Q4 2017
2.2017

WTS Value Added Tax Newsletter

Editorial

Dear Reader,

It is our pleasure to present to you the WTS Global VAT News edition for Q4 2017. This issue of the WTS Global VAT News focusses again on changes in compliance duties in various EU and non-EU countries in order to inform, especially non-resident companies, regarding their VAT and GST compliance duties in the foreign countries in which they operate.

In this issue, a special topic is the new **Romanian** split payment mechanism which started on an optional basis in October 2017 and will become compulsory in 2018. In this regard, taxpayers will have to open a separate bank account for the receipt of VAT payments from their customers.

Switzerland is changing its determination of the liability to Swiss VAT for foreign companies from 2018. Foreign retailers will have to face another change in the Swiss VAT registration duty from 2019. The changes for 2018 including the decrease in VAT rates are described in this issue.

Another important topic is the introduction of a new VAT regime in the **Gulf** countries, i.e. the United Arab Emirates (UAE), Kingdom of Saudi Arabia, Kingdom of Bahrain, Sultanate of Oman, State of Qatar and State of Kuwait. VAT will be implemented in these countries from 1 January 2018 to 1 January 2019. The **UAE** and the Kingdom of Saudi Arabia will be introducing VAT from 1 January 2018. Details of the UAE VAT system are explained in this issue.

In addition, in various countries, compliance duties have changed or are going to change in the near future. The WTS Global VAT News reports in this issue about the developments in 10 selected countries in order to keep you up-to-date.

We hope you find our Newsletter useful and we welcome your feedback and suggestions. As a matter of course, our WTS Global colleagues will be delighted to assist you with your VAT questions in approximately 130 countries around the globe and, in particular, with regard to the upcoming tax and ERP-system challenges of the VAT implementation in the Gulf region. If you have any questions regarding any aspects of this Newsletter, please do not hesitate to contact us.

Yours sincerely,

Jürgen Scholz   Gabriele Heemann

WTS Global VAT Team

Contents

Please find the complete list of all contacts at the end of the newsletter.

Belgium

Belgium introduces horizontal supervision

In the ongoing fight against tax fraud, the Belgian federal government intends to implement a new approach for tax audits. In the future, tax inspectors will no longer perform day-to-day tax audits, but rather the taxpayers themselves (or their tax advisers or accountants) shall do this. This so-called "horizontal supervision" will become the new standard.

During the summer parliamentary recess, the Belgian federal government reached an agreement on the public budget for 2018. Among various other fiscal measures that will be implemented in the coming years, the Belgian federal government intends to increase its revenues by once again intensifying its efforts against tax fraud. The idea is to enhance cooperation between the taxpayer and the tax authorities and to take that cooperation to a whole new level. The Belgian Minister of Finance has had a longstanding wish to turn the taxpayer into his/her/its own tax inspector. The tax authorities will no longer perform the tax audits but rather each taxpayer (or their tax adviser or accountant) will do this. "Horizontal supervision" is the term being used for this new approach.

With strong support from the Minister of Finance, members of the Belgian federal government have now finally reached an agreement on this issue. The concept of "horizontal supervision" will be discussed further in the coming months. At this moment, very little definite information is available. It seems that the Belgian federal government will once again look to its neighbours to the north (the Netherlands) for guidance on this matter. Together with the various professional organisations of tax advisers, lawyers, accountants etc., firstly, a legal framework will be drafted. Then agreements will be concluded between, on the one hand, large(r) companies and the tax authorities and, on the other hand, the tax authorities and small and medium-sized enterprises and (industrial) professional organisations. Taxpayers will then have to meet these agreed standards, benchmarks and quality processes for their tax audits. As an incentive to comply, it is likely that certain tax advantages will be granted to companies that correctly apply "horizontal supervision". Of course, the tax authorities will reserve the right to perform random checks and sample checks. Another deemed advantage is that the audits performed by the tax inspectors could then become more tailor-made and targeted.

The stated intention is to put such a system of "horizontal supervision" in place in the course of 2018. But, as always, a long road lies ahead.

Gert Vranckx
gert.vranckx@tiberghien.com

Stijn Vastmans
stijn.vastmans@tiberghien.com

Chile

New Sales and Purchases registers

As of 1 August 2017, taxpayers in Chile are exempted from the obligation of keeping sales and purchases ledgers.

The new register system replaces the sales and purchases ledgers and it is generated with the information provided through the electronic tax documents received from the Chilean IRS on its website. This procedure is the first step of a larger reform that intends for the IRS to prepare the proposal of the monthly VAT statement. Such statement would be like the Income Tax statement in terms of simplicity.

The IRS automatically prepares a proposal for the VAT statement personalised through the sales and purchases register ("Registro de Compras y Ventas" or "RCV"). The procedure is carried out based on the information contained in the electronic tax documents issued and received by the taxpayers and subsequently received by the IRS (invoices and receipts, among others). In Chile, as of February 2017, it is mandatory for all taxpayers to invoice electronically.

As regards the sales and purchases of August, this is reflected in the proposal offered in September by the IRS in the Statement of Form 29 (the monthly VAT declaration). The Chilean IRS states that this reform aims to contribute to the reduction of gaps in the statements or in the non-compliances associated with common errors.

The register is composed of two separate registers: The sales ("RC") and the purchases ("RV") registers. The purpose of this system is to record all transactions that were incorporated before in the sales and purchases ledger by each taxpayer. Every time an electronic invoice is received, there is a period of eight consecutive days to check that the information contained therein is correct. After this period, without amendments, it is understood that such amounts are irrevocably accepted.

Before the implementation of the register and as adjustment measures, some large companies may incur large administrative expenses.

The advantage of these new registers is that taxpayers are no longer obliged to maintain a sales and purchases ledger. In our opinion, the new system is useful and efficient for electronic documents. Some items must be changed manually however, but it is expected that in the short term the system will improve and become more effective.

In terms of transparency and agility, this system is expected to be highly beneficial for taxpayers.

Jorge Espinosa
*jespinosa@
egybabogados.com*

Czech Republic

Amendment to the VAT Act

On 1 July 2017, the long-awaited amendment to the VAT Act came into effect. Below are some changes introduced by the amendment.

Unproven shortage

The current VAT Act does not provide for a VAT regime in the case of an unproven shortage. According to the settled administrative practice based on Supreme Administrative Court judgements, output VAT is paid.

According to the amendment, the taxpayer is obliged to compensate for tax deduction. This procedure applies to the destruction, loss or theft of property that is not duly proven or confirmed. Compensation for VAT deduction shall be made in the tax period in which the taxpayer became aware of the destruction, loss or theft of property.

VAT and vouchers

Furthermore, in line with case law at the European Court of Justice, the amendment has clarified the VAT regime in cases where payments are accepted before the relevant services are rendered. This change applies, in particular, to vouchers, depending on whether they are designated for the acquisition of a specific performance known in advance or not.

If the performance is not predetermined, the amount of the payment accepted in connection with the sale of such a voucher is not liable to tax. VAT is applied only when the voucher is claimed. This is, for example, the case of gift vouchers in retail trade or mobile phone top-up vouchers.

Extension of the reverse-charge mechanism in the Czech Republic

It has been a trend in recent years to extend the Czech reverse-charge mechanism, where the obligation to declare VAT is shifted from the supplier to the customer, even if goods are supplied or services are provided between two Czech taxpayers, the place of performance being in the Czech Republic.

The present amendment also continues this trend, implementing the Czech reverse-charge mechanism, for example, for the supply of agency workers who perform construction and assembly works, supply of immovable property at public auctions or supply of goods after assigning the retention of title to the assignee.

Further changes

- The institute of an unreliable person has been introduced to complement the existing institute of an unreliable payer. According to the explanatory memorandum, this additional regulation should deal with situations in which unreliable payers deliberately cancel their VAT registrations, intending to re-register. In such a case, the VAT payer is declared to be an unreliable person immediately after the registration is cancelled.
- When services are provided on a long-term basis, the date of taxable supply must be 31 December of each calendar year at the latest. The provision will not apply to lease-related services.

Roman Pecháček
roman.pechacek@alferypartner.com

Denmark

ECJ rules on input VAT recovery on services supplied free of charge

On 14 September 2017, the European Court of Justice ruled in the case C-132/16 that tax payers incurring expenses on properties owned by third parties must demonstrate a direct link between incurred costs and the taxpayer's VATable supplies. Failure to do so may lead to loss of VAT recovery.

The ruling may be of importance to Danish taxpayers engaging in Danish property projects. Often it is seen that builders enter into extension agreements with the State, Region or Municipality whereby services are provided – free of charge – on public sector infrastructure. If such agreements relate to public infrastructure or other immovable properties which subsequently have no direct connection to the taxpayer's taxable supplies, i.e. if the infrastructure is not utilised by the taxpayer in any way, VAT recovery may be refused.

Similarly, the company's deduction may be limited to the extent that the expansion of the public property exceeds the requirements the company may have in the form of overcapacity.

Expenses related to development agreements are significant and its financial models closely balanced. Therefore, agreements need to ensure a direct link or, alternatively, the services must be supplied against consideration.

In the wake of the verdict, it is expected that the Danish authorities in the future will refuse VAT on development costs, where there is no direct subsequent use of the actual developed property, or are unable to prove such a direct connection.

Mario Fernandez
maf@lundgrens.dk

France

New anti-VAT fraud measures

As of 1 January 2018, businesses VAT registered in France will be required to use certified software or systems to record payments that meet anti-VAT fraud conditions.

This new requirement concerns businesses subject to French VAT, even businesses non-established in France in terms of VAT. Non-VAT taxable persons, such as companies in the banking, insurance, education or health sectors for example, are excluded. This new measure concerns cash register systems, but it also accounting software/ERPs that register payments made by customers.

The 2018 Finance Bill, presented to the Council of Ministers on 27 September 2017 and currently under consideration by the National Assembly and the Senate, may refocus this measure to limit this obligation to cash register systems only, accounting software may be finally excluded from the scope of this new measure. In addition, the 2018 Finance Bill may also exclude B2B transactions from the scope of this measure.

The French Government aims to simplify the implementation of this new measure by focusing on main vectors of VAT fraud (cash register systems and B2C transactions).

According to the ongoing discussions on the 2018 Finance Bill, "cash register systems" may refer to "computerised systems through which the VAT-registered businesses record their transactions done with their non-VAT registered clients".

According to this anti-VAT fraud measure, certified cash register software or systems will have to meet specific conditions of inalterability, security, retention and archiving.

It would be possible to demonstrate the security of the payment process in two ways which do not include self-certification:

- Certification by an accredited organisation (i.e. *AFNOR or Laboratoire National de Métrologie et d'Essais – LNE*)
- Individual certification by the publisher of the cash register software or system. The French Tax Authorities issued a template for such an individual certificate.
- at least annually or by accounting period.

In case of failure to demonstrate that these conditions are met, a fine of EUR 7,500 per system concerned would apply. When this fine is applied, the company has 60 days to comply with the obligation of implementation of a certified system. After this deadline, the tax authorities may issue another request that could lead to the application of this fine again.

Christoph Seseke
christoph.seseke@wtsf.fr

Emilie Pann
emilie.pann@wtsf.fr

In conclusion, this new measure raises many questions in consideration of its broad scope and its heavy fine, which is applicable per company. The tax authorities' guidelines on this topic should clarify some of these questions, especially for in-house created or extensively developed software by companies to answer to their specific needs. Considering the current discussions on the 2018 Finance Bill, these guidelines initially expected in October or November 2017 would be published at the end of 2017.

Hungary

The EKAER system as a tool for Hungarian VAT inspections

In order to "whiten" the economy and reduce the level of VAT fraud in Hungary, the Hungarian tax authority introduced the Electronic Public Road Transportation Control System (hereinafter referred to as "EKAER") in 2015 to control transport of goods far more closely.

According to the Hungarian regulations, the delivery of goods with a motor vehicle on public roads subject to toll charges within the framework of supply or acquisition of goods, or movement of goods for other reasons is allowed to be performed exclusively by taxpayers having a valid EKAER number. This also applies to certain goods which are considered to be risky even if the goods are carried by such means of transport that is not subject to toll charges. Although such a tool for VAT inspection can be highly effective to identify a supply of goods, it must be said, however, that the EKAER has its downsides. The greater administrative burden and therefore the increasing wage costs are only part of the negative effects.

The default penalty related to the system can amount to 40% of the value of the goods transported without an EKAER number (in the case of such transport, the origin of the goods may be considered as unverified by the Hungarian Tax Authority). Taxpayers failing to provide EKAER reports or submitting incomplete or not fully correct reports may face this type of penalty.

The tax authority can also impose a fine if the taxpayer forgets to request an EKAER number, or if there is more than a 10% difference between the reported weight of the product and the real weight of goods delivered. In our opinion, the penalty of up to 40% of the value of goods of unverified origin, or of unreported goods, is excessive, and it is higher than the amount necessary to achieve the aim of the regulation (i.e. being able to track the goods). The discretion available at the tax authority in setting the penalty from 0% to 40% is also wide and thus resulting in legal uncertainty. Furthermore, if the Hungarian taxpayer fails to fulfil its reporting requirement in the EKAER system, the tax authority can take the cargo compartment of the means of transport under official closure and confiscate the freight.

We should consider introducing a balanced, specific penalty instead of a percentage penalty for "good" taxpayers. The 40% fine should not be imposed on mistakes that were made without the intention of avoiding tax. Taxpayers would gladly accept a system that understands the fact that the EKAER is a tool for immediate checks. Accordingly, it should be ensured that for reliable taxpayers fulfilling reports based on the good faith principle no sanctions could be imposed one year after the transaction. This is especially true since the "self-revision" option is not available in the EKAER system and there is no room for subsequent adjustments in reports already submitted. Making subsequent corrections should be allowed at least for certain "preferred" taxpayers.

Our WTS Team is in constant contact with the legislative authorities. Therefore, hopefully, some positive changes may be expected in the near future.

Béla Kovács
bela.kovacs@
wtsklient.hu

Ireland

VAT reform affecting e-commerce and electronic publications

The European Commission has published detailed proposals for VAT reforms affecting e-commerce transactions, including ebooks and other electronic publications, B2C sales of digital downloads and other services, and B2C distance sales of goods. The new proposals form part of the EU's VAT Action Plan announced last Spring, which aims to prevent fraud and tax avoidance in cross border trade and simplify the rules for SMEs. They will come into force in 2018 and 2021. The proposals include changes relevant to both Intra-EU trade and to non-EU e-commerce businesses selling into the EU and will, due to the nature of the business, specifically impact companies based in Ireland.

The Mini One Stop Shop (MOSS) - simplifications for SMEs in 2018

As of 1 January 2018, a threshold will be introduced to excuse businesses with very low levels of MOSS supplies (i.e. telecoms, broadcasting and electronically supplied services) from the obligation to use MOSS. Businesses whose annual turnover from MOSS supplies is below EUR 10,000 will be able to revert to the pre-2015 system of just charging VAT at the rate applicable in their own country instead. Businesses whose annual turnover does not exceed EUR 100,000 will benefit from simplified rules for identifying where their customers are based.

MOSS scheme users will also be allowed to apply the invoicing and record keeping rules of the EU member state where they are VAT registered. This removes the current requirement for suppliers to comply with the rules in each country where they make supplies. The requirement to keep MOSS records for ten years will also be removed – instead, businesses must follow the normal record retention time limits of their home member state.

E-commerce changes in 2021

As of 1 January 2021, the MOSS rules (currently only applied to telecoms, broadcasting and electronically supplied services) will be extended to cover intra-EU sales of other services to B2C customers, and also to distance sales of goods. EU vendors will be allowed to use their current MOSS registrations to declare the VAT payable in each member state.

Non-EU vendors can also use their MOSS registrations to declare other B2C services, but there will be a separate scheme set up to cover distance sales of goods imported from outside the EU in consignments whose value does not exceed EUR 150. Under that scheme, VAT will be payable on receipt of payment from the customer, probably via an online registration. Goods covered by this scheme will be exempt from VAT at the point of import provided the vendor quotes its EU VAT registration number on the customs entry.

The new arrangements mean that the current distance selling thresholds will be abolished.

Reduced VAT rates for electronic publications

Finally, the Commission plans to grant member states the power to apply the same VAT rates to electronic publications as they currently apply to printed publications. Currently, e-publications are subject to VAT at the standard rate of 23% in Ireland because the zero rate for books, newspapers, magazines etc. is based on the physical characteristics of a printed publication. This change should allow Irish publishers (and Irish organisations that incur a reverse charge VAT liability on e-publications bought from overseas) to zero-rate e-books as well as their hard copy equivalents. However, the zero rate of VAT shouldn't apply to e-publications predominantly consisting of music or video content – those should remain subject to the standard rate of VAT.

While no precise date has been given for the change to come into force, the Commission says that the proposal will take effect as soon as it is approved by the Council. Previous comments at EU level suggest that the Commission is keen to get the law changed on this point as soon as possible – so, zero-rating of e-publications in Ireland might perhaps become a reality as soon as next year.

Andrew Gelling
andrew.gelling@agellingtax.com

Paul Kerins
paul.kerins@agellingtax.com

Italy

Simplification rules for EC listings/INTRASTAT forms from 2018

As of 1 January 2018, simplification rules will come into force for EC listings/INTRASTAT forms (Regulation of the Director of the Tax Authorities and the Director of the Customs Authorities no. 194409 of 25 September 2017).

The aim is to avoid the duplication of data (since several data are already collected through the new adopted invoice data listing) and also to align Italian rules with EU requirements (since at present inland rules are more detailed than EU rules).

In brief, as of 2018:

- Quarterly EC listings/INTRASTAT forms referring to both goods and services will be abolished.
- Monthly EC listings/INTRASTAT forms referring to acquisition of goods and services will have only statistical relevance (so they will have no more fiscal relevance).
- The threshold for filing EC listings/INTRASTAT forms referring to acquisition of goods and services on a monthly basis will be increased as follows:
  - from EUR 50,000 to EUR 200,000 in each quarter for acquisition of goods and
  - from EUR 50,000 to EUR 100,000 in each quarter for acquisition of services.

- There will be no changes for EC listings/INTRASTAT forms referring to the supply of goods and services. Their filing on a monthly or quarterly basis will depend on the (former) threshold of EUR 50,000. However, in monthly EC listings/INTRASTAT forms referring to the supply of goods, statistical data are mandatory only if the threshold of EUR 100,000 in each quarter is exceeded.
- In the EC listings/INTRASTAT forms referring to both the supply or the acquisition of services, in order to identify the kind of service it is sufficient to state the 5-digit classification code (CPA), instead of the 6-digit classification code (CPA). It has been estimated that this simplification will reduce the codes to be selected by approximatively 50%.

Chiara Mejnardi
chiara.mejnardi@taxworks.it

The Netherlands

Input VAT revision regarding "expensive services"

The Dutch VAT legislation includes the regulation for adjustment of deductions ("revision") from the VAT Directive (Article 184 et seq.). Based on the current implementation of the revision regulation, the initially deducted input VAT regarding capital goods is followed for 4 years (or 9 in case of immovable property) after the year of first use. When the initially envisaged use of the capital good changes in a future year of the revision period, the deducted input VAT must be adjusted.

Article 190 of the VAT Directive provides Member States an option to include services which have the characteristics similar to those normally attributed to capital goods, to be included in the revision regulation. The Dutch Government did not make use of the option to include these "expensive services" in the revision regulation. As a result of this, the input VAT regarding services is only monitored in the year of first use.

The Dutch Government experienced that the lack of a revision period for "expensive services" was used to create a VAT advantage. For example, an old building was purchased and refurbished to homes. The (long) lease of homes is VAT-exempt so no input VAT should be reclaimable regarding the refurbishments. However, a structure can be implemented to reclaim the input VAT anyway. For example, by creating VAT-taxable activities (short stay lease contract) in the first year of use, followed by VAT-exempt activities in the second year and following years. Short stay lease (e.g. hotel stays and holidays homes) is taxable with the reduced rate. This way all input VAT regarding the refurbishments could be reclaimed and the homes can be leased VAT-exempt as from year two.

Recently, the Dutch Government announced that the "expensive services" will be included in the revision regulation as from 2018. It is intended to implement the revision regulation without a transition period. As a result, reclaimed input VAT regarding "expensive services" acquired in 2015 for example, can be subject to revision as from 2018. In that respect, the introduction of the new measure can have a certain retro-active effect, where under current law VAT has been definitely repaid, but under the new legislation becomes payable again. The question can be raised, therefore, if this retro-active effect will hold in court when measured against Article 1, First Protocol of the European Human Rights Convention which safeguards the right to property of tax payers. The lack of a transitional measure has been heavily criticized. Hopefully the Dutch Government takes this criticism to heart and remedies this flaw.

The "expensive services" are not limited to immovable property but also apply to IT licenses and other services which for corporate/personal income tax purposes have to be capitalized and depreciated annually. The reason for this is that income tax guidelines ("Goed koopmansgebruik") have to be used to determine whether a service qualifies as an "expensive service". These guidelines have a long history within income tax but this is the first time that it is introduced in the VAT environment. It is not clear whether the definition used in the new Dutch legislation is in line with the VAT Directive. The Dutch Association of Tax Advisors ("NOB") raised questions regarding the use of income tax guidelines in its review of the announced implementation of revision regarding "expensive services".

Rakesh Gobind
rakesh.gobind@wtsnl.com

Portugal

Import VAT reverse charged on periodic VAT returns

Importers may now opt to reverse charge and deduct the VAT due on imports on the same VAT return.

This new measure constitutes a significant relief for companies that mandatorily had to pre-finance VAT payable on customs clearance of the goods (or, as an alternative, to bear the financial costs of posting a guarantee in order to be allowed to defer the payment of import VAT) and enters into force in two different stages: as of 1 September 2017, the first stage applies to most of the goods listed in Annex C of the VAT Code (except mineral oils), provided that certain conditions are met, including the electronic submission of a request until 16 August 2017; as of 1 March 2018, the measure will be extended to the remaining imported goods, provided that certain requirements are complied with, including the submission of a request until the 15th of the month prior to the month in which this new import VAT payment regime will apply.

For this purpose, the Portuguese Government has approved Ministerial Order number 221/2017, dated 20 July, which adds two new fields (40 and 41) to Annex R of the periodic return (transactions made on a different location, other than the location of the head-office). Furthermore, the list of suppliers that has to be filed when submitting a VAT refund request has been amended to include those cases where this optional import VAT payment regime applies.

Conceição Gamito
crg@vda.pt

Romania

VAT split payment mechanism

As of 1 October 2017, the VAT split payment mechanism is optional in Romania and it will become compulsory for all taxpayers registered for VAT purposes in Romania as of 1 January 2018.

This VAT split payment mechanism means to perform the payments/collections of the VAT amounts disclosed in the invoices in a separate bank account than the taxable base. Practically, for each invoice received from a supplier, the taxpayer should perform two separate payments: the taxable base in the current bank account of the supplier, and the VAT amount in a special bank account of the supplier. Similarly, for each invoice issued by the taxpayer, the money will be received in two separate bank accounts.

For applying these new rules, the taxable persons and public institutions registered for VAT purposes in Romania will be required to open a distinct VAT bank account with any commercial bank or State Treasury and to communicate the VAT bank account number to their suppliers and customers.

The VAT bank account can be used “exclusively” for payments and collection of VAT amounts, the exceeding balance of the VAT bank account being blocked for use. Transfers of money between the usual bank account and the special VAT bank account are closely monitored by tax authorities, special procedures being defined per each type of transaction.

Failure to comply with the rules triggers penalties and fines for taxpayers.

Taxable persons who make the option to apply the VAT split payment mechanism between 1 October 2017 and 31 December 2017 may benefit from the following tax incentives, under certain conditions:

- 5% reduction of the corporate income tax or the tax on microenterprises revenues, due for the fourth quarter of 2017;
- cancellation of the late payment penalties related to the VAT liabilities outstanding as at 30 September 2017.

This new VAT payment rule was adopted in Romania with the aim to improve the VAT collection process. However, the new rules will generate more administrative and compliance work for all taxpayers, will increase costs for adapting the ERPs and will limit the financing sources for the business.

Alexandra Savulescu
alexandra.savulescu@ensight.ro

Romania

VAT registration and deregistration from October 2017

Currently the VAT registration in Romania is accepted if the taxpayer proves “the intention and capacity to carry out economic activities”.

As of 1 October 2017, the concept of the “intention and capacity to carry out economic activities” will be replaced by the concept of “fiscal risk analysis” in respect of registration and deregistration for VAT purposes. For transparency, the tax authorities will issue an Order establishing the criteria for assessing the fiscal risk of the taxpayers.

Alexandra Savulescu
alexandra.savulescu@ensight.ro

Switzerland

Changes governing Swiss VAT liability

As of 1 January 2018, whether a company must be registered in the Swiss VAT register will no longer be calculated based on the turnover generated in Switzerland, but on the worldwide turnover. Accordingly, if a company generates at least CHF 100,000 in worldwide turnover, it will be liable for VAT purposes from the beginning of its activities in Switzerland.

Foreign companies that exclusively provide services which are subject to the reverse charge procedure in Switzerland (Bezugsteuer) do not have to register for Swiss VAT purposes. This applies regardless of the amount of turnover generated.

Low-value shipments will generally still be exempt from VAT upon import. It was decided, however, to remove the CHF 5 VAT exception for all foreign retailers generating revenue of more than CHF 100,000 per year in Switzerland. Foreign retailers that generate over CHF 100,000 per year in turnover in Switzerland through the supply of goods will thus be liable to VAT and VAT has to be charged on the goods supplied (this affects deliveries from foreign popular online shops). This change will be applicable as of 1 January 2019 (the introduction of this change has subsequently been delayed by one year).

Amended Swiss VAT rates

Due to the fact that the bills on the *"Reform der Altersvorsorge 2020"* and the *"Zusatzfinanzierung der Alters- und Hinterlassenenversicherung durch eine Erhöhung der Mehrwertsteuer"* were rejected by the Swiss people on 24 September 2017, VAT rates will decrease from 1 January 2018 on.

The VAT rates as of 1 January 2018 in effect are:

- Standard rate: 7.7% (currently 8%)
- Special rate (accommodation services): 3.7% (currently 3.8%)
- Reduced rate (food etc.): 2.5% (unchanged)

Services rendered in 2018 are subject to the new VAT rate, irrespective of the date of the invoice. Please note that with regard to services that spread over 2017 and 2018, services have to be invoiced pro rata temporis with the respective VAT rate.

Bruno Bächli
*b.baechli@
wengervieli.ch*

Marc Gerber
*m.gerber@
wengervieli.ch*

The United Arab Emirates

Introduction of VAT in the Gulf region

Six Gulf countries, i.e. the United Arab Emirates, Kingdom of Bahrain, Kingdom of Saudi Arabia, Sultanate of Oman, State of Qatar, and State of Kuwait, have formed the Gulf Cooperation Council ("GCC") with the aim of developing their existing cooperation with regard to various strategic fields. One of them is the establishment of a Unified Legal Framework for the introduction of VAT in the GCC ("GCC VAT Agreement"). This GCC VAT agreement forms the basis for country-specific VAT legislations.

VAT will be implemented in the GCC from 1 January 2018 and by 1 January 2019 at the latest. The UAE is introducing VAT together with the Kingdom of Saudi Arabia as of 1 January 2018.

On 27 August 2017, the Federal Law No. (8) of 2017 on Value Added Tax ("UAE VAT Law") was issued. The UAE VAT Law provides the legal framework for the UAE introducing VAT. The release of the UAE VAT Law is only one part of the puzzle. The VAT Executive Regulations, expected to be released in Q4 2017, will provide a full picture of the UAE's VAT implementation.

The standard VAT rate will be 5% on supplies. Some supplies will, however, either be zero-rated or exempted.

The following transactions will be zero-rated:
→ International transportation and related supplies;
→ Exports of goods and services outside GCC States where the VAT is implemented;
→ Supplies of certain sea, air and land means of transportation (such as aircrafts and ships);
→ Certain investment grade precious metals (for example: gold, silver, of 99% purity);
→ First sale of residential property;
→ Supply of certain education services, and related goods and services;
→ Supply of certain Healthcare services, and related goods and services.

The following transactions will be exempt from VAT:
→ Financial services (as prescribed under the Executive Regulations);
→ Rental of residential property and subsequent sale of residential property;
→ Bare land;
→ Local passenger transport.

Rental of commercial property will be subject to the standard rate of VAT at 5%.

Businesses must register for VAT if their annual VAT taxable turnover exceeds the mandatory registration threshold of AED 375,000. A voluntary registration for VAT will be possible, if turnover is below the mandatory registration threshold but exceeds AED 187,500, and in cases where the business does not have any revenues. Further, businesses with no place of establishment in the GCC (where VAT has been implemented) will have to be registered if they make supplies which are subject to VAT, provided there is no other person who is obligated to pay VAT on their behalf. VAT registration has already commenced.

VAT returns are to be filed online at the end of each tax period. The VAT Executive Regulations will define what a tax period is. However, it is expected that businesses will need to submit quarterly VAT returns. Initially self-assessed VAT due should be paid to the Government.

Tax payers will be required to keep full records, including invoices, credit notes, adjustment/corrections of all business transactions which affect their VAT position. Most likely, such records should be kept for 5 years. The VAT Executive Regulations will specify time-limits up to which records are expected to be maintained.

There are strict penalties for non-compliance including power to conduct VAT audits. For example, a fine of AED 10,000 is to be levied for failure to submit a registration application within the timeframe, and AED 10,000 (for first time) and AED 50,000 (for repetition) for failure to keep required records.

Yann Mrazek
ask@rethink-hq.com
tax@rethink-hq.com

Contact

Belgium
Gert Vranckx
gert.vranckx@tiberghien.com
Stijn Vastmans
stijn.vastmans@tiberghien.com
T +32 2 773 40 00

Tiberghien Lawyers
Havenlaan 86C b 419
1000 Brussels
www.tiberghien.com

Chile
Jorge Espinosa
jespinosa@egybabogados.com
T +56 22 592 1300

EGYB Abogados
Santiago, Chile
Vitacura 2939 office 2202
7550011
www.egybabogados.com

Czech Republic
Roman Pecháček
roman.pechacek@alferypartner.com
T +420 221 111 777

WTS Alfery s.r.o.
Václavské náměstí 795/40
11000 Prague 1
www.alferypartner.com

Denmark
Mario Fernandez
maf@lundgrens.dk
+45 53615859

Lundgrens
Tuborg Boulevard 12
2900 Hellerup
www.lundgrens.dk/en

France
Christoph Seseke
christoph.seseke@wtsf.fr
Emilie Pann
emilie.pann@wtsf.fr
T +33 (0)142 270 538

WTS Selarl
57 avenue de Villiers
75017 Paris
www.wtsf.fr

Hungary
Béla Kovács
bela.kovacs@wtsklient.hu
T +36 1 887 3700

WTS Klient Tax Advisory Ltd
101-103 Stefánia Street
H-1143 Budapest
www.wtsklient.hu

Ireland
Andrew Gelling
andrew.gelling@agellingtax.com
Paul Kerins
paul.kerins@agellingtax.com
T +353 (0) 1 – 6760675

Andrew Gelling Tax Consultants
Charter House
5 Pembroke Row
Dublin 2

Italy
Chiara Mejnardi
chiara.mejnardi@taxworks.it
T +39 011 4338351

WTS R&A Studio Tributario Associato
Corso Francia 32
10143 Torino
www.taxworks.it

Contact

The Netherlands
Rakesh Gobind
rakesh.gobind@wtsnl.com
T +31 10 217 91 77

WTS World Tax Service B.V.
Conradstraat 18
3013 AP Rotterdam
www.wtsnl.com

Portugal
Conceição Gamito
crg@vda.pt
T +351 213 113 490/485/675

Vieira de Almeida & Associates, Law Firm
Engenheiro Duarte Pacheco,
Avenue, number 26
1070-110 Lisbon
www.vda.pt

Romania
Alexandra Savulescu
alexandra.savulescu@ensight.ro
T +40 75 1123099

Ensight Finance
150 Uranus Street (The Ark)
050826 Bucharest
www.ensight.ro

Switzerland
Bruno Bächli
b.baechli@wengervieli.ch
Marc Gerber
m.gerber@wengervieli.ch
T +41 (0)58 958 58 58

Wenger & Vieli AG
Dufourstrasse 56
8034 Zurich
www.wengervieli.ch

The United Arab Emirates
Yann Mrazek
ask@rethink-hq.com
tax@rethink-hq.com
T +971 4 294 9203

Rethink
Rethink ME Ltd (Dubai Branch)
Floor 8, Al Gurg Tower 3
Baniyas Road, Rigga Al Buteen
PO Box 186549, Dubai, UAE

Rethink ME Ltd (ADGM)
Office 2442, Al Sila Tower
Abu Dhabi Global Market Square
Al Maryah Island, Abu Dhabi, UAE
www.rethink-hq.com