

Tax Alert

Changes in EU VAT rules and VAT reporting requirements as of 01/01/2010

08 January 2010

The changes to the EU VAT Directive, the so called 'VAT Package', came into force on 1 January 2010. The VAT package changes the legislation to ensure that VAT on services accrues to the country where the customer is situated.

New default rule on place of supply of services in cross border B2B transactions

In business-to-business ('B2B') transactions, the place of supply of services will no longer be the country where the supplier is established, but instead the country where the customer is established. Accordingly, these transactions will be subject to VAT in the country of the customer.

Where this rule already applied to so called 'intangible services' (consulting, lawyers, accountants, data processing, supply of staff, hiring of movable goods, marketing, e-services, etc.) in the past, the new default rule effective January 1, 2010 also applies to transportation of goods, valuation and works on movable goods, long-term hiring of means of transport, etc..

The new default rule has a number of exceptions including, amongst others, services connected to immovable property (taxable with VAT in the country where the immovable property is located), restaurant and catering services (taxable with VAT in country where service is physically carried out), short-term

hiring of means of transport (taxable with VAT in country where means of transport is put at customer's disposal).

For the cross-border B2B services that are subject to VAT in the country of the customer, the VAT package introduces a generalized reverse charge mechanism, shifting the VAT payment to the recipient of the service ('*self assessment*' of the VAT by the customer).

Intra EC reporting obligations for services – expansion of the EC sales list

The VAT Package introduces the obligation for suppliers to submit recapitulative statement for services supplied by businesses between Member States to which the reverse charge applies in the customer's Member State (services qualifying for the new 'default rule' as explained above).

These reporting obligation already exists for the intra community supply of goods between VAT liable businesses established in different Member States, and is extended to the supply of intra community services.



New refund procedure for VAT incurred in other Member States of the EU

Under the new refund procedure, to obtain a foreign VAT refund, a company shall address an electronic refund application via the electronic portal set up by its own Member State. This electronic application shall contain information regarding the company as well as information regarding invoices

As from January 1st, 2010, VAT refund shall be authorized at the latest until September 30 of the calendar year following the refund period

These new rules mean major changes, particularly for businesses making cross-border services. They have a major impact on, amongst others, invoice requirements, the periodical VAT returns (new boxes!) and EC sales listing requirements.

Contact

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