KÜFFNER MAUNZ LANGER ZUGMAIER

KMLZ VAT NEWSLETTER

Current changes in 2017

GREECE extends local Reverse Charge mechanism +++ INDIA implemented new VAT system +++ ITALY shortens period for claiming input VAT and extends split-payment-system +++ POLAND intends to implement split-payment-system and extends SAF-T reporting obligations +++ ROMANIA introduces data-base for high risk businesses +++ RUSSIA intends to increase standard VAT rate by 4 percentage points +++ SWITZERLAND considers global turnover to be decisive for the liability to pay VAT +++ HUNGARY implement obligation to electronically transfer invoice details after a preliminary test phase and publishes “Blacklist”.

A look across the border

1. Greece

On 01.08.2017, Greece extended the local Reverse Charge mechanism to the supply of mobile phones, game consoles, tablet PCs and laptops.

2. India

On 01.07.2017 India implemented, in all 29 states, a uniform Goods and Service Tax (GST). This resulted in 12 different indirect taxes being abolished. This GST system corresponds to the European all phases net value added tax system, with input tax deduction. This means, GST is due with respect to every part of the value chain. GST-taxable businesses may deduct the tax as input tax.

3. Italy

Italy has shortened the period for claiming input VAT. To date, it has been possible to claim input VAT for up to two years. However, in future, the right to deduct input VAT should be exercised, at the latest, in the VAT return (due date: 30.04.) relating to the year in which the right to a deduction arose. This, however, requires the proper reporting of the respective invoices in the monthly VAT ledgers.

Italy has also extended the split-payment-system for supplies to public entities, businesses controlled by the state and publicly listed entities. These businesses are obligated to only transfer the net amount to the supplier. The tax amount has to be transferred directly to the supplier’s tax account.

4. Poland

In Poland, a proposal to amend the VAT Act has now been published. As from 01.01.2018, a Split-Payment-System is intended to be introduced. The net invoice amount may be transferred to any business account of the supplier at a Polish bank. The VAT amount, however, must be transferred to the supplier’s VAT account.

Furthermore, Poland is now extending the SAF-T reporting obligation. As from 01.09.2017, taxable persons will be required to submit bank transfer details to the fiscal authori-

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ties. The reporting obligation only applies to businesses, which have employed more than ten employees within the previous two business years and whose worldwide turnover or whose total assets exceed EUR 2 million. It is not yet clear whether only companies established in Poland, or also companies having a permanent establishment in Poland, will be affected.

5. Romania

Romania has introduced a data-base for businesses, which are considered to be high risk in terms of tax fraud. Businesses listed in this data base only receive VAT refunds after they have been audited. The list is not published.

6. Russia

Russia intends to increase its standard VAT rate from 18% to 22%. Taxable persons planning projects in Russia must therefore take into consideration the fact that invoices issued by local subcontractors might increase by 4%. This may then directly increase total costs.

7. Switzerland

As from 01.01.2018, foreign businesses, which carry out taxable supplies in Switzerland and whose worldwide turnover from taxable supplies exceeds CHF 100.000 p.a., will be required to register for VAT. Currently, the total amount of taxable supplies performed in Switzerland is decisive. Whether a supply is taxable is to be assessed exclusively in accordance with Swiss law.

Foreign businesses continue to be exempt from VAT if they merely render the following supplies in Switzerland:

- tax exempt supplies in accordance with Swiss law
- supplies of services in terms of Art. 8 para 1 of the VAT Act, which are deemed to be rendered at the place where the recipient is located or for which the recipient is held liable for the payment of the tax or which are deemed to be rendered at the place where the foreign taxable person operates its business. Foreign taxable persons rendering supplies of telecommunication or electronic services to persons who are not registered in the Swiss national VAT register.
- energy supplies to persons who are registered in the Swiss national VAT register.

8. Hungary

Hungary will enforce the obligation to electronically report invoice details. The reporting obligation was originally to be implemented on 01.07.2017. However, the implementation was subsequently deferred and will now enter into force on 01.07.2018. From this date, taxable persons will be required to electronically transfer the mandatory invoice requirements to the fiscal authorities within 24 hours of an invoice being issued. All invoices, which are issued by means of an invoicing program, will be subject to this requirement. As from 01.07.2017, taxable persons have been permitted to transfer the relevant data in order to test the process, however there is no legal requirement to do so.

On 20.06.2017, the Hungarian tax authorities commenced publishing a “Blacklist” which contains the identity of taxable persons, which have failed to file consecutive VAT returns at least three times. This aims to warn the business partners of these taxable persons and to enforce them to check these taxable persons’ integrity more thoroughly.

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