



A look across the border

1 Fight against inflation in the EU

Across the European Union, states are currently experiencing exceptionally high inflation rates, especially in terms of energy products. Therefore, many EU member states have adopted measures to fight this inflation, mainly in the form of (temporary) VAT rate reductions on the supply of these energy products. In other member states, similar measures are currently being discussed or have already entered the legislative process. It is to be expected that other EU member states will adopt similar measures on short notice. This is a brief overview of the current status of the various measures:

- Belgium has reduced the VAT rate on B2C supplies of electricity from 21% to 6%, to run from 1 March 2022 to 30 June 2022.
- Croatia is reducing the VAT rate for gas from 25% to 5%, to run from 1 April 2022 to 31 March 2023.
- Italy is extending the VAT rate reduction for natural gas to 5% until 30 June 2022. The reduction was initially only in place until 31 March 2022.
- Latvia is currently discussing a reduction of the VAT rate on electricity, natural gas and firewood from 21% to 5%.
- Lithuania has proposed a temporary application of a zero VAT rate on heating costs.
- Poland has reduced the VAT rate for electricity and heating to 5%, for petrol, diesel and other fuels generated from internal combustion engines to 8%, and for natural gas to 0%. The reduction entered into force on 1 February 2022 and is valid until 31 July 2022.



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- Romania has introduced a VAT rate reduction to 5% for the supply of heating energy to consumers, hospitals, educational institutions, non-governmental organisations, as well as recognised providers of social services for the “cold season” which, according to law, lasts from 1 November to 31 March. Furthermore, a draft law already exists that would permanently reduce the VAT rate on motor vehicle fuel to 5% as from 1 April 2022.
- Spain has extended the VAT rate reduction to 10% on electricity until 30 June 2022. The reduced rate was initially intended to conclude on 30 April 2022.

2 Croatia

Croatia has adopted an indefinite reduction of VAT rates on various additional products. The VAT rate for heating energy, pellets, briquettes, firewood and wooden pellets will be reduced from 25% to 13%. The VAT rate on fish, meat, eggs, fruits, vegetables, edible fats and oils, butter, margarine, baby food, various hygiene products, seedlings, fertilisers and pesticides and tickets for events will be reduced to 5%. The VAT rate reductions will come into force on 1 April 2022.

3 France

France changed its regulations on the declaration and payment of import VAT as from the beginning of 2022 (see KMLZ VAT Newsletter 44 | 2021). The tax authorities have granted companies that were not previously registered for VAT in France a transitional period until 30 June 2022. During the transitional period, companies that import goods into France but which don't have French VAT-IDs can declare the import VAT via the customs declarations and pay it to customs in the same way as previously. The requirement for doing so is that these companies can prove that they have, by the deadline of 1 March 2022, initiated the VAT registration process. The French VAT-ID must be used vis-à-vis the customs authorities as from 1 July 2022, at the latest.

In addition, on 25 January 2022, the EU Council authorised France to introduce mandatory e-invoicing for transactions between taxable persons established in France. This will make the use of e-invoices mandatory for large companies in 2024. In 2025, companies with between 250 and 4,999 employees and a turnover of less than 1.5 billion euros will follow. From 2026, e-invoices will become mandatory for all companies.

4 Poland

Poland has reduced the VAT rates for various additional goods. For food and beverages, and certain products in agricultural production, the rate has been reduced to 0%. This temporary VAT rate reduction came into force on 1 February 2022 and is valid until 31 July 2022.

5 Romania

Romania has published a list of goods for which the tax administration assumes, in B2B business, an increased risk of tax evasion exists. Suppliers of these goods will be obliged to send invoices via the RO e-Invoice system as of 1 July 2022. This obligation exists regardless of whether the recipient of the goods is registered in the RO e-Invoice register. The following goods are included in this list: fruit and vegetables and other edible plants, alcoholic beverages, new buildings, mineral products, such as natural mineral water, sand and gravel, clothing and footwear.

6 Serbia

Serbia has further postponed the obligation to use the electronic system for issuing e-invoices. Registered taxpayers will have to issue electronic invoices to state entities as of 1 May 2022. In addition, they must keep electronic invoices they receive themselves from 1 July 2022. As of 1 March 2023, registered taxable persons must issue e-invoices in B2B transactions.

7 Slovenia

Slovenia has transposed Article 194 of the VAT Directive into national law and thus introduced the reverse charge procedure for supplies of non-established entrepreneurs. The VAT liability is shifted to the customer if a taxable person who is not established in Slovenia and not registered for VAT there, performs supplies in Slovenia to (established or not established) taxable persons who are registered for VAT in Slovenia. The amendment entered into force on 22 January 2022.

8 United Kingdom

The UK is going to introduce a tax on plastic packaging, also called "Plastic Tax", on 1 April 2022. Entrepreneurs who produce or import at least ten tons of plastic packaging into the UK within a 12-month period are liable to pay the tax. Entrepreneurs who meet these criteria must register for the Plastic Tax by 1 April 2022. If 30% or more of the plastic packaging used is recycled, this packaging is not subject to taxation. However, packaging that is recyclable to the extent of 30% or more will also be taken into account for the purposes of calculating the maximum quantity of 10 tons of plastic packaging produced or imported in the 12-month period. The tax rate is GBP 200 per ton.