



A look across the border

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Overview

This year, we once again saw a trend towards short-term and temporary changes to VAT rates. Some of these VAT rate changes are of a general nature, while others are limited to specific goods and services. In fact, this trend has been apparent since the beginning of the Corona pandemic, has been fueled by the still persistent inflation in Europe (cf. KMLZ VAT Newsletter 08 | 2022) and continues as of the start of 2023. Companies must react to these changes, sometimes with little time to prepare, for example, to adjust invoicing or tax determination in the ERP system. For this reason, all internationally active companies should always keep an eye on current developments abroad.

1 Belgium

Belgium extended the application of the temporarily reduced VAT rate for the supply of energy. The rate of 6% on the supply of electricity and natural gas and for district heating networks will continue to apply until 31.03.2023.

Belgium will also prolong the limitation period for assessment in tax matters: Previously, a 3 year period applied to regularly filed tax returns. In the case of fraud, an extended period of 7 years applied. As from 01.01.2023, some of these periods will be extended. In standard cases, it will remain at 3 years. For late or non-filed tax returns, the retroactive declaration period will be extended to 4 years. In circumstances where the Belgian tax administration has received information on facts in Belgium from abroad, the period will be 7 years and in the case of fraud, 10 years. At the same time, late payment interest on taxes will be reduced from 9.6% p.a. to 8.0% p.a.



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In addition, as of 01.01.2023, there will be a change regarding the transfer of VAT liability for construction services. Up to now, the VAT liability was only transferred to the recipient of the service if the supplier was established in Belgium and the recipient was either a taxable person established in Belgium and filing periodical VAT returns or a non-established taxable person registered for VAT in Belgium via a fiscal representative. In the future, taxable persons established in Belgium will also be able to invoice construction services to a taxable person registered for VAT in Belgium without a fiscal representative using the reverse charge mechanism. The equivalent reverse charge regulation for non-established suppliers has not been changed.

2 Croatia

As of 01.01.2023, Croatia will introduce the Euro as its national currency. Until 31.12.2023, companies are obliged to issue invoices displaying prices in both the old national currency Kuna and in Euro. The exchange rate set by the EU Council of 1 Euro = 7,53450 Kuna must be used to convert prices.

3 Finland

Finland has temporarily reduced the VAT rate on the supply of electricity from 24% to 10% starting on 01.12.2022 and ending on 30.04.2023. In addition, the transport of passengers will be temporarily VAT exempt from VAT from 01.01.2023 to 30.04.2023.

4 Luxembourg

As of 01.01.2023, Luxembourg will reduce its VAT rates for a limited period of one year until 31.12.2023. The reduction in the VAT rates is of a general nature. The standard VAT rate will be reduced from 17% to 16%, the medium VAT rate from 14% to 13% and the reduced VAT rate from 8% to 7%. The heavily reduced VAT rate will remain at the current 3%. Companies with taxable transactions in Luxembourg will have to adjust their invoicing at the turn of the year. The Luxembourg tax authorities have already issued a letter dealing with questions of application and practical issues relating to the changes in the tax rates. Experience from the 2020 tax rate reduction in Germany has shown that continuous supplies are, in particular, prone to errors in case of temporary tax rate reductions.

5 Poland

Poland has extended the application of the temporarily reduced VAT rate on food and beverages to 0% for an indefinite period (cf. KMLZ VAT Newsletter 08 | 2022). The application of the temporarily reduced VAT rate of 8% to the supply of energy and fuels will expire as from 2023, so that the standard VAT rate of 23% will apply again as of 01.01.2023. In addition, the VAT rate on agricultural fertilizers will be increased to 8% as from the start of 2023 and will then apply until 31.12.2024. Currently the 0% VAT rate introduced as part of the Corona pandemic support measure is applicable to fertilizers and will remain so until the end of 2022.

6 Switzerland

The standard VAT rate will increase from 7.7% to 8.1%, the reduced rate from 2.5% to 2.6%, and the special rate for accommodation from 3.7% to 3.8%. This increase will take effect on 01.01.2024 and is planned to be permanent. Businesses with taxable transactions in Switzerland therefore still have some time to adapt their processes to the change in VAT rates. The information letter on this VAT rate change is already in public consultation. The final version of this letter is expected at the beginning of February 2023.