



New Reverse Charge Mechanism Introduced and Other Recent Changes to VAT Rules

The Greek government enacted a law (Law 4484/2017) on 1 August 2017 that adopts the reverse charge mechanism found in article 199a of the EU VAT directive for certain domestic supplies of goods, reduces the VAT rate for certain goods and services, and makes other changes to the VAT code. Specific provisions of the new law and other recent changes to the VAT rules are discussed below.

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Reverse charge

- Article 39a of the VAT code ("Special scheme for the payment of tax by the recipient of goods and services") is amended to introduce the reverse charge on domestic sales of mobile phones, console gaming devices, tablets and laptops, provided the purchaser is entitled to deduct the input VAT incurred. The VAT amount due on B2B domestic sales of these goods is not charged on the invoice issued by the supplier; instead, the invoice must indicate that "the purchaser is liable for the payment of VAT," and the purchaser must account for the both the payment of the VAT and the offsetting input credit through its books and returns.

The new reverse charge rules apply as from 1 August 2017.

- The government's objective in introducing the EU VAT directive reverse charge provisions into Greek law is to

adopt measures to prevent carousel fraud and general tax avoidance activities within the EU and globally.

- It is expected that a ministerial decision will be issued to provide further clarifications and guidelines on the application of the reverse charge.

Other VAT changes

Refunds

- The processing of VAT refunds of amounts up to EUR 10,000 per beneficiary in audit cases pending on 1 August 2017 is accelerated to facilitate and support business activities. Audit cases for which a temporary corrective tax assessment has not been issued are considered to be pending audit cases for these purposes.

Audits of refunds up to EUR 10,000 still may take place in a sample of cases selected through a decision issued by the Chief Officer of the Independent Authority of Public Revenue based on specific risk analysis criteria.

Rates

- Annex III of the VAT code is amended to reclassify the following goods so that they are subject to the 13% VAT rate rather than the 24% rate, effective 1 July 2017:
 - Certain cut flowers;
 - Miscellaneous grains and seeds used for sowing; and
 - Prepared foods used in animal feeding (except for prepared foods intended for pets).

The Ministry of Finance has not issued any additional guidance on the treatment of invoices already issued with the standard (24%) rate, especially with respect to B2B sales (namely, whether a credit invoice should be issued).

It also should be noted that the following goods and services were added to Annex III under Law 4472 dated 19 May 2017, making such supplies subject to the lower 13% rate:

- Certain animals, i.e. horses (except race horses), mules, bovine animals, sheep and goats;
- Chickens, hens, ducks, geese, turkeys and guinea fowl to be used for human consumption;
- Live animals and birds to be used for human consumption, animals raised for fur production and insects to be used in crops in place of insecticides;
- Certain oil seeds for sowing;
- Straw, skin of unprocessed cereals, clover, livestock roots and similar livestock products;
- Residues and food waste used in animal feed, with certain exceptions;
- Fertilizers;
- Raw mastic (white or otherwise);
- Insecticides, rodenticides, fungicides, herbicides and similar products; and

- Services provided for agricultural production.

Separately, the following categories of goods have been amended; as follows:

- Fish: The exemption from the application of the reduced 13% VAT rate has been extended to liver, eggs, sperm, fins, heads, tails, crayfish, bladders and other edible fish;
- Goods to be used by the disabled: Typewriters and Braille writing frames for persons with limited sight, as well as wheelchairs and other vehicles used by the disabled are added to Annex III;
- Other flowers: Certain bulbs, onions, roots, flowers and roots, and other live plant cuttings have been added to Annex III;
- Catheters: The wording has been amended by adding the phrase "catheters for human medical use" and removing certain types of catheters.

Other clarifications relating to the application of the reduced VAT rate on goods and services and the regulation of other issues arising under Law 4472/2017 were provided in Circular Pol. 1119/2017, dated 27 July 2017.

Commission sales of agricultural products

- The VAT code is amended to provide that, in the case of commission sales of agricultural products on behalf of individual farmers, agricultural associations and legal entities/persons conducting only agricultural activities, where the relevant clearance is not issued on a monthly basis, the commission agent is liable for the payment of VAT.

Self-supplies

Law 4474/2017 amended the VAT code with respect to free of charge supplies of goods, effective 7 June 2017. Edible foods supplied to the Ministry of Education, Research and Religious Affairs or the Ministry of Labour, Social Insurance and Social Solidarity in the context of a humanitarian crisis, and that are to be further supplied free of charge to primary and secondary public education students are considered gifts that are exempt from the self-supply obligation (meaning that no VAT has to be remitted to the Greek state).



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