



Indirect Tax Automation News September 2014

We are pleased to be sending you the second edition of our European Indirect Tax Automation Newsletter. The purpose of this quarterly newsletter is to keep you informed about trending issues in the area of Indirect Tax Automation. We will be covering changes in the indirect tax laws in the EU, which impact your ERP and related systems and developments in the area of indirect tax automation, such as the availability of new indirect tax software.

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Amendments to the VAT cash accounting scheme in Romania – SAP support notes

The VAT cash accounting scheme was introduced in Romania starting 1 January 2013 with the purpose of supporting small and medium companies that faced difficulties in paying VAT to the State Budget before receiving payment from clients. Upon implementation, the system was mandatory for companies with an annual turnover not exceeding EUR 500,000. The VAT chargeability occurred at the date when the invoice was cashed in, under the condition that the payment was not performed in cash. However, if the invoice was not paid in 90 days, then the VAT chargeability took place 90 days after the invoice was issued.

Following pressure from the business community and a notice from the European Commission, two significant amendments were brought from 1 January 2014:

- the system has now become optional
- the mandatory 90 day term for collecting VAT has been eliminated

The above mentioned changes affected the Localization Package for Romania. SAP has released several support notes (1805644, 1820401 and 1981081) to allow SAP users to take into account the correct tax point date.

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New technical requirement for invoicing software in

Portugal

On 3 July 2014, the Portuguese tax authorities outlined the technical requirements that invoicing solutions must meet for certification purposes. New requirements have been added to the previously issued administrative instructions. One example of the new requirements refers to invoices containing more than one page. In this scenario all information regarding document type, document number, accumulated values, page number and total number of pages should be disclosed on each page of the document. This obligation of having the invoicing software certified is not mandatory for non-established companies or for companies with a permanent establishment in Portugal.

SAP note 1484221 informs that SAP will try to obtain such a certification for its billing software.

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SAP support note on the Hungarian European Sales and Purchase List

In order to meet the new 2014 requirements for the Hungarian European Sales and Purchases List, form 14A60, SAP has released an OSS note on how to implement changes to your SAP environment in order to be able to extract the XML-file.

The above selection of SAP support notes with VAT impact cannot be regarded as exhaustive, but reflects the most relevant ones from a non-industry/sector specific point of view.

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Italy: New legislation on electronic invoicing and certain invoicing obligations

Recently Italy has issued a resolution (no.18/E dated 24 June 2014) that clarified certain aspects on electronic invoicing and invoicing obligations such as:

- Invoices filed or made available, received and accepted in electronic format by the recipient can qualify as e-invoice. For example, invoices which are generated on paper, reconverted into an electronic format afterwards and issued as such (e.g. via e-mail), can be considered as e-invoices, given that the reconversion meets the legal requirements.
- It is allowed to print invoices received in electronic format and store the printed version. The sender can still consider this as e-invoicing while the recipient treats this as a paper invoice.

- The tax authorities have also clarified the requirements of authenticity of origin, integrity of the content and readability for e-invoices and the suitable instruments to grant them. For example, reference is made to the system of business management respecting certain conditions, digital signature or the use of EDI.

In addition to the above, a recent decree (in force since 27 June 2014), has replaced a previous one providing new rules on the tax obligations regarding electronic documents, such as:

- The archiving of the electronic documents has to be performed on an annual basis, even if previously subject to a shorter deadline;
- The requirement to file the imprint (so called “impronta”) of the electronic archive has been cancelled;
- The electronic archiving of the documents for tax purposes has to be communicated in the annual tax return;
- The stamp duty on electronic invoices, documents and ledgers (when due) has to be paid through a one-off payment within 120 days starting from the end of the fiscal year.

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Oracle ERP: Italian B2G Electronic Invoicing, Release 12

Related to electronic invoicing in Italy in a B2G context, Oracle has published some details on how to comply with the requirements and how Oracle software can assist. We would like to point out that the requirements listed may be based on previous official comments. The latest details with respect to the available patch can be found on Oracle Support Italian B2G Electronic Invoicing, Release 12 (Doc ID 1910728.1).

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Hungary: electronic invoicing

Hungary implemented a new Decree (NGM Ministerial Decree 23/2014), which entered into force on 1 July 2014 and sets out certain new obligations for taxpayers issuing invoices.

As of 1 October 2014, taxpayers are required to report the invoicing software and the online invoicing system to the tax authorities within 30 days as of the acquisition or start of using the software. Also the withdrawal of invoicing systems will have to be reported.

The Tax Authorities will provide the taxpayer with a data sheet to complete (currently still under preparation).

Furthermore, the Decree states that starting 1 July 2015, taxpayers keeping invoices or receipts in an electronic format should be able to provide the tax authorities with the electronic outputs in case of audit. With the same date of entry into force, the Decree will regulate the compulsory content and structure of XML invoices or invoices in another electronic format which are to be provided during a tax audit. Also PDF invoices will be accepted.

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Recent VAT changes impacting tax codes and VAT determination logic

Have the following changes been reflected properly in the ERP set up?

- The change in viewpoint of the Croatian tax authorities with respect to the application of the local reverse charge mechanism. If a company does not have a registered seat in Croatia, (although they have a Croatian VAT number and this company is performing local taxable supplies of goods or services to domestic Croatian taxpayers), this company will have to apply the local reverse charge mechanism. This means that companies will have to issue invoices without accounting for VAT. Currently there are no clear guidelines available on the invoicing requirements such as VAT number to be mentioned, specific reference to be used, etc. New VAT code determination conditions may be required as well as new VAT codes.

Have the following upcoming changes which will impact the ERP set already been considered?

- The introduction in Germany of a reverse charge mechanism—under certain conditions—with respect to the supply of tablet computers, game consoles, precious and non-precious metals. The new rules will be introduced as from 1 October 2014. New VAT code determination conditions may be required as well as new VAT codes.
- The introduction in Hungary of a reverse charge mechanism—under certain conditions—with respect to the supply of certain steel industry products in 2015. New VAT code determination conditions may be required as well as new VAT codes.
- Spain is considering a similar introduction for the sale of silver, platinum, palladium, mobile phones, videogame consoles, laptops and digital tablets.
- Also Poland is considering a similar introduction of a reverse charge mechanism. In this respect, a draft bill has been presented including three main changes with respect to the mandatory reverse charge regulations which are currently in force in Poland. Mandatory reverse charge would only concern the goods mentioned in that respective attachment of the Polish VAT Act if they are supplied towards VAT payers and if the daily supply exceeds PLN 20,000 (approx. EUR 4,900). The list of goods would be extended to gold, new steel products and mobile phones. VAT payers performing these reverse charge supplies would be obliged to file collective information to the tax office containing transactional data as well as customer data.

The above selection of VAT topics with ERP impact cannot be regarded as exhaustive, but reflects general changes impacting most VAT taxpayers in one way or another that are active in an international context.

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Belgium: New Intrastat Submission in 2015

The Belgian National Bank recently informed companies that Intrastat returns relating to January 2015 can only be filed through OneGate. OneGate will allow companies to submit Intrastat returns manually, via CSV or via XML upload. Intrastat returns can hence no longer be submitted via email, fax or regular mail. Paper Intrastat returns or Intrastat returns currently submitted in another format (e.g. EDI) can also no longer be used.

In order to allow companies to make the necessary changes, the IDEP software will be updated in such a way that companies can extract XML files out of IDEP and submit these XML files through OneGate, awaiting their systems to be updated. The IDEP software, which is made available for free, will cease to be available after 2015. Companies currently not using IDEP are granted an additional three months allowing them to make the necessary changes.

OneGate can be accessed by means of a password or by means of a digital certificate.

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Sweden: New Intrastat Submission in 2015

Statistics Sweden have informed that starting in 2015 it will no longer be possible to file Swedish Intrastat returns via the idep.net software. Instead, the idep.web solution should be used.

The login details will be sent to taxpayers in due course. It is also possible to request the login details by sending an e-mail to the following address: intrastat@scb.se

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ONESOURCE Indirect Tax Compliance – VIES validation

A new functionality has been introduced in ONESOURCE Indirect Tax Compliance allowing the user to check the validity of the VAT numbers used e.g. for customers. The VAT numbers will be checked against the VAT Information Exchange Systems (VIES) database. Prior to performing the

VIES database check, the format of the VAT numbers will also be checked for the jurisdiction concerned.

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ONESOURCE Indirect Tax Determination – 2015 changes

In the new release of ONESOURCE Indirect Tax Determination 5.6.0.0, the new place determination rules which will apply to telecom, broadcasting and electronic services as from January 2015, have been taken into account in combination with the Mini One Stop Shop regime.

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EU agrees on trade sanctions against Russia

In late July, the EU agreed to impose additional restrictive measures against Russia. These measures, which came into effect on 1 August, include:

- All dual-use goods and technologies intended for military use or to military end-users, may no longer be exported to Russia, even those not originating in the Union.
- Exports to Russia of energy-related equipment and technology are subject to authorization requirements or even forbidden if destined for deep water and arctic oil exploration and production, and shale oil projects.
- All items on the EU common military list are subject to an embargo and can no longer be imported or exported to/from Russia.

The above once again indicates how complex the requirements can become when exporting goods and also demonstrates the pace of changes in this legislation. In the past years we have seen similar measures for Iran, Syria, Iraq, North Korea and many other countries. On top of that, for dual use products, all exports are subject to authorization requirements.

Upon performing a transaction the following checks need to be performed in order to determine if the transaction can continue, needs an authorization or should be stopped:

- Who is the product sold to or supplied to (irrespective of destination)?
- Where is the product supplied to?
- What will it be used for?
- What is the product qualification?

For companies with a large number of transactions and/or a complex range of products, it has

become an impossible task to keep track of all the requirements on a manual basis, even without taking into account the daily updates to the various sanctions lists provided by the authorities.

As a result, we see that the main part of automation projects in which we were involved in previous years focused on these export control requirements. The pure added value of this compliance is very minimal to say the least: the tasks are repetitive, nearly impossible to perform manually and extra work, such as requesting an authorization, will be needed. On the other hand, the cost of incompliance might be very high (penalties, export blocks, reputational damage, etc.). With the proper use of trade automation software, transactions can be screened automatically and on a regular basis (e.g. when a ship to address is changed) without causing unnecessary blocks or requiring an unreasonable amount of human resources.

The automatic screening results can indicate the sanctioned status of any of the entities involved in the transaction, the potential authorization requirements or even completely block the transaction where needed.

In practice, we even notice that only a limited number of transactions will effectively be impacted for most companies. Although this seems contradictory, this is the actual business case for automation. By using the correct technologies, the bulk of the transactions will pass without any interference (checked in the background). Those transactions that require attention will be flagged and can be looked at in detail. Instead of using resources for firefighting and trying to figure out how to check all these transactions, they can be used for those transactions where they are really needed.

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