

Overseas service providers: prepare for new UK VAT obligations

Overseas businesses supplying services to UK customers could face a new UK VAT registration requirement from 1 April 2027, following a change announced in the 2026 Autumn Budget.

Currently, many services supplied by overseas businesses to UK business customers fall within the VAT reverse charge, under which the customer takes responsibility for accounting for VAT.

From 1 April 2027, the reverse charge will apply only where the UK customer is VAT registered. Where the customer is not registered, the overseas supplier will instead be responsible for charging and accounting for UK VAT on affected taxable services. This may require suppliers to register for UK VAT for the first time.

The aim is to level the playing field for UK service providers. Currently, UK businesses below the registration threshold can buy certain services from overseas without incurring VAT, giving overseas suppliers an advantage over VAT-registered UK competitors. The reform is intended to remove that advantage.

For UK customers, this could mean higher costs. Businesses that are not VAT registered will generally be unable to recover the VAT charged by their overseas suppliers. They should therefore review their service arrangements and budget for the potential increase from April 2027. UK businesses wishing to continue receiving services under the reverse charge will need to be VAT registered and should consider whether voluntary registration is available and beneficial in their circumstances.

Even a small amount of UK business could trigger registration for an overseas supplier. Businesses without a UK establishment generally have no VAT registration threshold where they make taxable supplies in the UK that are not covered by the reverse charge. The £90,000 threshold available to UK-established businesses does not apply. The treatment will depend on the services supplied and the applicable place of supply rules.

Overseas suppliers should review their UK customer base now, identify customers without a UK VAT registration and assess the implications for pricing, contracts and invoicing.

Verfides can help you prepare. We can assess whether the change affects your business, handle your UK VAT registration and support your ongoing VAT compliance. We can also advise UK customers on the implications for their service arrangements. If you have questions about the new rules, please contact your usual Verfides adviser.

London, November 2026

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