

VAT Alert

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19 August 2013

Belgian VAT exemption for lawyers to be abolished with effect from 1 January 2014

The Belgian government has decided to abolish the general VAT exemption which currently applies to lawyers in Belgium. From 1 January 2014 onwards, Belgian lawyers' fees will be subject to a 21% VAT charge.

VAT exemption

Since the introduction of VAT in Belgium in 1971, lawyer's services were exempt from Belgian VAT. The exemption led to discussions concerning the application of VAT on international law firms, in particular whether the VAT treatment for Belgian, EU and non-EU firms could or should be different. In search for new revenues, the Belgian government has now decided to abolish the VAT exemption as from 1 January 2014 onwards. This will imply that the services provided by (all) lawyers in Belgium will as a rule become subject to a 21% VAT charge. The abolishment of the exemption hence ends discussions regarding the VAT status of international law firms as well.

The Belgian government estimates that this measure will raise the Belgian budget with 89 million euros in 2014.

Impact

The abolition of the VAT exemption raises new questions regarding the VAT status of partners, associates and trainees and the firms they work for. Lawyers who are VAT exempt today will need to register for VAT, adjust their accounting and invoicing methodology, will need to start applying 21% VAT but will also be able to recover VAT incurred on their costs, including VAT incurred in the past on the purchase of business assets ('historic VAT'). The introduction of this general VAT application will also have implications for firms that are already subject to VAT and are VAT registered in Belgium. For instance, they will need to consider the application of the reverse charge mechanism on services from other European law firms instead of applying the exemption.

Not all details of the new regulation are known yet and we will keep you informed of any developments.

In the meantime, a webinar is organized on Wednesday 11 September 2013 from 4 to 5 PM CET to provide a first introduction on the abolishment of the VAT exemption and an overview of the implications for individual lawyers and law firms.

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