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25 October 2013

Directive proposal introduces 'standard VAT return'

The European Commission published a proposal for a Directive introducing a 'standard VAT return'. The proposal aims to reduce the administrative burden for businesses by harmonising the content, rather than the format, of periodical VAT returns throughout the EU.

Proposal content

The main change brought by the proposal is that it imposes a minimum and a maximum list of information for the standard VAT return :

- It should have a minimum of five essential elements; namely the total amount of supplies made, the costs incurred, the corresponding amount of VAT payable, the deductible VAT as well as the VAT balance. Until 2019, the amount of intra-community supplies and acquisitions are also mandatory;

- Member states may extend this with a maximum 19 items of additional information, such as a split of supplies and VAT due per VAT rate, etc.

Furthermore, the proposal sets the frequency of VAT returns, which are in principle monthly but can be quarterly if the annual turnover is not higher than 2,000,000 EUR, or can even be yearly in specific situations defined by Member States. Member states are no longer allowed to impose the submission of an annual recapitulative VAT return.

The submission deadline for the VAT return cannot fall short of a month after the declaration period but should not fall beyond two months. Member States themselves also define the process and timelines in which VAT returns can be corrected and can impose other returns and reports.

If adopted, these changes would have to be transposed into national legislation by 31 December 2016.

Impact of the changes

Next to the facilitation of e-invoicing (realised through the 2nd Invoicing Directive in 2010), the simplification and standardisation of the VAT return across Europe was one of the recommendations from a study conducted in 2009 by Deloitte for the EU Commission's Stoiber Group on administrative burden. The current proposal estimates the savings for European businesses at 15 billion EUR per year.

For Belgium, the extended list with 26 data elements would reduce the VAT return from 34 to 26 boxes, as this list more or less covers the same data that should currently be reported. The elements that would disappear are the mandatory differentiations between invoices and credit notes (positive and negative amounts) and the differentiation on the purchase side between trade goods, general expenses and investments.

On a more general level, the degree to which the standard VAT return will reduce the VAT administration cost for businesses will depend on the broader accounting requirements imposed on taxpayers to support the VAT return. Also, businesses are faced with increasing national requirements to provide standard files for audit purposes (e.g. SAF-T model of the OECD, e-audit in France, etc.) which may contain more differentiation than the standard VAT return.

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