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January 2013

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Americas

Colombia



VAT refund for foreign tourists

VAT incurred by foreign tourists in special border

development regions, including tourists in transit, on certain products (e.g. clothing, shoes, perfume, leather goods, CDs, crafts, food, toys, emeralds, jewelry in general, appliances, household linens and hardware) will be refunded up to an amount of 100 UVT.

Tax reform includes VAT and excise tax changes

The package of tax reforms enacted in December 2012 and in effect as from 1 January 2013 contains changes to the indirect tax rules in Colombia.

The tax reform includes the creation of three rates of VAT for goods, namely, 0%, 5% and 16%. The list of VAT exempt and excluded goods is amended: the list of excluded goods now includes goods such as laptops, food and animal feed, and food and beverages sold by restaurants, coffee shops and ice cream shops. An exhaustive list of exempt goods is introduced, taking into account that the VAT withholding is equivalent to 15% of the value of the tax.

There are three excise duty rates: 4%, 8% and 16%. Restaurants with sales exceeding USD 58,000 per year pay an excise duty of 8%, restaurants with sales below that threshold are excluded from the duty, except for restaurants belonging to franchises, which pay 16%. The 16% rate also applies to vehicles with an FOB value equal to or greater than USD 30,000, and to yachts. An 8% rate applies to family vehicles with an FOB value of less than USD 30,000, motorcycles with cylinder capacity of 250 c.c or more and pleasure boats. The 4% rate applies to, for example, mobile phone services.

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United States

State of Washington issues official guidance on physical presence and economic nexus standards

Recently updated guidance from the US state of Washington Department of Revenue explains that, for businesses making retail or wholesale sales into Washington, a person is deemed to have a substantial nexus with Washington if the person has a physical presence in Washington, "which need only be demonstrably more than a slightest presence." For these purposes, a person is deemed to be physically present if he/she has property or employees in Washington. A person also is considered "physically present in Washington" if he/she, directly or through an agent or other representative, engages in activities in Washington that are significantly associated with the person's ability to establish or maintain a market for its products within Washington.

For further information please click here.

The guidance also explains that, effective 1 June 2010, an "economic nexus" standard rather than a "physical presence" standard, was introduced for certain activities, requiring some businesses earning "apportionable income" (including activities subject to the service and other activities and royalty business and occupation (B&O) tax classifications) from Washington customers to be subject to tax regardless of whether they maintain offices in Washington or have an in-state physical presence.

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Uruguay

VAT treatment of e-books

Imports and domestic sales of books are exempt from VAT and import duties in Uruguay. The VAT treatment of books in an electronic format (e-books), however, is an issue that has been addressed in several binding opinions issued by Uruguay's Tax Authority (DGI).

The scope of the import duty exemption was relatively clear, since it applies to "physical books" as well as to "any other new instrument which derives from technology improvements". Hence, imports of e-books are exempt from import duty, provided they fall within the scope of the exemption for literary, artistic, scientific, teaching or educational material.

The sale of books in the domestic market is exempt, but the terms of the VAT exemption differ from the import duty exemption, because the VAT exemption for books does not include any reference to "technology improvements". The DGI recently issued a binding opinion (addressed in the November 2012 edition of Global Indirect Tax News) in which it clarified that e-books do not fall within the scope of the definition of "books" for purposes of the VAT exemption, with the result that e-books are subject to the standard VAT rate of 22% when sold in the domestic market.

However, a decree issued this month by the Executive Branch with application from 1 December 2012 modifies the scope of the VAT exemption. Newspapers, magazines and books edited in an electronic format are now included in the VAT exemption as defined by the local regulations. Licenses for use, as well as the transfer of rights of use and the exploitation of such goods, also are included. In effect, e-books are now exempt from VAT when sold in the domestic market. Notably, the exemption does not apply to ereaders, but only to e-books themselves.

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Asia Pacific

China



VAT treatment of finance leasing companies participating in VAT reform pilot clarified

On 4 December 2012, China's Ministry of Finance and the State Administration of Taxation jointly issued further guidance (Circular 86) regarding the VAT reform pilot program. Circular 86 is expected to have a significant impact on the approved finance leasing companies in the pilot areas.

As specified in a previous circular issued in 2011 (Circular 111), finance leasing companies that are pilot general VAT payers are eligible for a refund of VAT to ensure that their actual VAT burden is no more than 3%. However, Circular 111 did not provide any guidance on the calculation of the actual VAT burden, which has resulted in different interpretations by the various local tax authorities.

Circular 86 clarifies that the actual VAT burden is the proportion of VAT payable to the total consideration, plus any additional fees received from the provision of taxable services. In other words, a deduction of expenses from leasing revenue is not allowed.

Before this clarification, the tax authorities in Shanghai generally allowed the expense deduction. Hence, this clarification will significantly increase the base for calculating the VAT burden in Shanghai. Affected companies should assess the impact of Circular 86 on their profits, and proactively apply for financial subsidies to compensate for the increased burden.

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India

Indirect Tax Symposium

Between 29 November and 4 December 2012, Deloitte India organized a day-long Indirect Tax Symposium 2012 in Mumbai, Delhi and Bangalore.

The opening session was conducted by Piet Vandendriessche, Global Head of Indirect Tax, who led the discussions on "Indirect Taxes in a Globalised World". This was followed by a session by Robert Tsang, Asia Pacific Leader of Indirect Tax, on recent indirect tax developments in the region.

These were followed by six separate sessions on various aspects of Indian indirect taxes, which were led by Prashant Deshpande, Country Indirect Tax Leader. The sessions included discussions on the proposed GST regime in India, recent changes in the service tax legislation, on-going VAT, customs and excise issues, and a separate session on indirect tax litigation in India. Each session was addressed by an indirect tax partner with expertise in that area.

The event enabled Deloitte India to conduct an Indirect Tax Burning Issues Survey, the results of which were announced on the same day. The survey included questions on

the effect of recent economic developments, the level of complexity associated with indirect taxes in India, reasons for using indirect tax advisors, indirect tax burning issues, expectations on the introduction of GST in India, etc. The results of the survey are available on the Deloitte India website (www.deloitte.com/in).

Reminder notices/ letters do not constitute point of taxation

The Central Board of Excise & Customs has clarified that reminder notices / letters issued to policyholders regarding renewal premiums are not the point of taxation to trigger service tax.

Recovery proceedings to be initiated against confirmed demand

The Central Board of Excise & Customs has issued a Circular dealing with the recovery of confirmed demands of excise duty, stipulating timelines depending on the forum before which the Appeal is pending and the status of Stay Application filed. This circular has since been "stayed" by the Andhra Pradesh High Court.

Services in relation to transfer of money from abroad is export of service

The Delhi Tribunal has held that services provided in relation to the remittance of money from outside India to persons in India are the export of services.

In the case, the Appellant entered into an agreement with Company A, a company engaged in money transfer from persons located in one country to persons located in another country. The Appellant was executing part of the activities in the territory assigned, i.e. India. It received a share of the commission from Company A that was earned by Company A from the remitter of money located outside India.

The Indian tax authorities took the position that service tax was due on the relevant share of the commission under the category of Business Auxiliary Services ("BAS"); the Appellant, on the other hand, argued that the services were the export of services.

The Tribunal observed that Company A is the recipient and consumer of the service, not the persons receiving money in India. It held that the destination of the service must be determined based on the place of consumption and not the place of the performance of the service. The Tribunal held that the services provided by the Appellant were BAS, but qualified as an export of services and thus no service tax will be required to be paid.

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Malaysia

Stricter enforcement of indirect tax audits

It has been reported that the Malaysian Royal Customs Department ("MRCD") intends to intensify its sales and service tax audits with a view to ensuring compliance with the law. The focus of the audits will be on licensees and specifically the following:

- Timely filing of sales / service tax returns
- Adherence to sales / service tax exemption requirements

- Use of accurate tax rates
- Accurate valuation or declaration of goods
- Accurate / timely payment of indirect taxes.

The Director General of the MRCD has stated that they will prosecute noncompliant companies and that the MRCD will expand its audit resources in its efforts to crack down on noncompliance. These measures are expected to help the department meet its target collection of RM 34 billion for 2013.

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Vietnam

VAT on interest

Vietnam's Ministry of Finance issued an official letter on 11 December 2012 that provides guidance to the provincial tax departments on the VAT treatment of loan interest income earned by non-credit institutions. According to the letter, the provision of credit and other financial services in compliance with regulations are non-taxable objects under the 2008 VAT law, so that loan interest arising from permitted lending activities of non-credit institutions is non-taxable for VAT purposes. However, the official letter does not specify its effective dates or how to address situations where VAT was already declared on loan interest before the official letter was issued.

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Europe/Middle East/Africa

Belgium



VAT recovery limitation for private use of company assets

On 1 January 2013, a new regulation limiting the VAT recovery for private use of company assets entered into force. The VAT legislation had already changed as of 1 January 2011 but, due to interpretation issues, the entry into force was suspended by the Belgian VAT authorities.

In essence, the new regulation means that the upstream VAT incurred on company assets which also are used for private purposes cannot be recovered as a ratio of the private use. For company cars, this means that the business kilometres are to be recorded in some type of agenda. Alternatively, if companies do not wish to maintain this administration, a lump sum computation of private kilometres can be used. In any case, the VAT recovery is capped at 50%, even if the actual business use is higher. Companies also can apply a lump sum recovery limitation of 35% of the upstream VAT incurred. The recovery limitation does not apply only to the actual car costs, but also to

all car expenses, such as fuel and maintenance.

The same applies to other company assets. For PCs, laptops, smartphones, etc. businesses can apply a lump sum 75% recovery limitation unless the actual business use can be demonstrated.

Transposition of the EU Invoicing Directive

On 1 January 2013, the new invoicing rules of the Second Invoicing Directive were transposed into the Belgian VAT Code. Compared to the former system, the new regulation simplifies e-invoicing, self-billing and invoice wording requirements. These changes are in line with the rules of the Invoicing Directive.

The rules on the tax point were also changed. Contrary to the former regime, an advance invoice is no longer a tax point. Hence, the VAT only becomes due when the supply is completed or when an advance payment is received. Additionally, the Belgian VAT authorities initially considered that no valid invoice could be issued to request the payment of an advance. These changes would have entailed a severe impact on the set-up of ERP systems, which are based on the VAT reporting of invoice flows. Therefore, in order to limit the impact for 2013, the Belgian VAT authorities have agreed on a transitional regime for 2013. During 2013, VAT reporting still can be done on the basis of invoices, irrespective of the actual tax point. In the course of the first quarter of 2013, a 'final' regime will be announced, which will be applicable as of 2014. Only for intra Community supplies are the tax point rules to be applied strictly.

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Croatia

Reduced VAT rate for sport and leisure vessels

Vessels used for sport and leisure that are put into free circulation in Croatia by 31 May 2013 will be subject to a reduced VAT rate of 5%. This beneficial rate will apply only to vessels used for sport and leisure that were subject to the temporary admission procedure before being declared for release into free circulation. When the provision expires on 31 May 2013, the vessels will be subject to the standard VAT rate of 25%.

Abolition of zero VAT rate

Croatia has abolished the zero VAT rate that applied to a number of goods (e.g. bread, milk, books and textbooks, medicines, products that are surgically implanted in the human body, scientific journals and public film screenings); as from 1 January 2013, such products are subject to the reduced rate of 5%.

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Denmark

Excise duty to replace stamp duty on insurance against loss or damage

As from 1 January 2013, Danish stamp duty is replaced by an excise duty on insurance against loss or damage. The types of insurance that fall within the scope of the excise duty are the same as those that were subject to stamp duty. However, the excise duty to be paid is based on the premium charged in the relevant month at a rate of 1%.

Furthermore, under the new law, a company can register directly with the Danish tax authorities, with no need for a fiscal representative in Denmark. This is possible for companies established within the EU.

The due date for filing is the 15th day of the following month (for stamp duty purposes, the filing date was the 8th day of the following month).

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Iceland

VAT on tourist accommodation

Iceland's parliament has approved changes to the VAT rate on tourism-related services, so that with effect from 1 September 2013, the rate on the rental of hotel rooms, guestrooms and other accommodation (including campground facilities) will increase

from 7% to 14%.

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Italy

Implementation of EU Invoicing Directive

Effective 1 January 2013, Italy has implemented the EU Invoicing Directive into Italian law. The new rules aim to modernize and simplify the issuance of invoices throughout the EU. The following are the more significant changes:

Determination of taxable amount - consideration in foreign currency

If an invoice does not indicate the date of the execution of the relevant transaction, the conversion of fees/charges/expenses into foreign currency must be made using the exchange rate of the date on which the invoice was issued, with an option to make the conversion based on the exchange rate published by the European Central Bank for all transactions carried out during the calendar year.

Self-invoicing

The obligation to integrate invoices issued by EU suppliers is extended to all supplies of goods or services subject to VAT in Italy (previously this requirement only applied to certain supplies). Self-invoicing ("auto-fattura") is still required where goods or services are purchased in Italy from non-EU suppliers.

Turnover

The measurement of annual VAT turnover now includes the operations not subject to VAT in accordance with articles 7 to 7-septies (place of supply rules) of Presidential Decree no. 633/1972 for which the invoicing is now mandatory (see the paragraph below on "invoicing requirements").

Invoices

E-invoicing and archiving

Significant changes are made to the rules governing the issuance of invoices in electronic format. Additionally, the authenticity of the origin and integrity of the contents of an invoice can now be assured not only through the use of an electronic signature and time stamp or EDI transmission systems, as was previously the case, but also through management control systems that ensure a reliable connection between an invoice and the related supplies or provisions, or other technologies that can guarantee the authenticity of origin and integrity of data.

The use of an electronic invoice is subject to acceptance by the recipient.

Electronic invoices must be stored electronically; those created in electronic format but that do not qualify as e-invoices (as the recipient has not accepted them) and paper invoices may be stored electronically.

Content of invoices

Changes are made to the content of invoices to ensure compliance with the EU Invoicing Directive, including specific wording to be included on invoices with particular reference to zero-rated, exempt and out of scope transactions and self-invoices.

Summary invoices

Amendments have been made to allow for summary invoices to be issued for supplies of services (as well as goods) supplied to a customer in the course of one calendar month.

Invoicing requirements

There is a requirement to issue an invoice in respect of certain transactions that are not subject to VAT in Italy, as a consequence of the application of the place of supply rules (in principle, supplies of goods or services invoiced to EU taxpayers liable for VAT and supplies of goods or services carried out in non-EU countries for VAT purposes).

For services falling within the scope of the main place of supply rule supplied to taxable persons established in another EU member state and to/by taxable persons established outside the EU, the invoice or self-invoice must be issued by the 15th day of the month following the month in which the transaction is carried out. Invoices must be registered with reference to the month in which the transactions are carried out.

Simplified invoice

A simplified invoice can now be issued, containing less detailed information than a standard invoice, for transactions under EUR 100.

Intra-Community supplies

Tax point for intra-Community transactions

Supplies and intra-Community acquisitions of goods are now deemed to be carried out at the beginning of the transport or shipment to the transferee (or to third parties on its behalf) from the territory of the state of departure.

The payment or receipt of advanced payments in connection with an intra-Community sale or acquisition of goods no longer constitutes a chargeable event in respect of the transaction; however, the issuance of an invoice in advance is still considered as the time of supply of the transaction for the invoiced amount.

For intra-Community sales of goods and intra-Community purchases of goods performed continuously over a period of more than one calendar month, the time of supply is deemed to be the end of each month.

Timing for issuing of invoices for intra-Community transactions

The deadline for the issuance of the invoice for intra-Community supplies of goods is the 15th day of the month following the month of the transaction. The invoice should contain the indication for why the operation is not taxable (reference to the specific provision of Community or national law is not required under the new provisions).

The time frame for issuing a self-invoice ("autofattura") where an invoice has not been received from the community supplier is modified. A transferee (or buyer) of the intra-Community acquisition who does not receive an invoice from the EU supplier within the second month following the month of the transaction must issue, by the 15th day of the third month following the one in which the operation has been carried out, a single copy of an invoice.

Recording intra-Community transactions

Invoices for intra-Community acquisitions of goods and services duly integrated must be recorded separately by the 15th day of the month following the month in which the invoice is received, and with reference to the previous month (the month of receipt), in the sales ledger and accounted for in the purchases ledger.

For the purpose of exercising the right to deduct VAT, invoices must also be accounted for in the purchases register.

Invoices regarding intra-Community sales of goods must be recorded separately in the sales register, according to their progressive numbering and within the deadline for the issuance, with reference to the month of the transaction.

Invoices issued where an invoice has not been received by the community supplier, must be recorded by the deadline for the issuance and with reference to the previous month, in the sales ledger. For the purpose of exercising the right to deduct VAT, the invoices integrated must also be accounted for in the purchases register.

Other changes

An increase to the standard VAT rate from 21% to 22% will apply on 1 July 2013, unless the government finds alternative means of financing before that date.

The supply of individual portfolio management services are no longer exempt from VAT; they are taxable transactions as from 1 January 2013.

The VAT rate applicable to health and social services carried out by social cooperatives

will increase from 4% to 10% on 31 December 2013.

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Lithuania

VAT law amended

Changes to Lithuania's VAT law that apply as from 29 December 2012 include the following:

- The application of the 9% VAT rate is extended to 31 December 2013 for thermal energy supplied to heat residential premises, hot water supplied to residential premises, or cold water and thermal energy consumed to prepare hot water supplied to residential premises.
- The application of the 5% VAT rate is extended to 31 December 2013 for medicine and medical aid devices whose acquisition costs are partially or fully reimbursed according to the Law on Health Insurance.
- The deduction of import VAT is simplified because VAT payers are no longer required to have documents proving the payment of import VAT.
- The provisions for VAT registration are clarified to specify that a foreign taxable person is not required to register as a VAT payer in Lithuania if the foreign person only carries out the following supplies subject to the reverse charge in Lithuania:
 - B2B services;
 - The supply of gas, electricity, heating or cooling energy or goods that are to be installed or assembled in Lithuania; and
 - The supply of goods under the triangulation specification scheme.

Other VAT changes

A number of previously adopted VAT rules came into force on 1 January 2013, including the following:

- The provisions of the VAT Law establishing that non-VAT registered Lithuanian taxable persons that were under an obligation to register as VAT payers as well as non-VAT registered foreign taxable persons that supply goods and services in Lithuania (except some particular goods/services) have a right to deduct input VAT pursuant to particular conditions.
- The provisions implementing the EU Invoicing Directive.
- The 9% VAT rate applies to newspapers, magazines and other periodic publications (with some exceptions) and for passenger transportation via regular communication routes (determined by respective institutions) as well as for the

carriage of passenger luggage.

• The 5% VAT rate applies to the means of technical support to the disabled as well as for the maintenance of those means.

Excise duty law amended

The following changes to the excise duties on tobacco and energy products became effective on 20 December 2012:

Before 1 January 2013	From 1 January 2013	
 Excise duty rate on gas oil: LTL 1,043 	 Excise duty rate on gas oil: LTL 1,140 	
Before 1 March 2013	From 1 March 2013	
 Specific component of excise duty rate on cigarettes: LTL 140 Minimum combined excise duty rate on cigarettes: LTL 232 per 1,000 cigarettes Excise duty rate on cigars and cigarillos: LTL 84 per kilogram 	 Specific component of excise duty rate on cigarettes: LTL 148 Minimum combined excise duty rate on cigarettes: LTL 244 per 1,000 cigarettes Excise duty rate on cigars and cigarillos: LTL 88 per kilogram 	
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Malta

New VAT invoicing rules

On 30 November 2012, various Legal Notices were published to transpose into Maltese law the new VAT invoicing rules under the EU Invoicing Directive. The rules aim to simplify, modernize and further harmonize how invoices are drawn up throughout the EU. The changes cover a variety of issues including, but not limited to, the content of invoices, deadlines by which invoices must be issued, the use of simplified and summary invoices and the issuance of electronic invoices. The ability for businesses to account for VAT on a cash basis also has been significantly restricted.

An overview of the key changes, which took effect on 1 January 2013 is as follows:

Overview

Key feature	Description
Applicable rules for invoicing	Uniform rules determine which member state's rules apply to the invoicing
Content of invoices	The terminology and the details required on a tax invoice are amended, with simplified or summary invoices allowed in certain cases
Deadline for issuance of invoices	New deadlines apply for the issuance of invoices
Electronic invoices	Electronic and paper invoices are placed on an equal footing and the rules governing electronic invoices are simplified
lssuance of self- invoices	Self-invoicing is subject to prior agreement between supplier and customer and is allowed only if a procedure exists for acceptance of each invoice by the supplier. Self-invoices must contain the reference, "Self-billing"
Cash basis of accounting	The ability for businesses to account for VAT on a cash basis is restricted to businesses that have annual turnover not exceeding a certain threshold. The right to deduct input VAT in respect of supplies that are accounted for on a cash basis is postponed until payment is made for the supplies
Miscellaneous	Other changes concern determination of the taxable amount, translation of invoices, credit notes, continuous supplies of goods, etc.

For more detail on the new invoicing rules, see here: **New VAT invoicing rules: Key features**.

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Poland

Fixed establishment: potential risk for foreign entities

The Polish tax authorities, after analyzing the business activity in Poland of a foreignbased company registered for VAT in Poland, recently came to the conclusion that the foreign company had a fixed establishment for VAT purposes even though it had no employees or technical infrastructure in Poland. The authorities based their reasoning on various business links the foreign company had with Polish related parties. They paid particular attention to the limited autonomy of the Polish companies in terms of business operations and organization. The tax authorities have stepped up their examinations of foreign companies and have been asking foreign businesses with a Polish VAT registration to provide detailed information on factors that could trigger a fixed establishment.

Bad debt relief

Recent changes to the Polish VAT law include amendments to the bad debt relief procedure. As from 1 January 2013, taxpayers wanting to make adjustments to output VAT from non-collectible receivables must wait 150 days (previously 180 days) from the deadline for the relevant payment. The requirement to notify the debtor of the intent to make the adjustment is abolished, even though the debtor will have to make an adjustment to its input VAT without notification. If the debtor fails to do so, the tax authorities may impose a fine equal to 30% of the unadjusted VAT.

Under an anomaly in the law, in the case of related parties, the creditor is not allowed to adjust output VAT where receivables are not collected from a related entity, but the debtor is required to adjust input VAT.

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Portugal

Further developments on new invoicing rules

There have been some recent developments regarding the recently enacted invoicing rules that result from the interpretation of Portugal's tax authorities, including the following:

- It is confirmed that entities that do not have a permanent establishment for VAT purposes (e.g. VAT registrations) are not required to communicate invoices issued (under the new invoices list obligation, to be filed with the tax authorities by the 25th of the month following the month to which they relate);
- For invoicing purposes, the only documents that will be accepted are the invoice, the invoice-receipt and the simplified invoice;
- Credit and debit notes are considered rectification documents (documents that correct previous invoices), and may be issued by customers in certain circumstances;
- In the case of "rappel" discounts (that apply to a certain period), if it is not
 possible to indicate the invoices to which the discounts refer, it is acceptable to
 identify the relevant time period;
- Invoice-receipts to be issued by personal income tax taxpayers (previously named "recibos-verdes") need not be communicated to the tax authorities; and
- Several SAF-T(PT) files can be submitted to the tax authorities, one for each program or invoicing station. If there is a system that integrates all information from several stations, one file can be submitted.

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Romania

Storage tax warehouses

In 2010, Romania restricted the ability to be authorized as a storage warehouse keeper to economic operators authorized as production warehouse keepers, as a result of which all other economic operators had their tax warehouse authorizations revoked.

After an investigation conducted by the European Commission, Romania was requested to reintroduce storage tax warehouses; otherwise, an infringement procedure would be initiated. As from 1 January 2013, storage tax warehouses were reintroduced in the Romanian excise legislation.

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Turkey

VAT rate increase for residential houses

Type of residence	Unit m ² value	Old rate	New rate
Less than 150 m ²	0 – 500 TL	1%	1%
Less than 150 m ²	500 – 1,000 TL	1%	8%
Less than 150 m ²	1,000 + TL	1%	18%
More than 150 m ²	N/A	18%	18%

The VAT rate for residential houses of less than 150 m^2 has been increased based on the unit m2 value of the house. The new tax rates are:

This rate increase is applicable to sales of residential housing after 1 January 2013

where construction permits were granted after that date.

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United Kingdom

CJEU rules on output VAT on agent commissions

The Court of Justice of the European Union (CJEU) has issued its decision in the **Grattan** case involving adjustments to the VAT paid on goods sold from mail order catalogues as a result of the "commission" paid to agents involved in the selling process. The CJEU upheld the opinion of Advocate General Kokott that the Second Directive does not allow for the taxable amount in relation to a supply of goods to be retroactively reduced if the price of the goods is reduced after delivery. Therefore, for VAT purposes, the commission paid by Grattan did not reduce the consideration received in respect of its sales in the period up to 1 January 1978.

Supplies made under finance leases

The tax authorities (HMRC) have issued a **Brief** applying to taxpayers that make finance lease supplies, or that receive such supplies in relation to business cars, and block some of the input tax incurred. The Brief advises that HMRC's current view is that no change to the VAT treatment of finance leases is required following the CJEU decision in the case of *EON Aset Menidjmunt*. In other words, the Brief confirms that, for now, hire purchase agreements are considered a supply of goods due to the passing of title, and finance leases will remain a supply of services. However, HMRC also indicate that they are still considering this issue and this may not be a final conclusion on the matter. HMRC have stated that if the treatment does change, the changes will only apply from a future date, and retroactive adjustments would not be required.

HMRC consultation on withdrawal of VAT exemption for research

The VAT exemption for business supplies of research services between eligible bodies is being withdrawn. The UK was notified by the European Commission that the exemption does not comply with EU legislation. The UK accepts this and is planning to withdraw the exemption as from 1 August 2013, and a **consultation** has been published on the withdrawal of the exemption to assess its impact and examine options to mitigate the impact.

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