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KMLZ VAT NEWSLETTER

Reverse charge scheme for the supply of metal

1. Interim regulation until 30 June 2015

With effect from 1 October 2014, the Croatia Act changed the regulation for the reverse charge scheme. According to the new regulation, reverse charge applies to a supply of new metal and semi-finished metal products. The respective goods are defined in Attachment 4 of the German VAT Act.

In practice, it transpired very soon thereafter that this new regulation amounted to a huge challenge for taxable persons. Therefore, the Ministry of Finance granted an interim regulation, until 31 December 2014, as set out in its letter dated 26 September 2014 (cf. VAT newsletter 22/2014). With the announcement of an extension until 30 June 2015, the Ministry of Finance is responding to the demands of many taxable persons and organizations.

The Ministry of Finance extends the interim regulation

By means of its Circular dated 5 December 2014, the German Ministry of Finance has extended the interim regulation for the application of the new legal position for the supply of metal until 30 June 2015. According to this regulation, the tax authorities will not object if both parties to a supply of metal have mutually agreed that the supplier is liable for VAT.

Furthermore, the legislature intends to amend the VAT Act. The list of goods concerned will be reduced. Besides that a threshold of EUR 5,000 will be implemented.

2. Future Development

Meanwhile, the legislator has also reacted to the criticism regarding the amendment to the German VAT Act. It can be assumed that the legislator will amend sec. 13b para. 2 no. 11 of the German VAT Act and establish a threshold for the application of reverse charge for the supply of metal with a minimum value of EUR 5,000. Furthermore, the list of goods in Attachment 4 of the German VAT Act will be revised and reduced. It is expected that the amendment, depending on the course of the legislative procedure, will come into force as early as 1 January 2015.

In the circumstances, it makes sense for all taxable persons concerned to make use of the interim regulation and then to commence implementing the new reverse charge regulations after the planned amendment to the law.