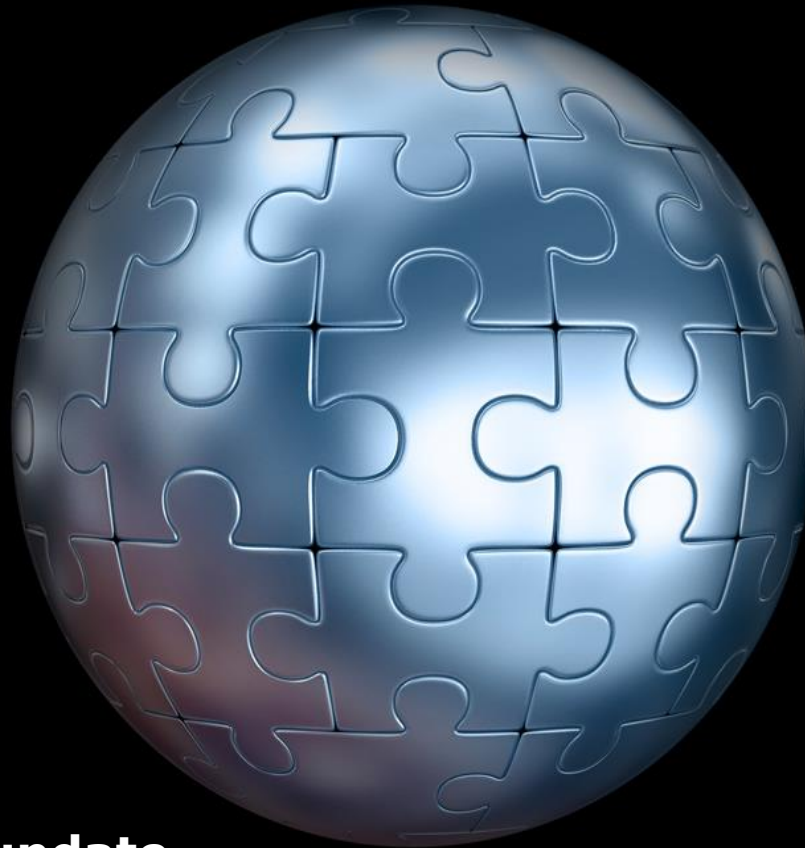


**Deloitte.**



**Pan European VAT update**  
**Deloitte Global Tax Center (Europe)**  
18 May 2018

Olivier Hody, Partner  
Bruno Roelands, Senior Director  
Karen Truyers, Senior Manager  
Sandeep Shinde, Manager

# Agenda



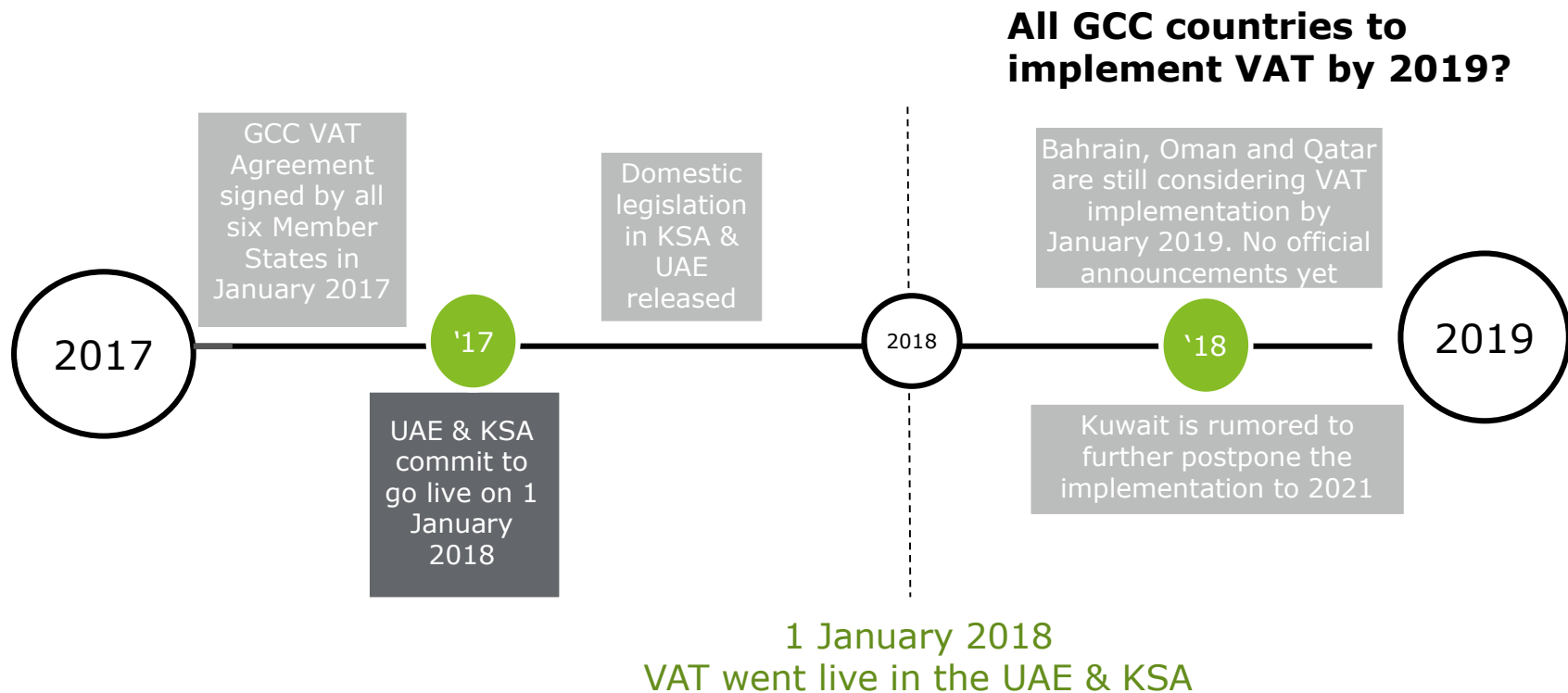
- Introduction
- Global and EU VAT developments
  - GCC
  - European Council & Commission
  - CJEU
- SAF-T, real time reporting, and split payment updates
- Pan EU VAT compliance update
  - EU VAT rates
  - E-filing and E-communication
  - Input VAT recovery
  - Due dates, payments/refunds, recovery & reporting
  - Penalty regime
- Brexit update
- Conclusion

# **Global and EU VAT developments**



**GCC**

# Gulf Cooperation Council states (GCC) VAT Implementation progress



# Gulf Cooperation Council states (GCC)

## UAE and KSA – post VAT implementation challenges



### UAE

- VAT Payments performed via "[GIBAN](#)" (a unique IBAN number given to every VAT registered taxable person)
- Likelihood for mismatch risks for imports based on customs calculations vs. the actual values in the ERP system (as import value automatically appear on the VAT return)

### KSA

- E-filing credentials = username, password, and OTP (One time password) via a Saudi mobile phone
- Payment of the VAT liability currently possible via local SADAD bank account only
- Fiscal representation for non-established taxpayers



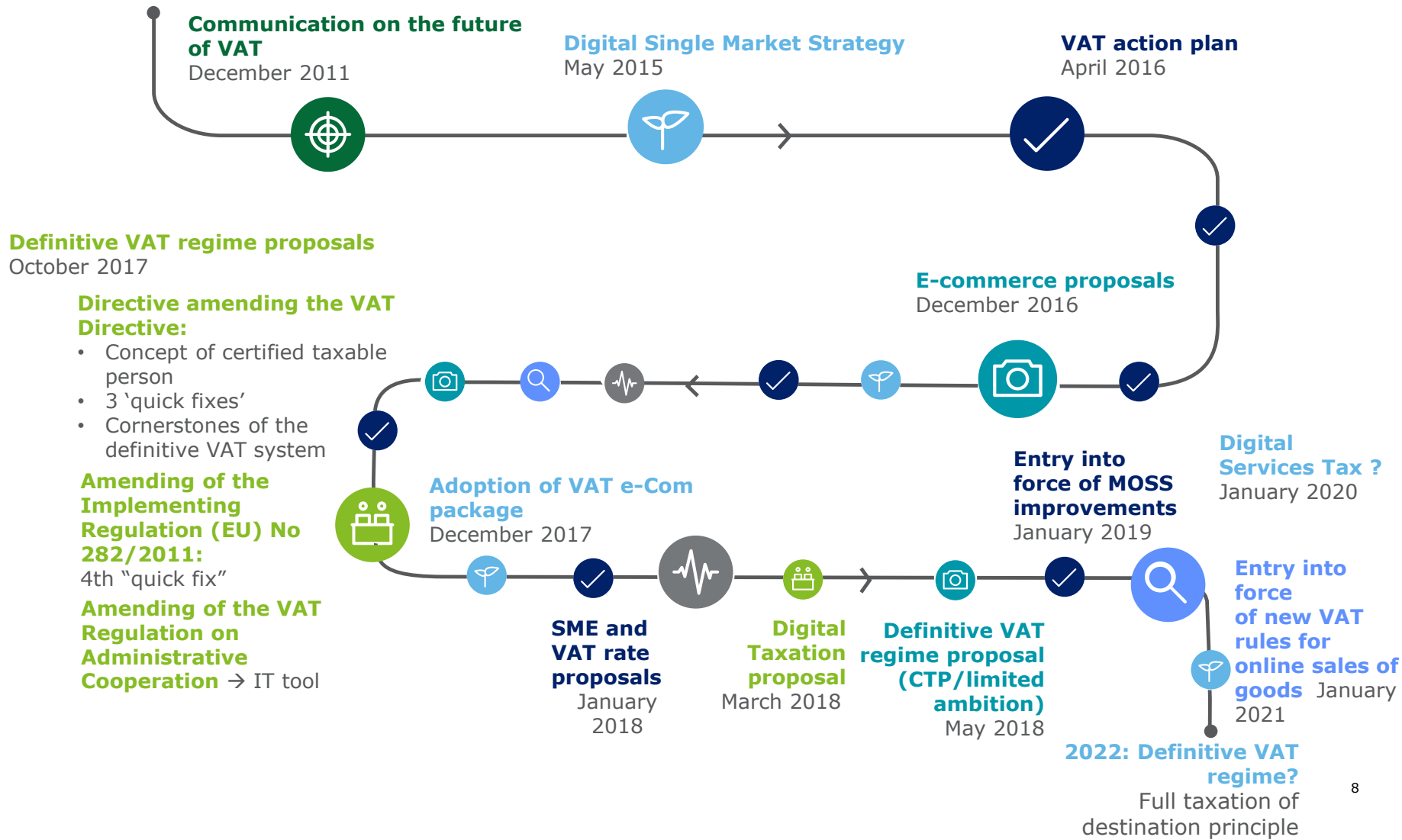
**Intra-GCC transactions are still considered as imports/exports**



European  
Council &  
Commission

# European Council & Commission

## Progress towards e-commerce and definitive VAT regimes ?







## 2019 changes

### Upgrade of 2015 MOSS scheme

- New EUR 10,000 cross-border B2C sales threshold for MOSS
- New EUR 100,000 threshold for single piece of evidence
- VAT registered non-EU businesses can use non-Union MOSS
- Invoicing rules of Member State of identification

## 2021 changes

### B2C distance sales of goods

- Removal of distance sales regime and low value import exemption
- Extension of MOSS/OSS to B2C distance sales (incl. import)
- Special arrangements on import if not covered by OSS
- Deemed supplier liability for marketplaces on B2C import or sales by non-EU vendors
- MOSS/OSS improvements

Implementing Regulations still required for deemed supplier liability for marketplaces  
VAT on imported goods subject to readiness of customs arrangements (UCC)



### Comprehensive solution

Member States able to tax profits generated from a **significant digital presence** in their jurisdiction, regardless of physical presence

### Interim solution

Interim tax of **3%** on the revenue created from the supply of certain **digital activities** where **users play a major role in value creation** and which are the hardest to capture with current tax rules

# European Council & Commission Digital Services Tax proposal



## EU VAT

### **Taxable service**

- B2C telecom, broadcasting and electronically supplied services

### **Taxable person**

- Thresholds determined on standalone basis

### **Place of taxation**

- Establishment of customer

## DST

### **Taxable service**

- B2B and B2C user-related digital services

### **Taxable person**

- Thresholds determined on consolidated level

### **Place of taxation**

- Use of device

Transactional user data

Identification of supplier

Capacity of supplier



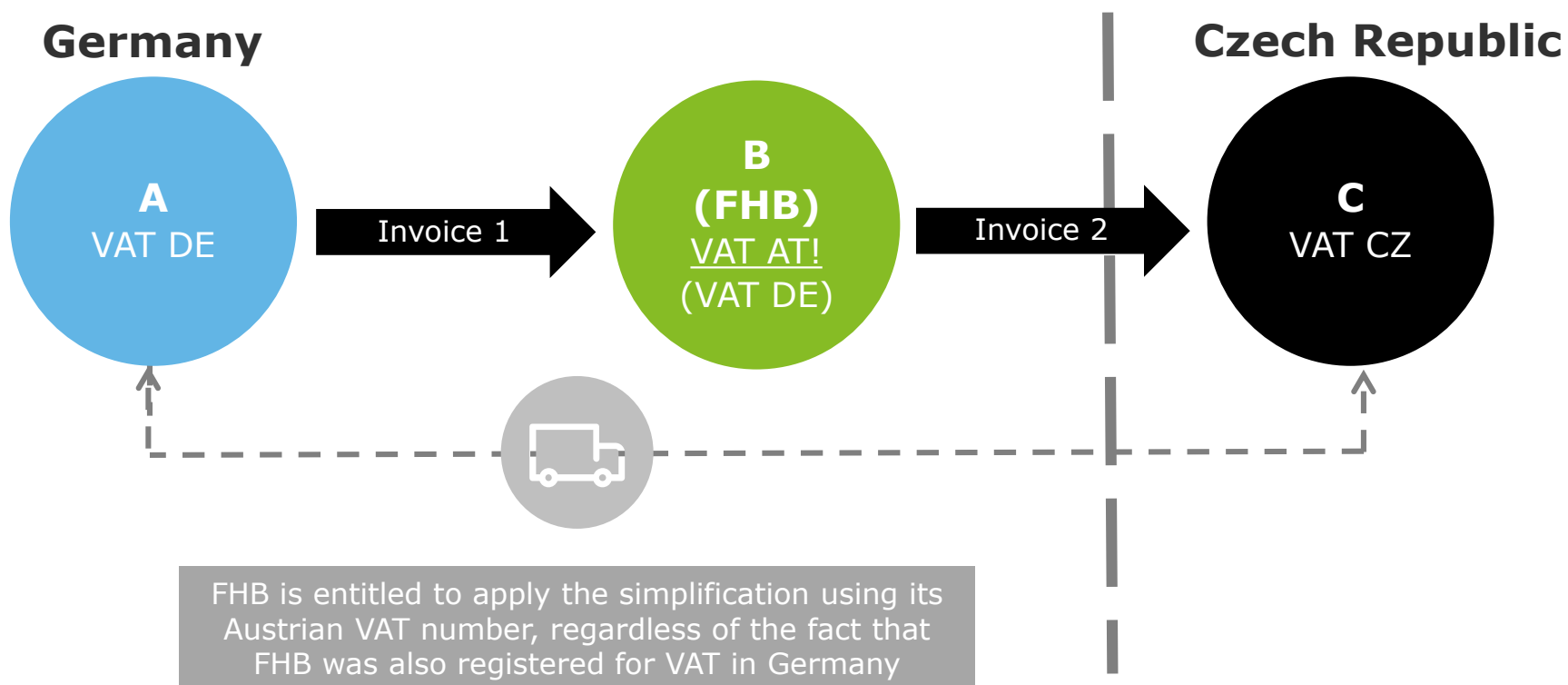
**CJEU**

# CJEU updates

## C-580/16 Hans Bühler



CJEU allows use of simplified triangulation for intermediary with VAT number in Member State of dispatch

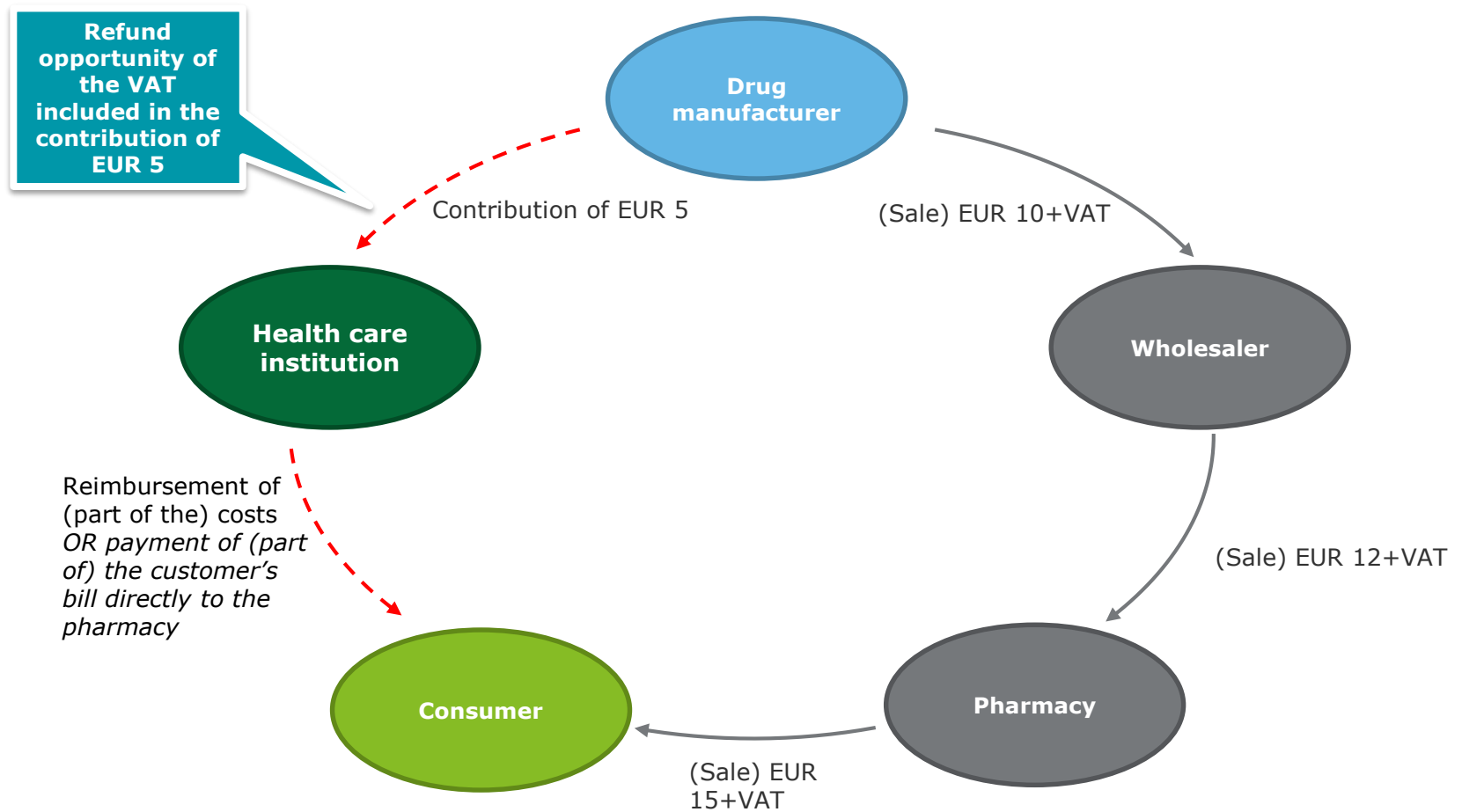


# CJEU updates

## C-462/16 Boehringer Ingelheim



Pharmaceutical manufacturer can reduce output VAT for rebates paid to third parties





### VAT refund opportunity

#### HIGH success rate countries

Belgium – Bulgaria – Czech Republic – Finland – France  
Germany – Hungary – Italy – Latvia  
Luxembourg – Poland – Portugal – Slovenia

#### MODERATE success rate countries

Austria – Croatia – Cyprus – Greece  
Ireland – Romania – Sweden  
Spain – UK

#### LOW success rate countries

Denmark – Estonia  
Lithuania – Malta  
Netherlands  
Slovakia

# **SAF-T, real time reporting and split payment updates**





**SAF-T**

# SAF-T updates

## Poland



- All remaining taxpayers will be subject to full [on-demand SAF-T](#) from 1 July 2018

	Large companies	Medium companies	Small companies	Micro companies
	<ul style="list-style-type: none"> <li>More than 250 employees</li> <li>Turnover &gt; EUR 50 million and balance sheet assets &gt; EUR 43 million</li> </ul>	<ul style="list-style-type: none"> <li>Less than 250 employees</li> <li>Turnover &lt; EUR 50 million and balance sheet assets &lt; EUR 43 million</li> </ul>	<ul style="list-style-type: none"> <li>Less than 50 employees</li> <li>Turnover &lt; EUR 10 million and balance sheet assets &lt; EUR 10 million</li> </ul>	<ul style="list-style-type: none"> <li>Less than 10 employees</li> <li>Turnover &lt; EUR 2 million and balance sheet assets &lt; EUR 2 million</li> </ul>
<b>Monthly VAT ledgers (Mandatory)</b>	1 July 2016	1 January 2017		1 January 2018
<b>Full SAF-T Audit (on demand)</b>	1 July 2016	1 July 2018		1 July 2018

# SAF-T updates

## Norway



### January 2020 (wave 1)

**Version 1:** All postings, incl. G/L, customers, suppliers and VAT account; A/R (balances, customer master data, etc.); A/P (balances, customer master data, etc.)



### TBD (Wave 2)

**Version 2:** Detailed invoice information and source documents, etc.



### TBD (Wave 3)

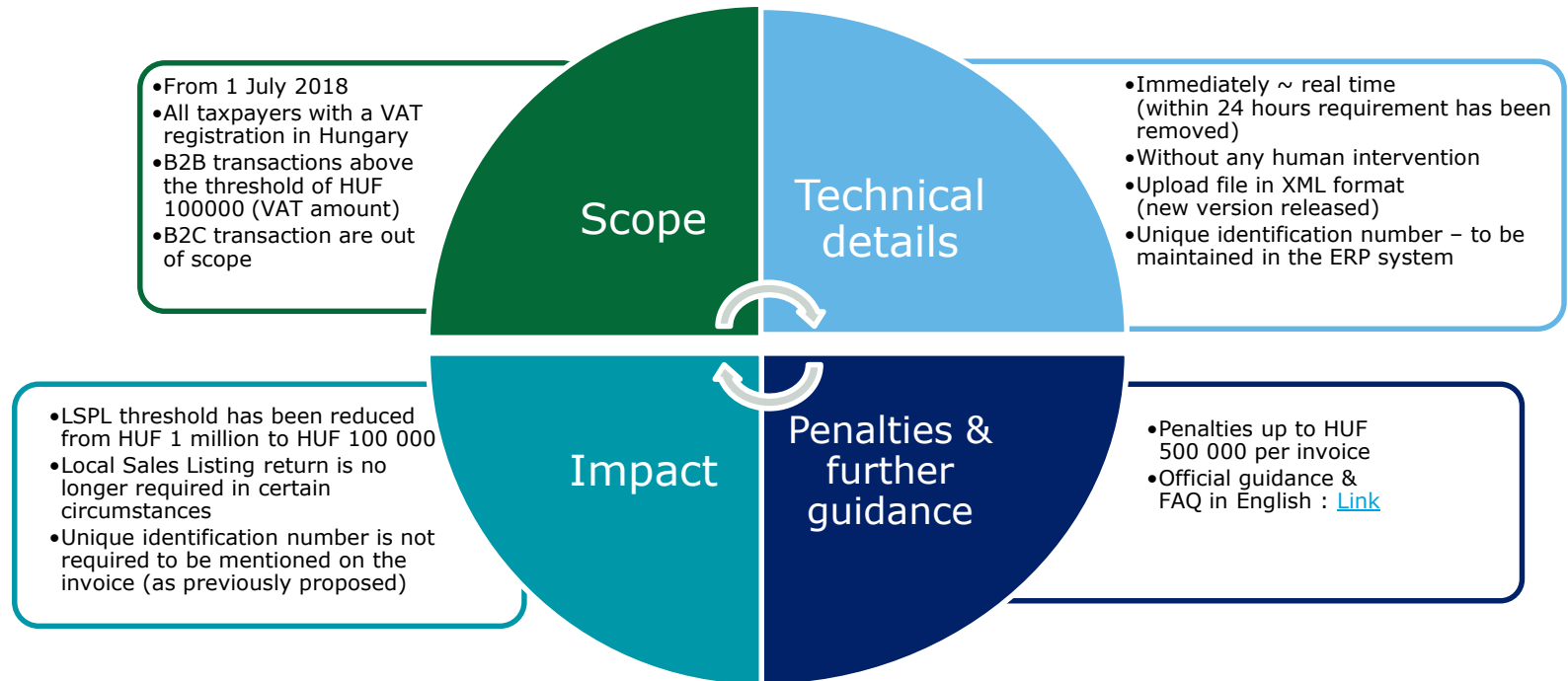
• Version 3: Movement during period of inventories and non-current assets, etc.





Real time  
reporting

# Real time reporting Hungary



# Real time reporting Canary Islands (IGIC)



## New obligations on transactions recording

- The new Anticipated Electronic VAT Reporting System (SII) entails the electronic supply, through the Spanish Tax Authorities on-line platform, of billing registries which are part of the VAT ledgers.

## Deadline to submit the information

- Issued invoices: 4 days from its issuance. However, always before the 16<sup>th</sup> day of the following month from the accrual date.
- Received invoices: 4 days from its accounting. However always, before the 16<sup>th</sup> day of the following month from the accrual date.

## Submission/due date change for other Canary Islands returns

Following returns will not be required upon SII implementation:

- Annual IGIC return (form 425)
- Local sales and purchase listing (form 415)
- Monthly (form 340)

Change in the statutory date:

- Monthly IGIC return (form 420): due date extended to the last day of the month, following the end of reporting period

## Dates of implementation

- Entry into force from 1 January 2019
- **Mandatory for monthly taxpayer** who are:  
(i) registered in the Monthly VAT Refund Register, (ii) registered under VAT Grouping Regime, or (iii) transactions performed during last year exceeded EUR 6.010.121,04.
- Optional for taxpayers who voluntary want to enroll the system, by submitting the corresponding census form.

## Ways of submission

- Tax Authorities on-line platform



# Real time reporting

## Spain



- **New version of SII (version 1.1)** will enter into force from 1 July 2018
- Testing platform is available since 3 May 2018
- The new SII version is aimed at technical simplifications (to mention a few):
  - Possibility to split taxable basis between different reasons for exemption
  - New identification field for mergers and acquisitions
  - New field has been added to identify all transactions above EUR 100 000
  - New field has been added for free completion/external reference
  - New code has been added to identify method of payment via direct debit
  - New codes have been added to identify VAT refunds related to transactions under travellers regime
  - New code has been added to identify invoices related to VAT assessments resulting from complementary DUA's/import documents

# Real time reporting Italy



## Mandatory e-invoicing

- From **1 January 2019**, transactions (B2B and B2C) between parties established, resident or VAT registered in Italy will fall within the scope of new electronic invoice provisions
- As an exception to the start date above, the new e-invoicing obligations will become mandatory with effect from **1 July 2018** for invoices relating to the following supplies:
  - Supplies of fuel and diesel in certain circumstances; and
  - Supplies of services provided by subcontractors under the contracts with the Italian Public Administration
- Transactions where one of the parties is not established, resident or VAT-registered in Italy may not be subject to the new e-invoicing obligations. However, such supplies will need to be communicated via a new reporting format which is still to be confirmed
- The electronic invoices will have to be processed electronically through an Interchange System (Sistema di Interscambio) , managed by the Revenue Agency in Italy, and invoices must be submitted either in XML format or in the "*FatturaPA*" format (used to issue electronic invoices to Public Administrations in Italy)
- As a result of the implementation of the mandatory e-invoicing, **Spesometro return** is also set to be abolished from 1 January 2019



# Real time reporting United Kingdom



## Making Tax Digital (MTD)

**A** **Scope**

- No real scope / frequency increase
- Same exclusions apply
- Special schemes as per today
- Points-based penalty scheme

**C** **Timeline**

- Draft legislation now available (**2018**)
- Pilot scheme ramp-up (**2018**)
- Go-live for VAT (**Apr 2019**)
- Soft landing period (**to Apr 2020**)
- **Brexit impact ?**

**B** **3 steps to going digital**

**01 Digital records**

- Functional compatible software
- **Designatory:** name/address, VRN
- **AP/AR:** time, value, rate
- Preserve records for 6 years

**02 Digital links**

- Spreadsheets must meet rules
- No cut and paste, rekeying, etc.
- "VAT Account" – audit trail
- Adjustments can be calc offline

**03 Digital submission**

- Submit 9 boxes via API
- Supplementary/voluntary info
- Corrections as per current
- Receive comms back from HMRC

**D** **3 steps to readiness**

**01 Perform MTD impact assessment**

- Detail of VAT return, include:
  1. People / organisational
  2. Systems, data, interfaces
  3. Process, including adjustments

**02 Decide on approach**

1. Minimal compliance via API
2. Add extra components / analytics
3. Full transformation of process

- Look at long-term horizon!

**03 Decide on method**

- Software – API, interim or full
- Service / outsource
- Data analytics
- Combination of above methods



Split  
Payment

# Split payment

## Key updates



### Romania

- In force from 1 March 2018
- Mandatory, in case of unreliable taxpayer
- [Special VAT Bank Account Register](#)
- [Register of 'Reliable' taxable persons](#)
- Customer to split the taxable base and VAT payment



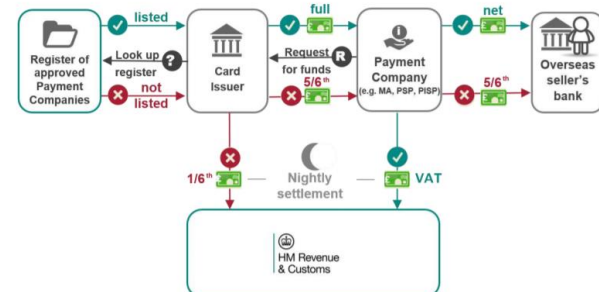
### Poland

- Go-live date : 1 July 2018
- Optional regime
- A single payment into supplier's Polish bank account
- The supplier's bank then segregates the taxable base and VAT amount
- VAT then flows into a special account ("VAT account")



### United Kingdom

- [Public consultation](#) open until 29 June 2018
- A technology-based split-payment mechanism, which extracts VAT in real time and deposits it with HMRC



# **Pan EU VAT compliance update**



VAT Rate  
updates

# VAT rates

## Recent updates



### South Africa

- The standard VAT rate has increased from 14% to 15% effective 1 April 2018
  - The tax authorities (SARS) have published a [number of guidelines](#) and [FAQs](#) in this respect
  - The periodic VAT return has been amended incorporate the new VAT rate



### Greece

- Special VAT status will be abolished from 1 July 2018 for the remaining 5 islands

Region	Standard rate	Reduced rate	Super reduced rate
Greek mainland	24%	13%	6%
Five islands (Lesbos, Chios, Samos, Kos and Leros) - <b>until 30 June 2018</b>	17%	9%	4%
Other remaining islands (i.e. other than the above-mentioned five islands)	24%	13%	6%



General VAT  
compliance  
updates

# General VAT compliance updates

## Due dates, payments/refunds and threshold updates



### **New reporting thresholds for LSPL return**



#### **Latvia**

- PVN1 return: EUR 150 (taxable base) per invoice, from 1 January 2018



#### **Hungary**

- LSPL return: HUF 100 000 (VAT amount) per invoice, from 1 July 2018



# General VAT compliance update

## E-filing/ Software/ E-communication



### **Estonia**

- Change of VAT e-filing login system:
  - An Estonian nationality ID card is required for e-filing purposes
  - In force from 1 January 2019



### **Norway**

- A valid email address is required for primary / authorized contact person to receive communication electronically from the tax authorities



### **United Kingdom**

- Two-step verification became mandatory since March 2018
  - An additional authorization code is required to enter the website of HMRC
  - The code can be retrieved via an [iPhone/Google](#) app, text message or call

# General VAT compliance updates

## E-filing/ Software/ E-communication



### **Mandatory e-filing**

Poland, Romania, Canary Islands, Bulgaria, The Netherlands



### **New boxes in the VAT return**

Finland, Switzerland, Latvia



### **New VAT return form**

Hungary, Poland, Slovakia



### **New version of the intrastat software**

Ireland, Hungary



### **Intrastat reporting**

Slovenia requires distance sales transactions to be reported in Intrastat returns

# General VAT compliance updates

## Input VAT recovery



### **Italy**

- Input VAT incurred in a calendar year, must be deducted by the statutory due date for the submission of the annual VAT return for that year
- Taxpayers may be able to recover VAT on purchase of fuel, oil and other transport related services from 1 July 2018 provided the payment is performed using one of the following means of payment methods:
  - Cheque
  - Bank transfer
  - Direct debit
  - Credit card, debit card, prepaid card
  - Any other electronic means of payment

# General VAT compliance updates

## Due dates, payments/refunds



### Change of bank account for VAT payments



#### Germany

- Some local tax offices in Germany have changed their bank accounts used for receiving VAT payments from the taxpayers
- A full list of valid bank account details of the German tax authorities can be found using the tax authorities [website](#)



#### Romania

- Non-established companies should use the below new IBAN account of the tax authorities when performing a payment of VAT liability in Romania
- Beneficiary: Bugetul de Stat

Bank: Trezoreria operativa a Municipiului Bucuresti  
IBAN: RO10TREZ70020A100101XTVA

# General VAT compliance updates

## Penalty regime



### Latvia

- Proposed changes in the penalty legislation from **January 2019**:
  - Submission delay up to 10 days – applicable from EUR 25 up to EUR 70 (currently up to EUR 70 for a delay of up to 15 days)
  - Submission delay from 11 up to 20 days – applicable penalty from EUR 71 up to EUR 150 (currently from EUR 71 up to EUR 280 for a submission delay from 16 up to 30 days)
  - Submission delay from 21 up to 30 days – applicable penalty from EUR 151 up to EUR 280 (currently from EUR 71 up to EUR 280 for a submission delay from 16 up to 30 days)
  - Submission delay of more than 30 days or non-submission - applicable penalty from EUR 281 up to EUR 700 (no changes, currently the same penalties apply)



Brexit

# Brexit

## Key updates



1 >

### Timing

On 29 March 2017 the UK formally notified to the European Council its intention to leave the EU.

It is scheduled to depart on 29 March 2019.

2 >

### Transition period

The proposed end date for the transition period in the negotiating Directives is 31 December 2020.

During the transition period the whole of the EU acquis will continue to apply to the UK as if it were a MS.

3 >

### Do we know how things will work in the long-term?

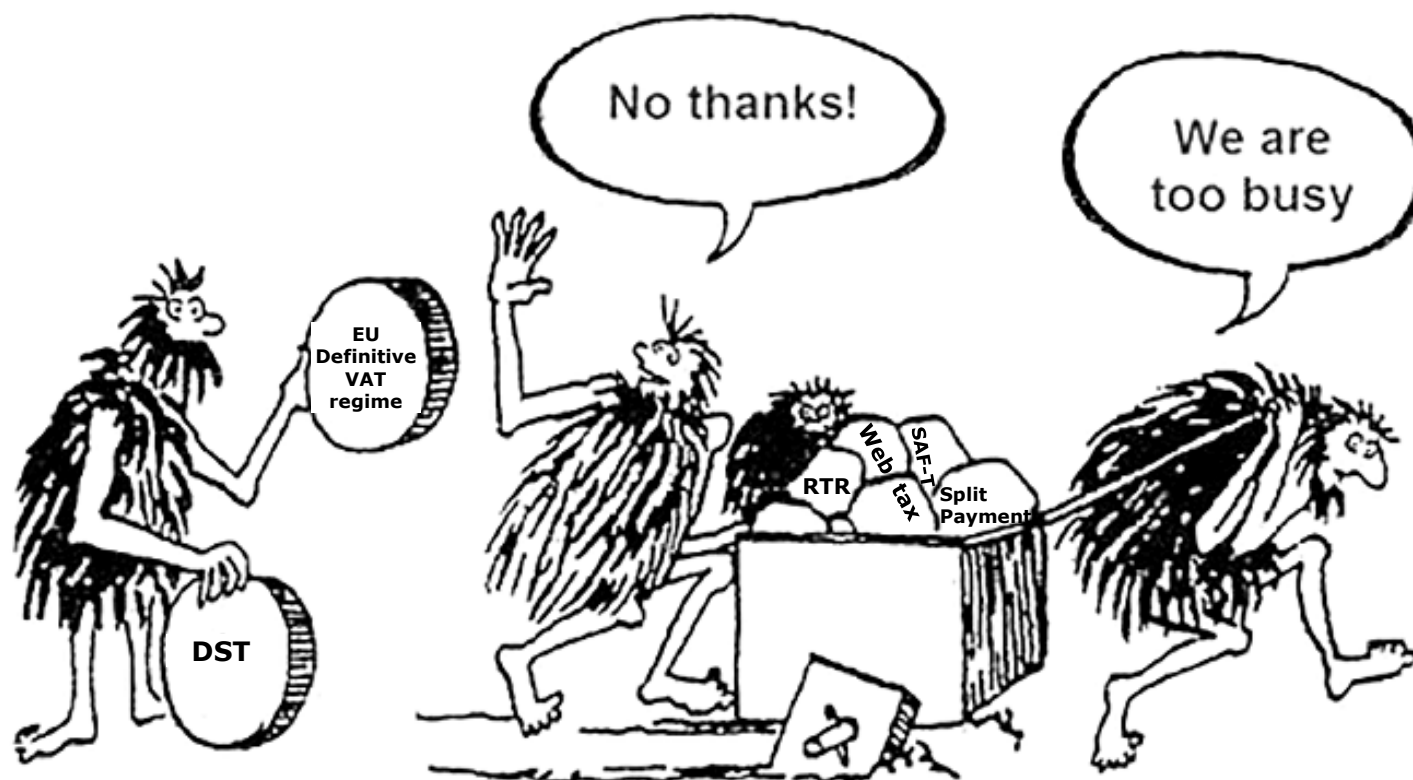
No. Negotiations about future relations between the UK and the EU are just beginning. The European Council, meeting in an EU27 format, adopted the guidelines on the framework for a future relationship with the UK after Brexit on 23 March 2018.



Conclusion



# Conclusion





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