



KMLZ VAT NEWSLETTER

Croatia: EU accession on 1 July 2013

Croatia will join the EU on 1 July 2013. At the beginning of 2013, Croatia already amended some of its VAT regulations with a view to the EU accession. Further amendments will follow with effect from 1 July 2013 in order to be consistent with the common VAT system of the EU. The legislative procedure currently is still in progress. This particularly concerns the intra-Community trade in goods and services. One of the reasons is that the territory of Croatia will become part of the territory of the European Union as from this point in time. The following issues generally need to be considered:

1. Supplies of goods to customers with VAT-ID

The supply of goods to customers with Croatian VAT-ID is deemed to be an intra-Community supply and zero-rated if the supply is performed after 30 June 2013. The beginning of the dispatch or transport is the relevant point in time. The moment when the supply is ordered or when the invoice is issued does not matter.

If the dispatch or transport begins before 1 July 2013 and the goods arrive in Croatia after 30 June 2013, the regulations for exports to third countries still apply. The supply will then also be subject to import VAT in Croatia.

Croatia's EU accession requires adjustments

Croatia will become the 28th member state of the European Union on 1 July 2013. As from the date of accession Croatia has to implement the common VAT system of the EU. As a result of the upcoming changes, the businesses trading with Croatia need to adjust their processes.

In all cases where the supplies are carried out after 30 June 2013, the VAT-ID of the customer has to be recorded in order to be entitled for zero-rating. Thus, it will be essential to request the Croatian VAT-IDs of the customers and to verify them in the VIES. The Croatian VAT-IDs will consist of the country code HR and 11 further digits.

If the customer will not be able to show a VAT-ID or if the VAT-ID cannot be verified in the VIES, local VAT of the country of departure may have to be charged. According to the German jurisprudence the VAT-ID has to be recorded immediately. Hence, it will not be allowed to cancel the previous invoice and to issue a new invoice without VAT later if the VAT-ID was missing at the beginning.

However, it is to be expected that the German Ministry of Finance, like for the previous EU expansions, will issue a transitional regulation. Except in the field of retail, the tax authorities did not object the missing record of the VAT-ID for supplies within three months after the EU accession if:

- the customer in writing confirmed, that he has already applied for a VAT-ID and that the conditions for it are met,
- the initial missing record of the VAT-ID was made later,
- all further required proofs for the zero-rating were available.



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2. Supplies of goods to customers without VAT-ID

For supplies carried out after 30 June 2013 to customers in Croatia that are not deemed to be taxable persons and do not have a VAT-ID (e.g. private persons, governmental institutions etc.) local VAT of the country of departure will have to be charged

However, if the dispatch or transport is performed by the supplier and the amount exceeds the suppliers threshold (presumably HRK 270,000, equivalent to approx. EUR 35,640), the place of supply is shifted to Croatia. The supplier will then have to register for VAT in Croatia and charge Croatian VAT (distance sales). The acquisition threshold as from which certain customers will become required to register for VAT and to report the intra-Community acquisition will presumably amount to HRK 77,000 (equivalent to approx. EUR 10,160).

3. Acquisitions from Croatia

If the dispatch or transport begins after 30 June 2013, the supplies from Croatia to another member state are deemed to be intra-Community supplies. These are subject to acquisition VAT in the other member state. In order to allow the supplier an invoicing without VAT, the customer shall provide his VAT-ID of the country of arrival promptly, if possible already when ordering the goods. If the dispatch or transport of the goods already begins before 1 July 2013 in Croatia, the supply will be subject to import VAT in the country of arrival.

4. Supplies of services

So far, in Croatia only for a limited catalogue of services the place of supply is deemed to be where the customer has established his business. With the EU accession, this will be

expanded according to Art. 44 of the Directive 2006/112/EC. As a result, less cross-border services will have to be charged with Croatian VAT.

5. VAT refund procedure

So far, Croatia already refunded input VAT to foreign taxable persons. As from 2010, nearly no limitations existed anymore. Hence, the EU accession will not bring many changes. However, for the period as of 1 July 2013, taxable persons established in the EU will have to file the refund applications through the electronic portal in their own country. Additionally, the regulations of Directive 2008/9/EC will be applicable.

6. Administrative obligations

VAT returns in principle have to be filed on a monthly basis by the 20th day of the following month. Annual VAT returns have to be filed by the end of February of the following year. Besides that, additional obligations, such as the filing of EC Sales Lists and Intrastat declarations will have to be fulfilled. The threshold for Intrastat will presumably amount to HRK 1,700,000 (equivalent to approx. EUR 224.380).

7. Vessels intended for sports and leisure

Boats undergoing the temporary importation to Croatia under certain circumstances may have to be put into free circulation after the EU accession. This will be subject to import VAT at a rate of 25 % and, if applicable, subject to customs duties of up to 2.7 %. According to a transitional regulation, the import VAT may be calculated at a reduced rate of 5 % if the import is carried out by 31 May 2013.