

VAT PACKAGE

The EC VAT Package will modernise and simplify the rules relating to cross-border supplies of services and recovery of input tax. The changes will come into effect in national legislation between 1 January 2010 and 1 January 2015. The Package includes:

- Changes to the rules on Place of Supply of Services for both Business-to- Business (B2B) and Business-to-Consumer (B2C) transactions;
- Requirement to complete EC Sales Lists for supplies of taxable services subject to the reverse charge;
- The introduction of an optional One Stop Scheme for accounting for B2C supplies of telecoms, broadcasting and electronically supplied services;
- The introduction of an electronic VAT Refund Scheme – this will be covered in a separate consultation process.;
- Enhanced Administrative Cooperation between Member States to support these changes

Place of supply of services

From 1 January 2010, the new basic rule (the ‘general rule’) for the place of supply of services will tax B2B supplies of services at the place where the customer is established and no longer at the place where the supplier is established.

For B2C supplies of services, the general rule for the place of supply will continue to be the place where the supplier is established. However, from 1 January 2015, the place of supply of intra-EC B2C supplies of telecoms, electronically supplied services and broadcasting will be where the customer is established or usually resides.

As now, there will be exceptions to the general rule for certain services, with a view to achieving taxation in the place of consumption. The position will be the same as with previous legislation, consider the exceptions first and then fallback on the general rule. In the main these will be implemented on 1 January 2010, with further changes to the ‘where performed’ rule from 1 January 2011 and for long-term hire of means of transport from 1 January 2013.

EC Sales List for Services

Currently EC Sales Lists are only required for intra-EC supplies of goods. From 1 January 2010, EC Sales Lists will also need to be completed for intra-EC taxable supplies of services which are subject to reverse charge arrangements in the customer’s Member State. They will not be required for intra-EC supplies of services which are exempt in the customer’s Member State.

One Stop Scheme

From 1 January 2015, businesses making intra-EC cross border B2C supplies of telecoms, broadcasting and electronically supplied services will be required to account for VAT due in the Member State where the customer belongs. They can do this either by registering for VAT in their customers' Member State or opting to account for VAT on these supplies via the One Stop Scheme (OSS). The OSS will be optional for businesses. It will enable businesses making such supplies in a number of Member States (as a result of the changes to the place of supply rules) to register and declare VAT due on those supplies throughout the EC via a single Member State. The OSS will be based on the existing special scheme for non-EC businesses making B2C supplies of electronically supplied services (which will itself be extended from 2015 to include telecommunications and broadcasting services).

The OSS will only cover B2C supplies of telecoms, broadcasting and electronically supplied services. Normal registration and accounting rules will apply in relation to supplies of goods and other services.

Whilst some of these changes do not begin to come into effect until next January 2010 we need to be identifying those clients who may be affected so that they can be brought up to speed with the changes that will affect them.

Elysian Associates
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