valuation services include “Simple valuation of goods by loss adjusters.....and other experts in connection with an insurance proposal or claim. The final compilation of a related report in another country from the goods will not change the place of supply from the country where valuation work is performed. However, where valuation forms only part of your professional services your supplies are of consultancy”
6. Schedule 5 of the VAT Act 1994 relates to “Services supplied where received”. This includes under 5.3 “services of consultants, engineers, consultancy bureaux, lawyers, accountants and other similar services”. Section 12.4.8 states that “similar services” include “services of loss adjusters and assessors in assessing the validity of claims (except when those services relate to land). Such services may include examination of goods to establish a value for damage or deterioration as well as negotiating a settlement amount”.

Thus the basic criteria are:

- Do your services relate to “land” as defined, or items other than land?
- If other than land are your services a “simple valuation”, or more complex services, which include establishing a value of damage or deterioration, and negotiation of settlement?

2 Services relating to land

If the work undertaken by a loss adjuster relates to land, or anything that falls within the definition of land under Section 4 (such as buildings, plant affixed to the ground etc), then the place of supply of your service is where the land itself is located, regardless of where the client is located. The following scenarios should cover most eventualities and apply whether the instructing client is located in the UK, outside the UK but in another member state of the EC, or outside the EC.

1. The “land” is located in the UK. UK VAT at the standard rate is applicable on the adjuster’s fee.



2. The “land” is located outside the UK, but in another member state of the EC. The turnover and threshold limits in that member state will determine whether the adjuster will be required to account for that countries equivalent of VAT. The adjuster will need to contact the relevant country for information on their registration thresholds.
3. The “land” is located outside the EC. VAT will not arise on the adjuster’s fee.

3 Services not relating to land

If the work undertaken by a loss adjuster relates to damage to goods that are other than “land” as defined, including financial losses such as business interruption, then the position is dependent upon the scope of work. If the work relates to a simple valuation, the position falls under “services supplied where performed”. If the work goes beyond a simple valuation then it is defined as consultancy and the position falls under “services supplied where received”. The following scenarios should cover most eventualities.

3.1 Services supplied where performed

The following apply whether the instructing client is located in the UK, outside the UK but in another EC member state, or outside the EC.

1. The service is performed in the UK. UK VAT at the standard rate is applicable on the adjuster’s fee.
2. The service is performed outside the UK, but in another member state of the EC. The turnover and threshold limits in that member state will determine whether the adjuster will be required to account for that countries equivalent of VAT. The adjuster will need to contact the relevant country for information on their registration thresholds.
3. The service is performed outside the EC. VAT will not arise on the adjuster’s fee.

3.2 Services supplied where received

The following apply whether the service is performed in the UK, outside the UK but in another EC member state, or outside the EC.



1. The customer is based in the UK. UK VAT at the standard rate is applicable on the adjuster's fee.
2. The customer is based outside the UK, but in another member state of the EC. VAT is applicable as arising in that member state, and the client is responsible for accounting for any VAT that may arise, not the adjuster. No VAT is shown on the adjuster's invoice, as a UK raised invoice can only show UK VAT.
3. The customer is based outside the EC. VAT does not arise on the adjuster's fee.

4 Note

1. The "Standard rate" of VAT is currently (September 2003) 17.5%
2. For services not relating to "land" as defined under Section 4, it is anticipated that the majority of adjusting services would fall under "services supplied where received". Most adjusting services go beyond a "simple valuation" and thus would be viewed as consultancy as defined.

For non-UK located clients, it is important to establish whether they are an EC member state. Using Captive insurer locations as an example some are EC member states (such as Dublin and the Isle of Man), whilst others are not (such as Guernsey and Gibraltar).