



meridian

# *VATtrends*

Issue 5 2011



## Bulgaria

### **Bulgaria to amend its VAT rules**

The European Commission has sent an official request to Bulgaria to change its VAT rules relating to tax audits of taxable persons involved in intra-Community transactions. Bulgaria needs to amend these VAT rules, within two months, in order to make them compliant with the EU VAT Directive, otherwise it may be referred to the European Court of Justice.

For further information please follow this link: [EC Pursues Infringement against Bulgaria on VAT Rules](#)



## Channel Islands/UK

### **Channel Islands - UK Treasury to close VAT loophole with effect from April 2012**

It was announced in November that the Channel Islands VAT loophole will be closed next April.

Currently, Channel Island based companies can avoid paying VAT on shipped goods valued £15 or under due to the Low Value Consignment Relief (LVCR). This LVCR was introduced in the 80's and has been used by many companies selling items such as CD's, DVD's etc. Coming under increasing pressure to establish fairness across the tax systems, the Treasury announced it will be closing this loophole with effect from next April.

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



## China

### **China increases VAT threshold while also replacing Business tax with VAT as part of a trial tax review**

In a bid to aid China's small enterprises, the finance ministry announced increases to the VAT and Business Tax thresholds. With effect from 1 November 2011 the VAT thresholds have been raised from 2,000-5,000 yuan for goods and 1,500-3,000 for services to 5,000-20,000 yuan based on monthly sales. The Business Tax thresholds have also increased to between 5,000-20,000 yuan. The specific threshold applicable varies by geographical area.

Meanwhile as part of a trial tax reform program, the State Council will be replacing Business Tax with VAT in Shanghai from 1 January 2012, but initially limited to certain services e.g. transport services. Depending on the outcome of the trial this may be extended to services nationwide. Two new VAT rates will also be introduced, i.e. 11% and 6%.

Should you require any assistance please email [info@meridianglobalservices.com](mailto:info@meridianglobalservices.com).



## Czech Republic

### **The government agree to increase the lower VAT rate to 14%**

The Czech government have agreed to increase the lower VAT rate from 10% to 14% with effect from the beginning of 2012.

Further, it is planned that both the lower and standard VAT rates, lower will be 14% from 2012 and the standard VAT rate of 20%, will be united at a rate of 17.5% from



## Czech Republic

### The government agree to increase the lower VAT rate to 14% (cont)

the beginning of 2013. These changes, however, are awaiting further approval in the legislative process.

As soon as we have confirmation that this change has been approved we will update our website and VATtrends accordingly.

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



## France

### Plan to raise the VAT rate from 5.5% to 7% for certain items

The new 7% VAT rate, if approved, will be effective from the 1 January 2012 and will be applicable to certain goods and services, including the following:

- Restaurant and catering services
- Renovation of housing
- Books
- Taxi services
- Public transportation of passengers

It should be noted that foodstuffs, energy, and goods and services provided to handicapped persons will continue to be subject to a VAT rate of 5.5 %.

As soon as we have confirmation that this change has been approved we will update our website accordingly.

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

### Reduced VAT rate applied to e-books with effect from 1 January 2012

Under a new article of the French Tax Code and with effect from 1 January 2012 the reduced VAT rate of 5.5% will be applied to all books, including e-books.

### France referred to the ECJ with regard to VAT on ships

France has been referred to the EU Court of Justice (ECJ) by the European Commission in relation to its VAT exemption applied to transactions involving ships.

France incorrectly implemented the provision of the VAT Directive that deals with the VAT exemption of supplies related to ships. France applies the exemption to all passenger and commercial ship activities, without requiring these vessels to be used for navigation on the high seas.



## Ireland

### Budget 2012

The Irish Government published its 2012 Budget on 6 December 2011. The main elements of this budget regarding VAT are the following:

- Increase of the standard VAT rate by 2% from 21% to 23% from 1 January 2012;
- VAT rate on district heating to be reduced from 21% to 13.5 % ;
- In an effort to further boost the tourist sector the 9% VAT rate will be applied to the admission to "open farms"



## Ireland

### Budget 2012 (cont)

Other changes include an increase in the rate of mortgage interest relief for first time buyers, an increase in the CGT and CAT rates to 30%, an increase of 25% in excise duties for cigarettes and a house hold charge of 100 EUR for home owners.

It must be noted that the corporate tax rate will remain unaffected as predicted.

### Revenue clarify that certain bakery products are no longer subject to the zero rate of VAT

The cost of certain bakery products will increase as Revenue have clarified they are subject to the reduced VAT rate of 13.5%.

Bagels, garlic bread, onion bread, croissants and other similar products were treated as subject to the zero VAT rate but as the list of bread ingredients is very specific and where these products do not conform, they would be subject to the 13.5% VAT rate.

Should you have any enquires in relation to this please e-mail [info@meridianglobalservices.com](mailto:info@meridianglobalservices.com).

### Reduced frequency for Tax returns and Payments for small businesses

The Irish Revenue issued a brief (Brief 66/11) to inform that from the 1st of January 2012 small businesses will benefit from new deadlines to submit certain tax returns and payments. Eligible businesses would be allowed to submit returns and

make payments on either a quarterly, four monthly or six monthly basis, subject to certain conditions, thereby improving cash flow and reducing administration costs.

This will not only apply to VAT filings and payments but also to PAYE/PRSI and RCT, and the filing deadline will depend on the tax type and annual amounts payable.

Revenue will automatically inform eligible businesses by letter.

You can find a link to the relevant brief here: [Brief 66/11](#)

For more information on this topic, please contact our MIVC team or e-mail [info@meridianglobalservices.com](mailto:info@meridianglobalservices.com).



## Mexico

### Electronic Invoicing

In order to be eligible for electronic invoicing under Mexican rules, companies must first register with the Mexico VAT Authority (SAT) who will then issue an Electronic Signature and certified Digital Seal to the company. An authorized Certificate Provider must also be used for validation.

Non-compliance is treated in the same way as tax fraud, which if convicted would lead to 6 months to 9 years imprisoned.

As these rules are quite complex, should you require any assistance or have any queries please e-mail [info@meridianglobalservices.com](mailto:info@meridianglobalservices.com).



## The Netherlands

### **Proposed amendment to the reporting rules of triangular transactions in The Netherlands for the middle party in the chain**

The Dutch Government has proposed an amendment to the law to bring the Dutch legislation in line with the EU VAT rules.

So far, when the middle party in a triangular transaction chain was established in the Netherlands and used its Dutch VAT number, this company was expected to report an intra-community acquisition in The Netherlands in relation to the sale made to them made by the first party and to account for the VAT on this acquisition in their Dutch VAT return.

When this amendment is adopted the middle party, VAT registered in The Netherlands, would no longer be required to report an acquisition in The Netherlands. It should only be necessary to include the subsequent sale to the end party in its Dutch EC sales listing.

This change is expected to come into force on the 01 January 2012.



## Norway

### **Budget Bill 2012 proposes some VAT changes**

In October the Norwegian Government presented their 2012 Budget Bill to the parliament. They have proposed the following amendments which, if approved, will apply from 1 January 2012:

- The current VAT rate of 14% on foodstuff be increased to 15%

- Warranty repairs, carried out in Norway, to be zero rated
- Repairs to goods and buildings purchased by Norwegian customers from foreign businesses will also be zero rated

Should you have any queries please contact us at [info@meridianglobalservices.com](mailto:info@meridianglobalservices.com).



## Slovenia

### **Amendments to the payment of tax liabilities**

#### **Background**

The Slovenian Parliament on 23 September 2011 passed an amendment to their VAT Act, which entered into effect on 20 October 2011.

The amendment introduces or clarifies rules in respect of:

- Submitting voluntary disclosures in relation to historic VAT returns;
- Making adjustments in relation to credit notes and bad debts as well; and
- Increasing the use of online filings.

The overall essence of the changes is to make the Slovenian VAT regime easier for taxpayers and where possible to reduce administrative costs related to VAT compliance.

#### **Correcting mistakes in historic VAT returns**

There have been some clarifications in relation to the process for correcting errors. Where taxpayers identify an error in relation to a previous period, it is possible



## Slovenia

### **Amendments to the payment of tax liabilities (cont)**

to submit a correction of such an error at any point prior to a tax audit / assessment.

In order to correct such an error, the taxpayer must submit a corrected tax return clearly indicating the original period to which the error related to and the amount of VAT incorrectly accounted for. It should be noted that in such 'self-assessment' scenarios although no penalty is due, the taxpayer will still be required to pay interest on the amount.

Similarly the new provisions allow taxpayers to submit a VAT return where it has not been filed, any time before a tax audit/assessment or criminal investigation. The taxpayer must ensure that they account for any VAT due on the day that the return is submitted and again interest (although no penalty) is applicable.

### **Correcting input VAT based on credit notes**

The provisions make it clear that it is possible for taxable persons to retrospectively reduce the VAT accounted for on their supplies as soon as they inform their customers, in writing, of the amount of output VAT which will be reduced. Previously a reduction in output VAT in credit note scenarios required the taxable person to reduce their output VAT only subsequent to written confirmation from their customer (informing the supplier that they had adjusted the input VAT). As such, the new rules allow the supplier to make an output tax adjustment as soon as they notify their customer instead of requiring them to wait for notification from their customer.

The notification provided by the supplier, creates an obligation on the customer to reduce their input VAT accordingly in the same period in which they receive the notice from the supplier.

Correcting output VAT in instances of bankruptcy or compulsory settlement proceedings:

Similarly the provisions also explain new procedures that allow taxable persons to reduce their output VAT in scenarios where an invoice is outstanding due to the customer undergoing a compulsory settlement or bankruptcy proceeding.

Previous rules required the taxable person to await a court order confirming bankruptcy / insolvency before making an adjustment to output VAT. However, it now appears that the rules allow taxpayers to make an adjustment as soon as such bankruptcy proceedings begin. The rules also make clear that if the supplier subsequently receives a full or part payment of the outstanding receivables, it must remit the relevant amount of output VAT to the authorities.

### **Electronic filing**

The Act introduces what will eventually become compulsory submission of all VAT filings. The existing e-tax web portal already provides for the filing of a number of e-forms and going forward additional submissions will also be available for online filing. These additional filings include the following:

- Claim for refunds (taxpayers who provisionally supply a new vehicle / means of transport (to be available with effect from 1 January 2012);



## Slovenia

### Amendments to the payment of tax liabilities (cont)

- Notification to the authorities of future transactions by a taxable person expecting the tax authority to determine the provisional deductible proportion (expected to be available with effect from 1 January 2013);
- Claims for refunds in passenger traffic (expected to be available from 20 October 2011);
- Request to terminate a VAT registration (expected to be available from 1 January 2012)
- Claim for refunds by taxpayers who are established outside Slovenia and in a country where reciprocity exists (expected to be available with effect from 1 July 2012);

Should you require any further assistance in relation to this please contact your usual Meridian contact or e-mail [info@meridianglobalservices.com](mailto:info@meridianglobalservices.com).



## South Africa

### New functions to the "eFiling" system introduced

The South African Revenue Services have introduced a number of new functions to their eFiling portal on the 26 September 2011 that allows companies that file VAT returns through the "eFiling" system to monitor their VAT payments and VAT refunds more efficiently.

The new functions would give a tax payer access to information on the status of VAT refunds (via the Refund Dashboard), allow the re-allocation of payments and to

request VAT Statement of Accounts (VATSA).

SARS hopes that these new functions, combined with the changes already implemented, will lead to better management of VAT accounts.

For more information on this topic, please contact our MIVC team or email [info@meridianglobalservices.com](mailto:info@meridianglobalservices.com).



## United Kingdom

### HM Revenue & Customs (HMRC) to extend the Business Records Checks review

HMRC introduced the Business Records Checks earlier in the year to review business records being kept by small to medium enterprises. HMRC are now planning to complete 20,000 checks in 2012/2013.

The initial reviews found that approximately 44% had record keeping issues while 12% had seriously inadequate records. HMRC intend to penalise any serious inadequacies with penalties of up to £3,000.

For further information: [HMRC Business Records Checks](#)

### HMRC rules against travel agents VAT claims

HMRC will reject any VAT refund claims submitted by travel agents on discounted holiday rates. Travel agents can appeal the ruling but it may take time before a decision is reached.

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



## European Commission adopts the merger of tax and customs programmes

The European Commission have adopted the proposal for the FISCUS programme, which merges the tax and customs programmes into one. The FISCUS programme will run from 1 January 2014 for 7 years and will have a budget of 777.6 million euro. The commission aims to meet simplification and cost-cutting goals with the merger.

FISCUS should improve efficiency and reduce discrepancies between the Member states as well as increasing co-operation between tax and customs authorities and other parties. The objectives of the FISCUS programme are to protect the financial interests of the EU and Member states, facilitate trade, ensure the safety and security of EU citizens, improve the capabilities of customs and tax authorities, and implement EU legislation in these fields.

For further information: [Taxation and Customs – European Commission Press Release](#)

### EU – White Paper on VAT Reform is published

Following the public consultation on the Green Paper – The future of VAT, on 6 December 2011, the EU Commission adopted a Communication on the future of VAT in order to create a more efficient VAT system, whilst preventing fraud.

The new VAT system has 3 main objectives:

1. Simplifying and having a more transparent system so it is a more business friendly VAT system.
2. Supporting Member States with their fiscal efforts and sustaining economic growth. In order to prevent members increasing VAT rates they propose the removal of exemptions and limiting reduced rates without effecting member states revenue.
3. Preventing fraud and closing the 'VAT Gap', which is uncollected VAT estimated to be around 12% of the total VAT due. In 2012 the Commission will propose further measures to combat fraud.

The Commission also confirmed that the new VAT system will continue to be based on the collection of VAT in the country of destination.

To read the entire Commission communication, please follow this link: [EU – Future of VAT](#)

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

### European Court of Justice rules in favour of Rank Group on overpaid VAT on Bingo

The ECJ rejected an appeal by HMRC regarding £253.4m overpaid VAT by Rank Group going back to 1973. It stated there was a breach in the EU rules on fiscal neutrality as different VAT rules were applied to similar supplies.

This ruling could lead the way for many gaming companies to recover further VAT overpayments.

Should you have any enquires in relation to this please contact your local Meridian office or e-mail [info@meridianglobalservices.com](mailto:info@meridianglobalservices.com).

## **View the recording: 'Live demo on "VAT Add-on" for use within SAP'**

In this 60 minute Webcast, Meridian demonstrated its VAT Add-on for use within SAP, in a live SAP environment.

We showed how the VAT Add-on enhances the flexibility and logic of standard SAP, in order to handle the many complexities relating to European and global VAT.

If your business runs SAP, or you are migrating to a SAP platform - then you can't afford to miss this.

For further information and to view the recording please go to: [Live demo on "VAT Add-on" for use within SAP](#)

## **Meridian Desktop VAT Application**

Meridian's new 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](#)

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