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on the New VAT Changes Effective 1 January 2010



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T A X P A R T N E R S

New "VAT Package" legislation has been agreed between the EU Member States which will mean the introduction of some considerable changes to certain VAT rules currently in place.

The three main changes which are effective from 1 January 2010 are as follows:

- ◆ New place of supply rules for certain services supplied cross-border,
- ◆ New cross border refund procedures,
- ◆ New compliance requirements.

In addition, other changes will also be introduced with effect from 1 January 2015 in relation to the supply of telecommunication services, radio and television broadcasting services and services performed electronically.

1. Place of Supply for Services supplied Cross-Border

Currently business to business (B2B) supplies of services are taxed where the supplier is established (subject to some exceptions, for example, Fourth Schedule services such as accounting, legal and consultancy services).

Under the new rules, the place of supply for VAT purposes will be where the customer is situated. This will mean an increase in the use of the reverse charge procedure for accounting for VAT on certain services as the responsibility for accounting for VAT will move to the recipient of the service. The objective of the new rules is to impose VAT more often in the country in which the service is used than is currently the case.

Supplies of services to non-business customers (B2C) cases will continue to be taxed where the supplier is established.

However, as always, there will be exceptions to the application of these new rules. It should be noted that the Place of Supply rules as they apply to telecommunications and broadcasting services, transport services and property related services to name a few, will continue to operate as they do currently i.e. the place of supply for property related services is the place where the real estate is located.

2. Cross Border Refund Procedures

The current system in place to obtain cross border refunds is commonly regarded by taxpayers as being slow, costly and administratively cumbersome. It involves making an 8th Directive refund claim to the relevant tax authorities of the country in which the VAT was suffered.

Under the new proposed system, a business established in one Member State will now only be required to submit a single application electronically to its own tax authorities who will forward the claim to the tax authorities of the refunding Member State. The revised VAT refund procedures also provide that the payment of the VAT due will be made within four months of receipt of the information necessary to successfully process the VAT claim. If repeated requests for information are made this may be extended to a maximum of eight months. In addition, the filing deadline for the submission of the refund claim will be extended by three months from 30 June to 30 September of the year following the year to which the refund request relates. It is hoped this change will make the VAT refund procedure more user friendly for non-established EU traders.

3. New Compliance Requirements

VIES statements will now be required for recording details of supplies of services made to VAT registered customers in other EU Member States. The VIES statement will be required to be made quarterly. Previously, VIES statements were only required to have been made in respect of supplies of goods to VAT registered persons in other EU Member States.

This new requirement will create an additional administrative and compliance obligation on traders who previously were not required to return such statements e.g. accounting, legal and consultancy firms. It is important that system changes are made where necessary to enable the recording and listing of supplies made to VAT registered customers in other EU Member States. The following information will be required to be disclosed in the VIES statements:

- ◆ Name, address and VAT number of the receipt of service
- ◆ Value of the service
- ◆ Other details which may be required by regulations

In addition, VIES statements recording the supplies of goods will change from quarterly to monthly depending on the amount of goods supplied. VIES statements may still be submitted on a quarterly basis where suppliers make less than €100,000 worth of supplies of goods per quarter, falling to €50,000 per quarter in 2012.

4. VAT Package 2015 Changes

With effect from 1 January 2015, services in the telecommunications, broadcasting and electronic areas rendered to non-business customers will also be taxed where the customer is based. In addition, a "one-stop shop" is being introduced which will permit businesses to comply with their VAT obligations in their choice of Member State.

This document is intended as a general guide to recent developments in the area of VAT. It is not intended to be a comprehensive guide to every aspect of VAT. While every care and attention has been taken to ensure the accuracy of the information contained in this document no action should be taken on the basis of the above without obtaining professional taxation advice.

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