Tax Representative Alliance
International VAT Advisory

www.tax-representative-alliance.org

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See more information about last TRA meeting in Regensburg and next TRA meeting in Madrid on page 2.

The Tax Representative Alliance (TRA) is an Alliance of specialized VAT consulting firms from all over Europe. TRA was founded in 2012 and has meber firms in 19 different countries.

VAT 2015 conference – the place of supply of services/ Mini One Stop Shop (MOSS)

The conference will take place on 9th September 2014 in Warsaw and will be organized by Poland in cooperation with the European Commission. The subject of the conference will be new rules concerning the place of supply of telecommunications, broadcasting and electronic services for private individuals (final consumers) and the option of using the Mini One Stop Shop system, which will be effective from 1st January 2015.

The purpose of the conference is to inform the largest possible number of businesses, including businesses from outside of the European Union, of changes in the field of VAT in respect of the provision of these three categories of services, and the operation of the MOSS system.

UK: Tax Authorities consider virtual currency a VAT issue

HM Revenue & Customs has remarked that Bitcoins are a source of fraud and money laundering, as well as means to evade tax payment.

Therefore, the UK Authorities have ofend the door for making virutual currency taxable, not only for VAT purposes but also for income tax purposes.

Countries are now impelled to refuse this currency as being legal, and many of them have already prohibited the inclusion of transactions within legal circuits.

The worry about the effects of this parallel currency do not only affect the economy, but also the Authorities that consider this virtual coin as a menace to their revenue collection.

New Agenda

Next TRA Meeting will take place in Madrid, Spain in March 2015. The meeting will be organized by the Spanish TRA member, TAX PARTNERS

The next annual TRA meeting will be held in Madrid, Spain, in 2015.

Annual TRA meetings offer the chance to learn more about other members, other countries and VAT. Annual meetings are the cornerstones of doing business together within TRA. It is always easier to do business with someone you know personally. Face to face meetings are one characteristic which differentiates TRA from Big Four companies and other associations.

After the first meeting in Paris (France) in 2013 and the second meeting in Regensburg (Germany) in 2014, the third meeting in Madrid in 2015 will be the next chance for cooperation among the participating companies and for upgrading the alliance structure.

While Madrid possesses a modern infrastructure, it has preserved the look and feel of many of its historic neighbourhoods and streets. Its landmarks include the Royal Palace of Madrid; the Royal Theatre with its restored 1850 Opera House; the Buen Retiro park, founded in 1631; the 19th-century National Library building (founded in 1712) and the Golden Triangle of Art, located along the Paseo del Prado and comprising three art museums: Prado Museum, the Reina Sofía Museum, a museum of modern art, and the Thyssen-Bornemisza Museum.

Madrid is the capital city of Spain and its largest city. The population of the city is roughly 3.3 million and it is the third-largest city in the European Union, after London and Berlin. TRA member, TAX PARTNERS, has its headquarters in Madrid and is organizing the 2015 meeting with enthusiasm.

Annual Meeting 2014 held in Regensburg (Germany)

The second annual meeting of the Tax Representative Alliance (TRA) was held in Regensburg, Bavaria, from 13th to 15th March 2014. Forty people from 19 countries attended the conference in the SORAT Hotel on an island in the middle of the Danube in the German city of Regensburg (Ratisbon).

The second annual TRA meeting started with a get-together and a Bavarian evening in the traditional Bavarian restaurant Bischofshof, near Regensburg´s cathedral. Bavarian beer and food, as well as zither music, gave the participants from all over Europe an impression about the local traditions.

During the conference day the participants discussed how to develop the cooperation among the TRA members and about new business opportunities. There was, in particular, a discussion about new services regarding excise duties. Also every member firm presented its office to the other colleagues and explained its own position in the national market. The day ended with a visit of the WW+KN headquarter office in the Regensburg business park and a dinner in the restaurant HausHeuport, in the center of the old city, which is listed as UNESCO world heritage.

On the last day, the participants had the chance to take part in a Regensburg sightseeing tour with an English speaking tour guide. During the sightseeing tour an actress, playing Barbara Blomberg, a mistress of emperor Charles V and mother of the well-known admiral Don Juan d´Austria joined the group and explained details about life in the 15th and 16th century.

During the meeting, there were many chances for networking between the companies from different countries. One of the main purposes of the annual meetings is to learn more about the other members, their services and their countries.

The Swiss Federal Council wants to improve the enforcement of the VAT rules to foreign companies

The Swiss Federal Council decided on 16th April 2014 that foreign companies providing services in Switzerland on a temporary basis shall from now on have to declare their presence and activity in Switzerland to the Swiss authorities. This shall be done online, using the existing declaration procedure for temporary employment in Switzerland. By indicating their Swiss VAT number during this process, foreign companies are required to ascertain their VAT status in Switzerland under the control of the Swiss Tax Authorities, who will thus be able to better enforce any VAT obligations these foreign companies may have in Switzerland. This measure is meant to reduce VAT-related competitive disadvantages suffered by Swiss companies, as services bought from services suppliers established outside of Switzerland are often wrongly invoiced without Swiss VAT, rendering them less expensive for the buyer than domestic services normally charged with VAT.

The Federal Council estimates that the additional receipts deriving on a yearly basis from this new measure should be of at least CHF 10 million. It should be noted that the Swiss Federal Council instructed the Swiss Federal Department of Finance, together with the Federal Department of Justice and Police, to take the necessary steps to enforce this measure.

To further reduce the competitive disadvantages, Swiss VAT law will also be amended so that the Swiss VAT liability of foreign companies will no longer be determined on the basis of the sole turnover realized in Switzerland, but rather on a worldwide turnover. Therefore, foreign companies should soon be liable for VAT in Switzerland as soon as their turnover exceeds CHF 100,000 globally. It is estimated that 20,000 foreign companies could be impacted by this measure to come, involving the need for a VAT registration number and the appointment of a VAT representative in Switzerland.

FRANCE: e-papers now subject to the reduced VAT rate.

Since February 2014, the 2.1% reduced VAT rate applicable to newspapers now also applies to downloadable newspapers (e-papers) taxable in France (Law No. 2014-237, 27 February 2014). The reduced VAT rate applies to sales of e-papers as well as to agency and other intermediary services in relation to such sales.

The rationale justifying the e-papers to be subject to the reduced VAT rate is based on the similarity of content between papers and e-papers for the final consumer.

According to article 98 of the Directive 2006/112/EC, electronic services are subject to the standard VAT rate and not to the reduced rate. So, on the basis of the current wording of the Directive, France is normally not entitled to grant any reduced VAT rate to the downloading of e-papers.

The question is whether the EU Commission will state an infringement procedure against France as it did for e-books, pending a Directive proposal that should likely extend the reduce rate to downloading of e-papers and thus put an end to this crucial issue.

CYPRUS: VAT Rate increased

As from 13th January 2014, the standard VAT rate has increased from 18% to 19% and the reduced rate from 8% to 9%. The reduced rates of 0% and 5% remain unchanged.

SPAIN: Granting more and more flexibility to non VAT subject company split processes

A company with a real estate activity has split into two different companies, applying the Neutrality Regime for VAT purposes, understanding that the transaction was not subject to VAT.

The split was justified by the need to separate the exploitation of two different buidings by the two different partners of the company. Therefore, the Tax Auditors considered the transaction as not subject to VAT, as the target of the transaction had no restructuring background - the only aim was to separate patrimonies between partners, and the buildings could not be considered as two different branches of activity.

This decision was recoursed before the Administrative Courts, and afterwards before the National Court, which determined there was a valid economic reason as background and therefore the transaction was not subject to VAT, as long as each company has followed up the exploitation of each building. The real estate activity does not require the existence of employees, and does not have to be developed with a continuity over the years, as this shall depend on the economical means and possibilities.

2014 INTRASTAT declaration threshold for the Netherlands has changed

For Dutch INTRASTAT purposes, the declaration threshold for trade with EU member states has changed from €900,000 to €1,500,000 as of 1st January 2014. The INTRASTAT declaration threshold for 2014 is set forth as follows:

- Companies that in 2013 exceeded the annual threshold of €1,500,000 for imports (intra-Community acquisitions ('ICA') from EU member states, or for exports (intra-Community supplies ('ICS')) to EU member states, must continually provide Statistics Netherlands with monthly statistical declarations throughout 2014.

- The threshold applies separately for imports and exports. A company with, for instance, a yearly import value (ICA) of €1,600,000 and an export value (ICS) of €1,400,000, only need to provide Statistics Netherlands with the imports (ICA), not the exports (ICS).

- Companies that in 2013 did not exceed the threshold, but in 2014 will exceed the threshold of €1,500,000 are obliged in 2014 to submit declarations from the month the threshold is exceeded. This then applies for the remainder of that year. A company that, for instance, imported commodities from EU member states to the value of €1,400,000 in the period from January to August, and then €110,000 in September, must submit a declaration for imports (ICA) as from September (€110,000) and for the remaining months of 2014. A company that, for instance, exported commodities to the value of €1,400,000 to EU member states in the period from January to August, and then €150,000 in September, must submit a declaration for exports (ICS) as from September (€150,000) for the remaining months of 2014.

Romania - Consolidation for VAT purposes of domestic affiliated entities in Romania

The general concept of VAT grouping allows a number of companies, under certain conditions, to be treated as a single entity for VAT purposes. The VAT group registration may bring advantages to the taxpayer, including a reduction in the administrative burden and an improved cash flow management. Also, one of the major benefits of being part of a VAT group is the centralization of the reporting obligations and the possibility to offset the deductible VAT with the related collected VAT of the transactions performed by the whole group for each fiscal period. The current Romanian VAT legislation allows the consolidation of the VAT returns of a group of companies. Such groups may be formed by at least two Romanian legal entities that directly or indirectly hold at least 50% of the shares and must be managed by the same tax office. Since 2012, there is no longer a condition where each member of the group must be a large contributor (meaning a company that surpasses a certain treshold in terms of turnover and/or investment).

For VAT grouping (Foreign Companies cannot be included), several conditions need to be fulfilled, as follows:

- a company may be part of only one VAT group;
- the option must refer to a period of at least two tax years;
- all companies from the group must apply the same tax period;
- the VAT group can be established only by companies managed by the same tax office.

Prior to obtaining the approval of the VAT group, a notification will be lodged with the tax authorities requesting the implementation of the group. The tax authorities reserves its discretionary right to refuse a group registration or to terminate a group registration for revenue protection reasons. It is important to mention that in the first VAT reporting of the consolidated group, the designated representative of the group must include the VAT balances to be paid at the end of the prior tax period with the negative balances which were not subject to a VAT reimbursement request.

The Netherlands: More focus on VAT audits in small and medium enterprises

The Dutch State Secretary of Finance has announced that the Dutch tax administration will focus their audit efforts more on VAT refund applications by small and medium enterprises (SMEs). This means that the Dutch tax administration, for instance, will compare sales debits on the balance sheet with VAT actually accounted for and paid and scrutinise the processing of VAT returns where input VAT is reclaimed but no revenue is accounted for.

The Dutch State Secretary of Finance made these remarks in a letter to the Dutch Parliament in which he answers questions about his 'Broad Agenda' for the Dutch tax administration. When asked in which areas within tax the expected revenue of more (focussed) audits will be highest, the Dutch State Secretary of Finance indicated that a number of areas have been selected for the intensification of monitoring and recovery. A more intense focus on auditing VAT returns by SMEs is part of that strategy.

Poland: A branch in Poland, the right to deduct VAT on purchases of Polish goods and services

A branch of a foreign company has the right to deduct VAT on purchased goods and services in Poland.

NSA (Supreme Administrative Court) has ruled once again (24th February 2014 I FSK 353/13) the right for the foreign company's permanent establishment in Poland, to deduct the VAT from the purchased goods and services, connected with the services related to the activities performed for the main company (headquarters).

The condition of that deduction is that the foreign company must show a relationship between purchases carried out by a branch in Poland and its activities abroad. It is important, however, that the foreign company conducts taxable activities.

It is worth noting that this is another Supreme Administrative Court judgment that confirms the right of VAT deduction by the branch (the previous judgment was 26th February 2013 I FSK 493/12).