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# KMLZ VAT NEWSLETTER

## Croatia's accession to the EU necessitates changes to the SAP system

### 1. Background

As we informed you in our newsletter 10/2013, Croatia will join the EU on 1 July 2013 and as of that date will introduce the EU's common system of VAT. From a VAT perspective, the territory of Croatia will become part of the territory of the European Union. As supplies and services will thereafter be treated differently, for the purposes of VAT, companies will be obliged to make the necessary corresponding changes regarding VAT in terms of their respective business processes.

### 2. Need for action in the SAP system

The new VAT consequences will need to be reflected in the companies' ERP systems so as to ensure that business transactions are correctly displayed in their respective SAP systems. Changes in the following sectors are therefore necessary:

### SAP adaption necessary due to Croatia's accession to the EU

Due to the accession to the EU, entrepreneurs having business relations with Croatia will need to make changes to the individual settings in their SAP systems. From now on, business transactions will have to be treated differently in VAT matters. These changes will have to be implemented accordingly with regard to the customer's settings, using the correct tax codes and the invoice layouts as well as VAT reports, EC-Sales lists and Intrastat declarations.

#### 2.1 Croatia as an EU Member State

Due to its accession to the EU, Croatia has to be characterized as an EU Member State as of 1 July 2013. This can be simply done by ticking the box "EU Member State".

#### 2.2 Vendor and customer master data

As supplies to Croatia and purchases from Croatia have to, as of 1 July 2013, be declared as intra-Community supplies and intra-Community acquisitions the corresponding Croatian VAT-ID-No. must be added in the master data for Croatian customers and suppliers.

#### 2.3 Tax code

Tax codes for transactions relating to Croatia are to be checked and adapted, if necessary, as from 1 July 2013. The following changes are potentially necessary:



If goods are sold to customers via a distribution center in Croatia and the goods are purchased from another EU Member State, a new tax code will have to be implemented for intra-Community acquisitions in Croatia.

The same applies if a fixed establishment in Croatia exists and services are received for which VAT liability is shifted to the fixed establishment according to Art. 196 of the Directive 2006/112/EC.

New tax codes, for example, may be necessary for the following taxable supplies in Croatia:

Output transactions:

- intra-Community supplies to Croatia
- services in Croatia subject to reverse-charge

Input transactions:

- intra-Community acquisitions in Croatia (25%)
- intra-Community acquisitions in Croatia (10%)
- services rendered by a taxable person who is not resident in Croatia and subject to reverse-charge

The new tax codes need to be activated as of 1 July 2013. At the same time, the tax codes that were previously valid for exports to Croatia or imports in Croatia must be validated accordingly for all supplies that will be carried out after 30 June 2013.

## 2.4 EU tax code

Tax codes need to be marked with the corresponding EU-code as otherwise there will be no adoption in the EC-Sales list. You can check whether you have the correct EU-code for your previous tax codes with the transaction S\_ALR\_87012365.

The correct EU tax codes are:

- 1 = intra-Community supply
- 4 = intra-Community service (sales)
- 9 = intra-Community acquisition
- 5 = intra-Community service (purchases)

## 2.5 Condition records

In addition to the tax codes mentioned in c), the condition records need to be set up in VK13. Using these condition records, the system will identify the tax codes for the supplies of goods or services.

## 2.6 Invoice layouts

Companies are obliged to adapt invoice layouts for supplies to Croatia. After accession, the customer's VAT-ID-No., as well as information stating that the invoice relates to an intra-Community supply, have to be stated on the invoice. The customer's VAT-ID-No. also has to appear on the invoice if B2B-services are supplied.

If there are intra-Community acquisitions to a warehouse in Croatia, it should be ensured that the own Croatian VAT-ID-No. is used on the purchase order. If the German VAT-ID-No. were to be used, it would lead to an additional intra-Community acquisition in Germany according to Sec. 3d sentence 2 of the German VAT Act (no VAT deduction permitted).

## 2.7 Intrastat

For future Intrastat declarations for the movement of goods within the EU, the ISO-code for Croatia ("HR") must be stated.