



meridian

# *VATtrends*

Issue 1 2012



## Austria

### **Limitation to the application of the reverse charge mechanism for non-established suppliers organizing fairs, exhibitions, conferences or congresses**

With effect from 1 January 2012, non-established suppliers that organize a fair, exhibition, conference or congress in Austria and charge attendance fees will no longer be able to avail of the extended domestic reverse charge mechanism in Austria with respect to the event registration / attendance / entry fees.

Events with only selected attendees (events not open to the public) are not affected and therefore, the extended domestic reverse charge mechanism continues to apply on such event registration / attendance / entry fees.

Should you have any queries please e-mail [info@meridianglobalservices.com](mailto:info@meridianglobalservices.com).



## China

### **VAT refund available to software developers**

VAT incentives have been recently introduced in China in relation to the sale of software products. Guidance note has been issued in a circular (Circular 100) to clarify the application and calculation of VAT incentives in relation to software sales that applies with effect from 1 January 2011, retrospectively.

The incentives are applicable to China's software and semi-conductor industries. "General taxpayers" are liable to charge VAT at 17% on the sale of software products developed by them. Software products are defined as information processing systems and include computer

software products, information systems and embedded software products. The general taxpayers are eligible for an immediate VAT refund if the VAT amount payable exceeds 3% of the sale amount.

Should you require more detailed information on the criteria to be met to apply for a VAT refund on software products in China or need assistance with the calculation of a VAT refund please do not hesitate to contact your local Meridian office or email [info@meridianglobalservices.com](mailto:info@meridianglobalservices.com).



## Croatia

### **Increase Standard VAT Rate**

The Croatian Finance Minister Slavko Linic recently announced that the standard VAT rate in Croatia will rise from 23 per cent to 25 per cent. The new VAT rate is effective from 1 March 2012.

Should you have any queries please e-mail [info@meridianglobalservices.com](mailto:info@meridianglobalservices.com).



## Cyprus

### **Increase Standard VAT Rate**

The standard VAT rate of Cyprus has increased to 17%, from 15%, and has come into force with effect from 1 March 2012. There will be no change to the reduced VAT rates of 5% and 8%.

Should you have any queries please e-mail [info@meridianglobalservices.com](mailto:info@meridianglobalservices.com).



## Denmark

### **Amendments to Intrastat thresholds and declarations**

The Intra-Community reporting thresholds have been reduced in 2012. The Intrastat arrivals threshold is now DKK 3,400,000, down from DKK 3,600,000, while for dispatches the threshold is now DKK 4,500,000, previously DKK 4,800,000.

With effect from 1 January 2012 Intrastat declarations must be filed electronically.

Should you have any queries please e-mail [info@meridianglobalservices.com](mailto:info@meridianglobalservices.com).



## France

### **President Nicolas Sarkozy is to raise the Standard VAT rate**

The French President has announced an increase in the standard VAT rate from 19.6% to 21.2%, which will be due to come into force in October 2012, It has been approved by Parliament on 29 February 2012 and now still needs to be validated by the Constitutional Council.

### **Clarification on the application of the new reduced rate of 7%**

As previously reported the new reduced rate of 7% will apply to all goods and services that were previously subject to the 5.5% VAT rate, with the exception of foodstuff, gas and electricity, energy supply networks, and goods and services for disabled persons that will remain at the 5.5% VAT rate.

Please note that the increase in the reduced VAT rate is effective from 1 January 2012, except in relation to paper books which has been delayed to 1 April 2012.

The French Government have also clarified that prepared food ready for consumption (sandwiches, pizza) will be subject to the new 7% VAT rate.

The French Government have now published an official tax bulletin in relation to the application of the new 7% VAT rate.

### **Approval of soda tax on soft drinks**

The new tax on sweet drinks was introduced with effect from 1 January 2012. This tax is implemented by the French government, on the one hand to assist in fighting the increasing obesity issue and on the other as part of the new austerity plans.

Should you have any queries please e-mail [info@meridianglobalservices.com](mailto:info@meridianglobalservices.com).



## Germany

### **New documentation requirements**

The German Government has introduced new documentation requirements for zero-rated exports and intra-community supplies of goods. Although originally intended to be effective from 1 January 2012 these requirements will now come into force with effect from 1 April 2012 or 1 July 2012.

#### Intra-community supplies:

The new requirement applies to all intra-community supplies of goods irrespective of the means of transport and whether the goods are transported by the supplier, recipient or a third party. This will come into effect from 1 July 2012.

It will require a new document to be completed by the customer to provide evidence of the intra-Community supply, i.e. a Certificate of Entry (Gelangensbestätigung) containing certain



## Germany

### **New documentation requirements (cont)**

information - please follow this link to see a draft template of the Certificate as produced by the Fiscal authorities: [Certificate of Entry](#) (Please note that this template may still be amended before it is officially published.)

Other documents, such as delivery notes, CMRs etc., will no longer be accepted as proof and in the absence of the Gelangensbestätigung suppliers would be expected to charge German VAT.

#### Exports:

With regards to exports, it will be necessary to have an electronic statement from 'ATLAS' (Automated Tariff and Local Customs Clearance System) to prove the zero rate applies to an export. This was brought into force in 2009 but as from 1 April 2012 it will be more strictly enforced as the main proof of export document and other documentation (airway bills etc.) may only be accepted under exceptional circumstances.

As soon as the final guidelines are published, we will update our website accordingly.

In the meantime should you have any questions or queries please e-mail [info@meridianglobalservices.com](mailto:info@meridianglobalservices.com).



## Ireland

### **Retention of tax records in electronic format**

The Irish Revenue has recently published new guidelines in relation to the requirements for companies' maintaining tax records in any electronic format. The following requirements have changed:

- it is now no longer a requirement to keep a paper original of a third party record where an electronic copy of the original record is generated, recorded and retained in electronic format in accordance with the conditions as provided previously
- all electronic copies of records must be accessible to a Revenue official in paper or electronic form, the method and format of delivery to be specified by the Revenue official at the time the records are being requested

Please note that the requirements for electronic records equally apply to records stored by means of any photographic or other similar process.

Should you have further questions please do not hesitate to contact your local [Meridian Global Services](#) office or e-mail [info@meridianglobalservices.com](mailto:info@meridianglobalservices.com).

### **Lower VAT rate maintained for some bakery products**

In its new Finance Bill published on 08 February 2012, the Irish government has introduced measures to relax the criteria used to determine what is to be considered as a bread product subject to the zero rate of VAT. As a consequence, products such as bagels and speciality breads that were expected to be subject to the higher rate of 13.5% in 2012 following recent guidance issued by Revenue at the end of 2011, could now remain at the zero rate.

Should you have any queries please e-mail [info@meridianglobalservices.com](mailto:info@meridianglobalservices.com).



## Luxembourg

### VAT rate on e-books

The government has decided that no distinction should be made between physical books and electronic books. This means that the super reduced rate of 3% applicable to books will also be applicable to e-books. This measure came into force on 1 January 2012.

Should you have any queries please e-mail [info@meridianglobalservices.com](mailto:info@meridianglobalservices.com).



## Madeira, Portugal

### VAT rates increase from April 2012

The standard and reduced VAT rates of Madeira will increase in April 2012. The standard rate will increase from 16% to 22%, while the reduced rates will increase from 4% to 5% and 9% to 12%.

Should you have any queries please e-mail [info@meridianglobalservices.com](mailto:info@meridianglobalservices.com).



## Norway

### International transporters liable to register for VAT in Norway

A significant change has been introduced in Norway in respect to VAT refunds through the refund scheme available to businesses involved in international transport services. Pursuant to a statement issued by the Ministry of Finance, companies without an establishment in Norway that carry out cross-border transport services are liable to register for VAT in Norway, subject to the standard registration thresholds.

In light of the above, businesses will no longer be entitled to recover input VAT

incurred in Norway via the refund scheme. Instead, Norwegian VAT incurred will only be deductible via local VAT returns by businesses who successfully register for Norwegian VAT purposes.

Despite this statement being announced by the Ministry of Finance only recently, the changes apply retrospectively with effect from 1 January 2010.

### Mandatory electronic submission of VAT returns

With effect from 1 January 2012 the online submission of VAT returns has become mandatory in Norway. The Norwegian VAT authorities will no longer issue paper based VAT returns but in special cases taxable persons may be allowed to continue submitting paper returns if they can convince the tax authority that they cannot make electronic filings due to practical considerations.

### Increase of VAT rate on nutrients and foodstuffs

The VAT rate on nutrients/foodstuffs has been increased from 14% to 15% with effect from 1 January 2012.

### Reintroduction of VAT exemption on warranty repairs supplied to foreign businesses

From 2012 the VAT exemption with the right to deduct input tax (zero rating) has been reintroduced in Norway for warranty repairs on goods performed in Norway on behalf of foreign businesses. The new rules will enable businesses that are neither established nor registered for VAT in Norway to avoid paying 25% VAT, thus reducing the cash flow impact and the administrative burden associated with VAT refund procedures.

Should you have any queries please e-mail [info@meridianglobalservices.com](mailto:info@meridianglobalservices.com)



## Portugal

### **Intrastat submission deadline 2012**

Previously the submission deadline for Intrastat returns was the 10th of the following month in which the transactions occurred. Businesses will now have an additional 5 days, i.e. up to the 15th of the month following that in which the transaction occurred, to submit Intrastat returns.

Please note that the Intrastat thresholds remain at € 200,000 for acquisitions of goods (arrivals) and € 250,000 for supplies of goods (dispatches).

Should you have any questions or queries please contact your local [Meridian office](#) or e-mail [info@meridianglobalservices.com](mailto:info@meridianglobalservices.com).



## Sweden

### **EC Sales List, VAT Reporting and Reduced VAT rate update**

#### Threshold for filling EC Sales List

With effect from 1 January 2012 the threshold which allows for the quarterly submission of EC Sales List in respect of intra-Community supplies of goods from Sweden has been reduced to SEK 500,000 (up to 31 December 2011 SEK 1,000,000). If the threshold is breached monthly submissions are required.

#### Income tax returns VAT reporting

Starting from 2012 the VAT reporting in the income tax return will no longer be available in Sweden where turnover is less than SEK 1,000,000. Instead, all VAT will have to be declared in VAT returns.

The new provision takes effect for the fiscal year from 1 February 2012 to 31 January 2013. If your fiscal year begins before 1 February 2012, you have a further year to report VAT in the income tax return

unless your fiscal year is extended so that it ends in 2013.

For Swedish businesses that are not required to file an income tax return, an annual VAT return can be submitted if the taxable turnover is less than SEK 1,000,000. This option is, however, not available to non - resident businesses.

#### Reduced VAT rate on restaurant and catering services

The VAT rate on restaurant and catering services has been reduced from 25% to 12% with effect from 1 January 2012.

The reduction does not apply to alcoholic drinks, i.e. spirits, wine and beer.

Should you have any questions please do not hesitate to contact your local [Meridian office](#) or e-mail [info@meridianglobalservices.com](mailto:info@meridianglobalservices.com).



## Switzerland

### **VAT rate proposals**

The Swiss parliament has rejected a proposal for a single VAT rate of 6.5% which was first considered in 2008. The reasons for the proposal were to simplify the VAT system, to strengthen the Swiss financial industry and to stimulate economic growth. The Government will now look at a proposal for a two-tier rate system.

On the other hand, the parliament has approved a motion for a temporary VAT exemption for accommodation services which will be dealt with by the Council of States.

Please note that Switzerland currently has three different VAT rates: one standard rate of 8%, and two special rates of 3.8% and 2.5%.

If you require any further details, please email [info@meridianglobalservices.com](mailto:info@meridianglobalservices.com).



## United Kingdom

### **Registration threshold to become NIL**

Effective from 1 December 2012, non-established businesses will be required to register immediately if they make taxable supplies in the UK as the UK VAT registration threshold, currently £73,000, will no longer apply to non-established businesses.

Please note that the UK distance selling threshold still remains the same.

Should you have further questions please do not hesitate to contact your local [Meridian Global Services office](#) or e-mail [info@meridianglobalservices.com](mailto:info@meridianglobalservices.com).

### **Intrastat reporting changes**

The low value consignment exemption threshold increased from £130 to £180 from 1 January 2012. There are also two additional delivery terms codes, i.e. Delivered at Terminal (DAT), which replaces DEQ, and Delivered at Place (DAP) which replaces DAF, DES and DDU.

Finally, in relation to goods sent or received for processing, Intrastat declarations should only include Nature of Transaction Codes 40 and 50 if the goods subject to the processing do not change ownership.

Please note that Intrastat reporting thresholds remain at £600,000 for acquisitions of goods (arrivals) and £250,000 for supplies of goods (dispatches). The delivery terms threshold also remains at £16m.

Should you require further information please e-mail [info@meridianglobalservices.com](mailto:info@meridianglobalservices.com).



## Further Developments regarding the One Stop Shop aimed for 2015

As previously reported, from 2015, all telecommunications, broadcasting and electronic services are to be taxed in the Member State in which the non-taxable customer is established, or has his permanent address, or usual residence, regardless of where the supplier of the services is established.

However, as is currently the case for non-EU suppliers providing electronically supplied services to non-business customers in the EU, taxable suppliers would have the option to make use of a special scheme, i.e. the One Stop Shop. This would allow the taxable suppliers to only account for the VAT in the EU Member State in which they are established, without having to register for VAT in various other EU countries where their customers are located.

On 13 January 2012 the Commission accepted a proposal regarding the broadening of the one stop shop for non-established taxable persons (both EU and non-EU) supplying telecommunication, broadcasting and electronic services to non-taxable customers.

The aim of the proposal is to set out the application and scope of the schemes and other practical issues regarding the implementation of the schemes, e.g. currencies, payments, record keeping, reporting obligations etc. thereby also trying to ensure consistency across the EU Member States. These implementing measures are specifically for Member States to allow them to meet the technical and functional specifications for their IT systems before implementation of the schemes.

Other measures, specifically regarding the determination of the location of the customer, will be proposed by the Commission at a future date.

## EU Reform - Affecting the future of Audit Firms

Given that many banks revealed huge losses from 2007 to 2009 on the positions they had held both on and off balance sheet, it is difficult for many citizens and investors to understand how auditors could give clean audit reports to their clients (in particular banks) for those periods.

This has led to the following Directive being drafted which the European Commission hope to see implemented. The key points have been extracted below and links to the documentation are also provided

### Key highlights of the proposals

- Audit firms will be prohibited or restricted from providing non-audit services deemed as conflicts of interest
- Certain expert services which involve tax, general management of the company and other advisory services, designing internal control systems/risk management systems will be prohibited as audit firms providing these services and then auditing those systems' effectiveness is regarded as a conflict of interest
- Possibly prohibited, depending on extent of work being done and the terms and conditions of that work: Human resources services, providing comfort letters to investors, some services around M & A and due diligence. Potential conflicts there – but those services could be authorized by the audit committee of the entity itself, or by the supervisor.
- Linked to the above is the possible Creation of 'pure audit firms' - requiring the restructuring of some (in practice, the Big Four – PricewaterhouseCoopers, KPMG,



## **EU Reform - Affecting the future of Audit Firms (cont)**

Deloitte, Ernst & Young) audit firms: audit services & consultancy services will need to be established as a separate legal entity which is not part of the same network/ownership – which may also require some re-branding. This is a significant proposal in terms of trying to open up the audit market.

For further details and to view a full readout of the technical press briefing please follow this link:

[EU Reform - Affecting the future of Audit Firms](#)

## **United Kingdom referred to the Court of Justice by the European Commission**

The European Commission referred the United Kingdom to the Court of Justice for abolishing the "remedy for repayment of taxes paid in mistake of law".

Please follow this link for full details:

[European Commission Press Release](#)

## The 3rd Annual SAP Control for VAT Compliance Conference

Connecting VAT, finance and IT to ensure automated VAT compliance from your SAP system.

**14th-16th May 2012**

**Royal Garden Hotel, London**

This year Meridian Global Services presents its 3rd Annual SAP Control for VAT Compliance Conference, featuring insightful sessions and invaluable experiences from companies including: **SAP, GE, Philips, Merck, John Deere, SABMiller, The Nuance Group, Crannagh & Co** and many more.

For further information and to register please go to:

[SAP Control for VAT Compliance Conference](#)

## Meridian Desktop VAT Application

Meridian's desktop VAT application has been designed to keep our users informed and up to date without having to go searching for the information. It will provide you with the following benefits straight to your desktop:

**News:** all the latest VAT developments and news delivered daily to your desktop

**Country profiles:** access to key information on VAT in all EU countries and beyond. Each country profile will provide information such as VAT rates, format of VAT numbers, invoicing requirements etc.

**Ask the expert:** a facility that will allow posing questions to one of our International VAT consultants, directly from the desktop application.

For further information or to install please follow this link:

[Meridian Desktop VAT Application](#)

# meridian

Meridian Global Services Head Office  
Tallaght Business Park,  
Tallaght, Dublin 24,  
Ireland

**Tel:** +353 14590 500

**Fax:** +353 14590 540

**Website:**

<http://www.meridianglobalservices.com/>

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**Contact Editorial Committee:**

[Vattrends@meridianglobalservices.com](mailto:Vattrends@meridianglobalservices.com)