

Input VAT newsletter

2020 VAT changes: understand the practical impact of the so-called “quick fixes”

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On 1 January 2020, “quick fixes” which aim to simplify intra-EU transactions will enter in force. The Luxembourg government has issued a draft bill and a draft grand-ducal decree on 20 June 2019 to integrate these changes into the Luxembourg VAT law. The Luxembourg VAT authorities also issued a circular (n° 753-2) on 17 May 2019. The EU VAT expert group issued a 70-page draft explanatory note on 9 September 2019.

1) Call-off stock: simplification regime

From 1 January 2020, all Member States will be required to introduce a call-off stock simplification regime into their VAT law. Call-off stock is where a supplier in Member State A transfers stock to another in Member State B so that stock can be called-off by a specific identifiable customer established in Member State B when required by this customer. In principle, the supplier must register for VAT in Member State B and charge local VAT to its customer. The call-off stock simplification regime relieves, under some conditions, the supplier from having to register for VAT in Member State B and shift the payment of the VAT to the customer. Currently, the Luxembourg VAT law does not provide for such a simplification regime. The new rules should therefore represent a significant improvement for impacted businesses.

Luxembourg-taxable persons engaged in such schemes in Luxembourg or abroad should examine whether they meet the conditions of this new regime and could take advantage from it.

2) Intra-EU supplies of goods: check proofs of transport

Intra-EU supplies of goods (goods transported from one Member State to another Member State) between VAT taxable persons are VAT exempt in the Member State of departure of the goods. This implies that the supplier is able to prove the transport of the goods. Providing this proof has been a source of difficulties in many Member States. The “quick fixes” aim to clarify how to prove the transport. As from 2020, the seller will need two non-contradictory pieces of evidence out of a list defined by the new legislation (e.g., transport or insurance document, CMR document). An additional and completely new requirement is introduced when the buyer takes care of the transport of the goods (or a person on their behalf), they

must provide the seller with a written statement that the goods have been transported to the destination Member State. This written statement is an innovation of the new legislation. Indeed, it has never been foreseen before by the VAT Directive.

It is therefore extremely important that Luxembourg businesses performing intra-EU supplies of goods determine the evidence they will be able to collect and the appropriate procedure to collect and keep it, including the new purchaser statement.

3) Intra-EU supplies of goods: check clients' VAT registration number

As from 2020, the importance of quoting the VAT number of the purchaser in case of intra-EU supplies (goods transported from one Member State to another) will become even more important than nowadays. Indeed, it will become a substantive condition instead of a formal one. Practically speaking, this would imply that not quoting the VAT number of the purchaser or quoting an invalid VAT number would imply that intra-EU supplies of goods would not be VAT exempt in the Member State of departure of the goods and that the local VAT will be due. This may therefore have a significant financial impact.

Luxembourg businesses performing intra-EU supplies of goods should ensure that they will be able to check their clients' VAT registration number systematically, easily and reliably. We have developed several solutions to help businesses in this field.

4) Chain transactions: check contractual arrangements

Determining which transaction in a multiple supply chain of sales is the intra-EU supply (and can therefore potentially benefit from the exemption) is likely to become clearer as a result of 2020 changes when the transportation of the goods is arranged by an intermediary supplier (i.e. the goods are dispatched or transported by the intermediary or by a third party acting on its behalf). In principle, the supply between the original supplier and the intermediary would be considered as the exempt intra-EU supply, except if the intermediary provides to the original supplier the VAT number under which he is registered in the Member State of the original supplier.

Businesses should therefore verify any contractual arrangements applicable to chain transactions they are involved with, including more complex ones involving several intermediaries and transports.

As a conclusion, we would recommend considering the possible impact of these new rules on your business in order to mitigate VAT risks in terms of additional VAT liabilities, registration and reporting obligations. That said, these changes can also be an opportunity to standardize and enhance internal controls within your organisation.

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