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COVID-19 and International VAT in 2020

19th June 2020

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Webinar

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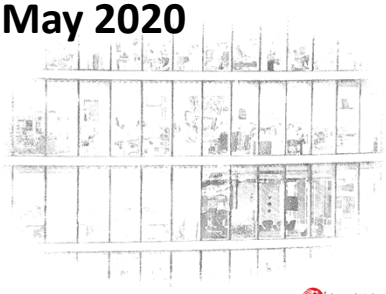

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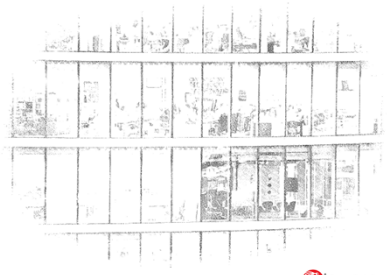
Introductions



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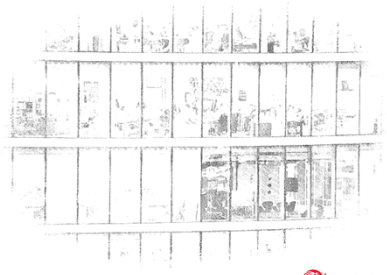

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Agenda

- Introduction to the DLA Piper International VAT Group
- EU wide VAT related COVID-19 measures
  - UK
  - Netherlands
  - Italy
  - Germany
- 10 top VAT cash saving/raising tips
- Issues to consider
- Closing remarks

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EU wide COVID-19 measures – overview

- COVID-19 VAT measures not identical in all member states:
  - Concessions for the making of VAT payments
  - Extension of time to file VAT returns
  - Measures to assist with the supplies to combat COVID-19 (export licence required for PPE)
- COVID-19 Customs measures
  - Guidance available https://ec.europa.eu/taxation_customs/covid-19-taxud-response/guidance-customs-issues-related-covid-19-emergency_en
  - E.g. Import duty and VAT relief by governmental or charitable bodies, and other importers if they hand out the products for free.
- Delayed commencement of the new VAT e-commerce rules from 1 Jan 2021 to 1 July 2021
- Brexit Impact - 30 June 2020 deadline for EU and UK to agree to an extension

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UK - VAT measures

- Automatic VAT payment deferrals to 31 March 2021
- Import VAT payment deferrals (subject to approval)
- Negotiating time to pay arrangements with HMRC
- Import VAT (and customs duty) relief for medical supplies and temporary zero-rating of medical supplies
- VAT zero-rating applying to electronically supplied books etc
- Additional time to appeal tax decisions
- “reasonable excuse” for non-compliance with payments or filing dates
- Various other measures including: business rates relief for retail/hospitality/leisure sector, loan schemes, furlough arrangements

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Netherlands - VAT measures

- Upon on-line request VAT payment deferrals are granted for 3 months and a longer period may be requested by separate letter, this measure will apply until 1 September 2020.
- Late payment interest is reduced from 4% to 0.01% as per 23 March 2020. This will apply to all tax liabilities until 1 October 2020.
- The tax interest rate is also be reduced to 0.01% (per 1 June 2020 and per 1 July 2020 for personal income tax) until 1 October 2020.
- The Dutch tax authorities will temporarily impose no administrative penalties for late VAT filing or payment.
- The supply of staff in the healthcare sector is under conditions exempted from VAT from 16 March 2020 until 1 September 2020.
- Entrepreneurs using a so-called blocked account for securing VAT and wage taxes payment may request release of such funds
- No input VAT restrictions apply on providing medical equipment free of charge.
- On-line fitness courses may benefit from the lower 9% VAT rate.

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Netherlands – customs measures

- The Dutch Customs postponed the new definition of exporter, due to the corona crisis. A non-Union company is still allowed to be mentioned as exporter in the export declaration (Effective until 15 days following the month in which the overall corona measures in the Netherlands are terminated).
- Payment extension for customs duties and excise (including those applicable on non-alcoholic beverages) is granted upon request
- Dutch Customs will not impose penalties if companies do not comply with customs obligations on time, as a result of COVID-19
- Under conditions a special exemption applies for the import of personal protective equipment
- Export restrictions apply for personal protective equipment (export authorization required)
- A range of tailor-made solutions are available for traders affected by the pandemic e.g., if they are unable to meet the solvency requirements of an AEO authorisation, are in urgent need for a specific customs authorization, or if they cannot meet the strict statutory deadlines.

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Italy - VAT measures

- VAT deferral (liquidations whose payment is due on April and May in case of reduction of turnover compared with 2019 figures) to 16th September
- VAT deferral (following deflationary tool of tax litigations) to 16th September
- VAT deferral (following automatic inspections) to 16th September
- Non-application of penalties and interests on VAT payments by law deferred
- Threshold for the offset of the VAT credit with other taxes increased up to €1 m Euro (for FY 2020 only)
- Deferral of VAT obligations and filings up to 30 June 2020 (including filing of annual VAT return for VAT rep/foreign VAT ID)

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Italy - VAT measures

- VAT exemption/full-cost input VAT deduction of emergency-related goods donated to State/Public Bodies/non commercial entities
- VAT exemption/full-cost input VAT deduction of specific medical goods sold by anybody for the entire FY 2020 (from 2021 VAT rate at 5% applies)
- Non-application of VAT presumption on compassionate drugs sold for free
- Abolition of the VAT safeguard clause (increase of the VAT rates) with effective date 1st January, 2021
- Deferral to 16 September of the peremptory term to appeal some decisions
- "Plastic tax" and "Sugar tax" postponed to 2021

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Germany - VAT measures

- Interest free deferral of VAT and (other taxes)
- Extension to filing of VAT returns
- Temporary reduced-rate of VAT for affected industries
- Extension of filing 13th Directive VAT reclaims
- [non vat measure] Refund of advance income and corporation tax payments

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Germany – customs measures

- German customs administration – change in traditional approach
  - Relaxation of deadlines
  - preference certificates issued from 1 March 2020
- Deferral of customs duties

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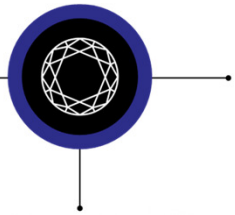
10 top VAT cash saving/raising tips

1. Delaying the time of the supply / requesting VAT invoices early
2. Bad Debt Relief
3. Deferring VAT (and other tax) payments
4. Use of Sales/Promotions
5. Vouchers

A single-purpose voucher is a voucher for which all the information needed to determine with certainty the VAT treatment of the underlying transactions is already available when it is issued.



Multi-purpose vouchers are those for which not all information is available at the time of issue for the reliable determination of VAT.

As Taxation already takes place at the time the voucher is issued or transferred, Single Purpose Vouchers hurt liquidity of a business.

Taxpayers should – if at all possible – issue Multi Purpose Vouchers as taxation is only carried out when the voucher is redeemed, not when it is issued.

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10 top VAT cash saving/raising tips

6. Reviewing past VAT returns – wrongly accounted VAT
7. Input VAT review including partial exemption method
8. VAT reclaims (Refund and 13th Directive)
9. Factoring of VAT credits
10. VAT grouping

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Some VAT issues to consider

- Payments for early termination and settlement of disputes (out of court and court ordered)
- Renegotiating lease terms – offering rent free periods, watch out for barter transactions
- Utilization of EU VAT for "funding business" through:
  - Temporary application of reverse charge for B2B transactions
  - Re-shaping of certain VAT exemptions into "zero rated" (or "gentle exemption" – i.e. exemption with full right to recover input VAT
  - Boost certain businesses (i.e. houses) with "zero rated regimes" avoiding VAT cost for final customers (benefitting of price discount)
  - All these measures could be counter balanced with the increase (a) of filing obligations and (b) exchange of information among tax administration
- Are you ready for the 2021 e-Commerce changes?
- DLA Piper Coronavirus Resource Centre https://www.dlapiper.com/en/uk/services/coronavirus-covid-19/

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Upcoming VAT and Indirect Tax webinars

- VAT and property in 2020 – 9th July 2020
- Domestic reverse VAT charge for building and construction services (2020) – 8th September 2020

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Thank you and reminders

- This webinar is designed to help solicitors meet requirements A2 (Maintain competence and legal knowledge) and A4 (Draw on detailed knowledge/understanding) of the SRA's Statement of solicitor competence. You may also use the quiz, which can be accessed via the "Take a quiz" link on the webinar details page, to reinforce your understanding of the webinar content. You should answer 7 out of 10 questions correctly and will have two attempts at the quiz.
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