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KMLZ VAT NEWSLETTER

VAT – from implementation to extension…

The Arab Gulf states are intending to implement a VAT system, however the process is currently only in its infancy. Numerous other countries are now focusing on increasing their revenues from e-commerce and distance sales. The EU member states currently have other problems to cope with. This time it is Estonia, Italy, Romania and the Czech Republic, who are all trying to tackle VAT fraud by extending the reverse charge scheme. Switzerland is going to amend its regulations in order to make more foreign entrepreneurs liable for VAT. In addition, Poland is now requesting more information from taxpayers.

A look across the border

1. Arab Gulf States

The Gulf Cooperation Council has announced that its member states, Bahrain, Qatar, Kuwait, Oman, Saudi-Arabia and the United Arab Emirates intend to implement a VAT system with a rate of 5% with effect from 2018.

2. Czech Republic

The Parliament is currently consulting about an amendment of the VAT law according to which the reverse charge scheme may be extended to all domestic supplies of goods. The VAT liability would then be shifted to the recipient if he is registered for VAT in the Czech Republic and if the supplier is not registered in the Czech Republic. Presumably, the decision will be taken within the next few weeks.

3. Estonia

The Ministry of Finance has proposed amending its VAT law and extending the reverse charge scheme to cover supplies of iron and steel and semi-finished products thereof at 14.04.2016. The amendment aims to close a tax fraud loophole that remained open after implementation of the reverse charge scheme for scrap and precious metals.

4. Greece

On 20.04.2016, the government decided to increase the standard VAT rate from 23% to 24%. The increase may come into force as from 01.07.2016.

5. Italy

A Legislative Decree implementing the reverse charge scheme for domestic supplies of mobile phones, integrated circuits, laptops, game consoles and tablets was published in the Official Gazette on 03.03.2016. It became effective on 02.05.2016 and will be valid until 31.12.2018.

6. Norway

The Ministry of Finance has issued a proposal for an amendment of the law according to which taxable persons established in EEA states will no longer be required to appoint a fiscal representative when registering for VAT.

7. Poland

As from 01.07.2016, large businesses (turnover exceeding 50M EUR and value of assets exceeding 43M EUR or more than 250 employees) shall be obliged to provide extensive data (SAF-T files) to the tax authorities each month. SAF-T

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(Standard Audit File – Tax) is a file format for data extracted from an EDP system which was developed by the OECD. Initially, the Ministry of Finance confirmed that that new regulations will only apply to taxable persons established in Poland. However, the Ministry of Finance explained that SAF-T files may also be sought from taxable persons not established but registered for VAT in Poland. Global activity in and outside Poland should be taken into account when checking the conditions for being considered a large business. Small and medium-sized businesses shall have to meet the regulation as from 01.01.2017.

8. Romania

An Implementation Regulation to the Fiscal Code was published in the Official Gazette on 21.03.2016. It includes details regarding supplies of immovable property, commissionaire structures, recharging of costs and the reverse charge scheme for supplies of integrated circuits. The latter are classified as products falling under CN group 8542. The Regulation is a guideline as to how to interpret the Fiscal Code and hence, will be retroactively effective.

9. Switzerland

Switzerland intends to abolish disadvantages for Swiss entrepreneurs compared to foreign entrepreneurs. The threshold of 100.000 CHF as from which amount entrepreneurs become liable for VAT, will no longer be calculated based on supplies performed in Switzerland. The entrepreneurs will then have to prove that their annual worldwide turnover does not exceed 100.000 CHF. The Council of States agreed to the proposal of the National Council on 03.03.2016. However, the Council of States did not fully agree and therefore, the proposal was sent back to the National Council. Consequently, the amendment of the law will presumably only be effective as from 2018.

10. E-Commerce

Russia is intending to implement a law according to which foreign providers of digital services will have to register in Russia and will be liable to 18% Russian VAT if the services are carried out to Russian consumers. **Israel** has published a draft law according to which foreign providers of digital services to Israeli consumers are liable to 17% Israeli VAT.
New Zealand will tax digital services of foreign providers to customers in New Zealand with 15 % VAT as from 01.10.2016. Furthermore, online marketplaces will be liable for VAT if goods are supplied via the marketplace to consumers in New Zealand. **China** has implemented a Parcel Tax for supplies of products via e-commerce platforms to Chinese consumers. The **UK** is taking measures to limit the loss of tax revenue with respect to distance sales. It has been estimated that up to GBP 1,5 billion VAT per annum is lost due to the fact that suppliers do not register or even if registered, do not pay the VAT due. Therefore, the UK intends to implement some regulations which, amongst others things, will make online marketplaces and fulfillment centres jointly and severally liable for unpaid VAT.

11. Restaurant services

A few countries are intending to decrease the VAT rates for restaurant services. **Hungary** intends to reduce the VAT rate to 18% as from 01.01.2017 and again to 5% in January 2018. The **Czech Republic** is going to decrease the VAT rate to 15% as from 01.12.2016. **Portugal** has already lowered the VAT rate to 13%, which change came into effect on 01.04.2016.