

Information Sheet No. 30

VAT Changes from 01 January 2010
1. Changes to be introduced

As from 1 January 2010 new changes have been introduced to the VAT legislation that affect all international businesses.

The aim of the new legislation is to modernize and simplify the procedures and the reduction of the system administrative costs.

2. Place of supply of services

According to the current legislation the principal rule for the place of supply of services is considered to be the country in which the provider is based. This rule changes as from 1 January 2010 as below:

- If the services are provided to a VAT registered persons in the EU then the place of supply is the country in which the receiver is based.
- If the services are provided to non VAT registered persons in the EU then the place of taxation is the country in which the provider is based.

3. VIES (Vat Information Exchange System)

The main purpose of the VIES form is the exchange of VAT related data and information with other E.U. countries so as to prevent tax avoidance.

From 01 January 2010 every company supplying goods or/and services to other VAT registered persons in the E.U. must submit the VIES form. Before the 2010 the VIES form was only submitted by companies making supplies of goods.

Therefore all companies offering services in the E.U. have an obligation to register for VAT and VIES as from 1 January 2010.

Up to 31 December 2009 the VIES form had to be submitted to the authorities every 3 months. With the new legislation the VIES form will be submitted every month. The deadline for the submission is 10 days following the end of each month.

If the VIES contains any errors, the corrections will have to be made in the Correction Statement until the end of the month following the month to which the statement contains the errors. At present it is submitted by the end of the second month following the month to which it relates.

The penalty for late submission of the form is €50 for each form and €15 for every corrective form (compared to €51 for every month up to 3 months and €51 for the corrective form as per the current legislation)

The forms can now be submitted electronically via the Taxisnet website.

4. Refunds procedure under the 8th directive:


WORLDWIDE
 Associating offices
 providing business,
 tax and financial advice

The mechanism under which E.U. businesses can reclaim the VAT paid in another E.U. member state is reformed.

A company can reclaim the VAT paid in another member state by submitting an electronic form.

The form must include details of the claimant company such as:

- Name
- Email
- Description of the primary activities
- Period under review
- Declaration for non delivery of goods and services in the country of return
- VAT registration number
- IBAN and BIC numbers

The invoices should be scanned and attached to the form and the following must be clearly stated on the invoices:

- Name and address of the supplier
- VAT number of the supplier
- Suppliers country code
- Date and invoice number
- VAT amount
- Discount
- Nature of purchased goods

The return form must be submitted until the 30th September of the following year.

The period for which the claim is made can be up to 1 year but not less than 3 calendar months.

NOTES:

The above is intended to provide a brief guide only. It is essential that appropriate professional advice is obtained. P.G. Economides & Co Ltd will be glad to assist you in this respect. Please do not hesitate to contact us.

June 2014

