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VAT'S UP

VAT NEWSLETTER

Due date of import VAT: New regulation will apply as from 1 December 2020

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1 New regulation in sec. 21 para. 3a of the German VAT Act

Sec. 21 para. 3a of the German VAT Act, introduced by means of the Second Corona Tax Aid Act, changes the due date of import VAT. In the past, import VAT had to be paid immediately, in accordance with customs regulations and, in the case of an importation by a taxable person, no later than the tenth day after import. In the event that the taxable person was previously granted a deferment account, the import VAT incurred upon importation into Germany was only due on the 16th day of the month following the month of import. Sec. 21 para. 3a of the German VAT Act now provides, under certain conditions, for payment of import VAT to be due on the 26th day of the second month following the month of import.

2 Effect

With the new regulation, the legislator is eliminating the point of criticism that has been put forward over the years, namely the liquidity burden placed on taxable persons importing into Germany. The assessment and collection of import VAT is carried out in and based on the import duty notification. On the other hand, the taxable person can only claim the resulting import VAT by means of input VAT deduction by filing VAT returns. In unfavourable constellations, (especially permanent extensions, imports at the beginning of the month and input VAT surplus), the taxable person's liquidity is burdened for about three months.

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With the new due date regulation contained in sec. 21 para. 3a of the German VAT Act, the resulting import VAT is, in most cases, only to be paid after the taxable person has already received the import VAT back by way of input VAT deduction. In many cases, the taxable person is therefore not only protected from a liquidity burden, (depending on the factors mentioned above), but also receives a liquidity advantage at the expense of the tax authorities. It is particularly encouraging that the legislator has granted the liquidity advantage interest-free.

3 Requirements

In order to be able to use the new due date regulation and thus enjoy the liquidity advantage, taxable persons require a deferment account in accordance with Art. 110 b or c of the Union Customs Code. The competent main customs office will grant this deferment account to a taxable person, upon request. A few documents must be enclosed with the application (including an extract from the commercial register). In principle, the taxable person must also provide security for the amount of import duties and import VAT that are, in future, to be regularly deferred. However, the security required is not to be provided for the amount of the import VAT if the taxable person is fully entitled to deduct input VAT. By the way, it is also possible to apply for approval of deferred payment only with regard to import VAT. The remaining import duties will then not be deferred.

The import duties and import VAT incurred during the importation of goods will then be debited from the payer's account on the due date, assuming that payment is granted. The requirement for this, however, is that the taxable person refers to its deferment account in the import declaration.

4 Conclusion

With the use of a deferment account, import VAT will, as from 1 December 2020, be due much later than in the past. This can result in a considerable liquidity advantage for taxpayers. This liquidity advantage will be interest-free and risk-free. In the future, the deferral of payment will therefore be an important component when optimizing liquidity in connection with VAT. In addition, applying for a deferment account is very easy. Businesses that do not yet have a deferment account should apply for one as soon as possible.

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