

VAT PACKAGE 2010



The "VAT package": Businesses must prepare for the reform

The reform of the place of supply rules applicable to services comes into force on January 1st, 2010. It changes:

- The place of supply rules applicable to services.
- The procedure for reimbursement of VAT to companies established in the EU (Eighth Directive).

➤ Reform of the place of supply rules applicable to services

The consequences of the "VAT Package" reform are likely to generate fiscal risks. Businesses then must:

- ✓ Update their ERP systems (both for purchases and sales of services) to comply with the new VAT territorial rules.
- ✓ Implement new procedures, for example to validate the taxable status and the place of establishment of the customer.
- ✓ Modify the mentions on invoices.
- ✓ Implementation of EC sales list for services, a new compulsory monthly reporting obligation.

• The VAT rules applicable to services

Two main place of supply rules will apply:

- ✓ B2B services → the place of taxation is the place where the taxable recipient is established.
- ✓ B2C services → the place of taxation is the place where the supplier is established.

The taxable recipient must self assess VAT in the Member State where it is established.

• Exceptions (B2B and B2C transactions)

- ✓ Short-term hire of means of transport.
- ✓ Services connected to buildings.
- ✓ Services linked to cultural, artistic, sport, educational, scientific events, trade fairs and exhibitions.
- ✓ Transport of passengers.
- ✓ Restaurant and catering services.
- ✓ Travel agents.

- Exceptions applicable only to B2C transactions

- ✓ Intangible service.
- ✓ Long-term hire of means of transport.
- ✓ Disclosed agents.
- ✓ Transport of goods.
- ✓ Works on movable goods.

- New reporting requirements

The VAT return should be re-designed. A new box 2A will be created on the French VAT return. Purchases of services from supplier established within the EU for which the recipient is liable for VAT under the reverse charge mechanism (article 283-2 of the French Tax Code) will be reported on this box.

An EC sales list for services will have to be filed on a monthly basis. Supplies of services taxable in the country of the recipient must be reported on the DES, except the services that are exempted from VAT in the country of the recipient.

- How to prepare for the reform?

- ✓ Identify the flows of services which obey to the new VAT rules.
- ✓ Set up of procedures for obtaining and verifying VAT identification numbers of foreign taxable customers.
- ✓ Quote relevant mentions on invoices.
- ✓ Implementation of procedures to file the EC sales list for services.

- Reform of the 8th Directive VAT refund procedure

- ✓ The procedure will be dematerialized. An electronic portal will be set up by each Member State.
- ✓ The refund claims will be filed in the Member State where the claimant is established.
- ✓ The filing through an agent will be still possible.
- ✓ Applications will be still filed on an annual or quarterly basis.
- ✓ Member States will have to make their decision within four months of receipt of the VAT claim or within eight months if a longer instruction is required.

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