



VAT NEWSLETTER

## Overview of upcoming VAT highlights in 2021

01 | 2021

### 1 Back to 19% and 7% as from 1 January 2021

On 31 December 2020 the low-tax phase came to an end. The VAT rates 19% respectively 7% apply to any supplies carried out as from 1 January 2021. For the supply of restaurant and catering services (beverages excluded), the reduced VAT rate of 7% applies in the period from 1 January 2021 to 30 June 2021.

### 2 BREXIT - Expiry of the transitional period on 31 December 2020

The UK left the EU on 1 February 2020. Pursuant to VAT law, however, the EU regulations still applied until the expiry of the transitional period on 31 December 2020. The new agreement, which the EU and UK consented to on 24 December 2020, does not affect the Withdrawal Agreement that was originally concluded with regard to VAT. As from 1 January 2021 onwards, supplies of goods and services with Great Britain and supplies of services with Northern Ireland, are subject to the VAT provisions applicable to a third country territory. There is an exception in place as regards supplies of goods with Northern Ireland which will continue to be subject to the rules for intra-Community trade.

### 3 MOSS transforms into OSS as from 1 July 2021

The Mini-One-Stop-Shop procedure ("MOSS") will be replaced by the One-Stop-Shop ("OSS"). In future, not only electronically supplied services, supplies of telecommunications services and radio and television services can be reported via OSS, but also intra-Community distance sales, as well as importations of goods with a value of EUR 150 or less. The procedure must be used uniformly for the entire EU.



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#### **4 Distance sales as from 1 July 2021**

The previous country-specific supplies thresholds for intra-Community distance sales will be cancelled and replaced by a uniform EU minimum threshold. Thus, the new threshold will apply to all supplies of goods to other Member States and will not be limited to supplies to a specific Member State.

#### **5 Distance sales from third countries as from 1 July 2021**

The VAT exemption for low-value consignments up to EUR 22 from third countries will be abolished. However, the importation of goods with a material value of EUR 150 or less will be VAT exempt in accordance with sec. 5 para. 1 no. 7 of the German VAT Act in circumstances where the output supply is reported in OSS.

#### **6 Fictitious chain transaction for supplies via electronic interface (e.g. online marketplace) as from 1 July 2021**

In the following cases, a fictitious chain transaction between an online trader, an electronic interface (e.g. online marketplace) and an end customer will be created by virtue of sec. 3 para. 3a of the German VAT Act:

- Supplies of goods, the transport or dispatch of which begins and ends within the Community territory, rendered by a taxable person not established in the Community territory to a non-taxable person.
- Distance selling of goods imported from a third country territory in consignments with a material value not exceeding EUR 150.

#### **7 Expiry of relevant non-objection regulations**

On 18 September 2020, the Federal Ministry of Finance published the long-awaited letter on the retroactive effect of invoice correction and input VAT deduction without a proper invoice. The Federal Ministry of Finance provides for a non-objection regulation for invoice corrections submitted by 31 December 2020. Accordingly, in cases of invoice corrections until 31 December 2020, the input VAT could be deducted in the period in which the corrected invoice was issued. As from 1 January 2021, the input VAT can only be deducted in the period in which the original invoice was issued.

On 2 November 2020, a Federal Ministry of Finance letter on the statutory regulation in sec. 3 para. 13 to 15 of the German VAT Act on the VAT treatment of vouchers was published. The regulation applies retroactively as from 1 January 2019. However, a non-objection regulation (currently not specified in more detail) will apply until 2 February 2021.

#### **8 No official written confirmation of foreign VAT IDs by Federal Tax Office as from 1 January 2021**

The Federal Central Tax Office no longer provides official written confirmations of foreign VAT IDs. It is still possible to query foreign VAT IDs via the web portal of the Federal Tax Office. Taxpayers should keep appropriate proof of this (e.g. archiving of received data set, screenshot, print version).

#### **9 Extended submission deadline for annual VAT returns 2019 until 31 August 2021**

The submission deadline for annual VAT returns 2019 prepared by tax consultants was extended from 28 February 2021 to 31 August 2021.