KÜFFNER MAUNZ LANGER ZUGMAIER

KMLZ VAT NEWSLETTER

A look across the border

VAT developments abroad

Malaysia is implementing a Goods and Service Tax which is comparable to the European VAT system. The predominant issue within the EU remains the fight against VAT fraud. Switzerland, which is well-known for its entrepreneur-friendly VAT law, will shortly tighten its formal requirements. Italy, Romania and Kosovo, however, have, meanwhile, implemented provisions which offer some relief. Increases in VAT rates are about to come into force in Luxemburg and Portugal. Hence, VAT remains multifaceted in the various countries

1. Estonia

Estonia has implemented a reverse charge scheme which will come into effect on 1 July 2014 with respect to domestic supplies of precious metals as well as alloys and scrap metals containing gold, silver, platinum and palladium. Furthermore, it is planned to expand the scheme to supplies of precious stones (diamonds, emeralds, sapphires, rubies) as from 1 January 2015.

2. Finland

The Ministry of Finance has proposed implementing a reverse charge scheme for domestic supplies of scrap metal and waste with effect from 1 January 2015.

3. Italy

If companies apply for a refund of excess input VAT, the tax authorities always check the validity of the claim first. As this process usually takes some time, it can threaten the very existence of many companies who regularly find themselves in a precarious financial situation. Thus, the tax authorities have altered their approach in order to allow for a prompt repayment. The refund claims will be sorted into three different risk categories. For low risk refund claims, the verification activities of the authorities are limited to what is strictly necessary.

4. Indonesia

Indonesia has commenced implementing a project requiring all entrepreneurs to change over to electronic invoicing with respect to domestic supplies. Paper invoices will continue to be used for all other supplies. Certain companies are required to switch to electronic invoicing in different stages. as from 1 July 2014, as from 1 July 2015 and as from 1 July 2016. Only invoices signed electronically and reported to the tax authorities will be considered valid VAT invoices.

5. Kosovo

In April 2014, Kosovo decided to implement a package of tax measures with a view to stimulating investment and employment. Import duties for raw materials and equipment will no longer be imposed. Furthermore, so-called tax holidays will be implemented during which the companies will be released from VAT and corporate income tax:

- 3 years for investments of up to 2m EUR and creation of 30 new jobs;
- 4 years for investments of up to 5m EUR and creation of 50 new jobs;

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- 5 years for investments of up to 10m EUR and creation of 100 new jobs;
- 7 years for investments of up to 10m EUR and creation of 150 new jobs.

6. Luxembourg

The prime minister has confirmed that the VAT rates will be increased with effect from 1 January 2015 from 15% to 17%, from 12% to 14% and from 6% to 8%. The super-reduced rate of 3% will remain unchanged.

7. Malaysia

For many years it was intended to implement a Goods and Services Tax. Finally, such a GST-Regime will become effective as from 1 April 2015. The Malaysian tax authorities have already published some Guidelines at www.gst.customs.gov.my.

8. New Zealand

With effect from 1 April 2014, a VAT refund scheme, comparable to the process according to the 13th EU-Directive, has been implemented. Entrepreneurs that are not established and do not perform taxable supplies in the country, can register and apply for a input VAT refund. Useful information and forms can be found on the website www.ird.govt.nz/industry-guidelines/non-res-bus-gst/.

9. Austria

The Regulation for Combating VAT Fraud (UStBBKV) according to which the VAT liability for the supply of certain metals is shifted to the customer, is to be amended retroactively, as from 1 January 2014. The supplier shall be permitted to charge VAT and not have to apply the reverse charge scheme if the amount to be invoiced is less than EUR 5,000.

10. Portugal

The Portuguese government announced in April that it intends to increase the standard VAT rate from 23% to 23.25% with effect from 1 January 2015.

11. Romania

Since 1 January 2014, input VAT refunds no longer depend upon proving that the VAT was paid to the supplier. In February, a regulation was implemented according to which a refund could be applied for, once again, with respect to any VAT refund previously rejected, due to missing payment documentation or because the VAT had not been paid,. This applies for invoices issued in the period from 1 January 2009 until 31 December 2013. Applications for a refund of such VAT have to be filed by 30 September 2014.

12. Switzerland

The Federal Council has decided to implement measures aimed at improving the execution of foreign entrepreneurs' VAT liabilities. Foreign entrepreneurs performing work on movable or immovable goods (which are deemed to be supplies of goods according to Swiss VAT law), will have to quote their Swiss VAT number in the Online-Reporting-System for entrepreneurs established in EU/EFTA member states doing business in Switzerland on a temporary basis (max. 3 months or max. 90 days during a calendar year). This affords the authorities an opportunity to verify whether the foreign entrepreneurs have fulfilled their VAT obligations. Furthermore, foreign entrepreneurs shall be required to register for VAT in Switzerland if they have performed any supplies in Switzerland and if their worldwide turnover exceeds CHF 100,000. To date, a VAT registration is required if the supplies in Switzerland exceed this threshold.