Global Indirect Tax Headlines

8 January 2021 – 29 January 2021

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Corona: Global

Managing the impacts of COVID-19

Companies on a global level are faced with the effects of the globally spreading Coronavirus (COVID-19).

The current situation poses huge challenges regarding labor issues, personal data processing, public health, contracts, corporate governance, tax obligations and sanctions-related matters. This raises substantial questions and concerns from a tax and legal point of view.

Our experts from WTS Global have collected information and advice on managing the impact of COVID-19 in their home markets. We are pleased to offer you a bundled overview on over 35 countries here.

We remain entirely at your disposal for further advice and guidance to support you in professional challenges you might currently face.

Updates to VAT general guide

The National Bureau for Revenue updated the general guide for value added tax (VAT).

The general guide (updated 14 January 2021) reflects the following amendments:

- A new sub-section addresses assessment review requests.
- The fee for appeals to the VAT Appeals Review Committee has been specified.
- The mechanism for issuing VAT certificates (on request and payment of the specified fee) is introduced.
- Changes have been made to the measures on VAT agents and representatives.
- The fee for becoming an authorized agent or representative has been specified.
- Details about the place “most closely connected with a supply” have been added.

GST/HST proposals regarding platform-based short-term accommodation

Non-resident actors of the short-term accommodation industry may have to register, collect and remit GST/HST on their Canadian sales, and maintain additional records starting on July 1, 2021.

GST/HST proposals for cross-border digital products and services and fulfilment warehouses

Non-resident actors of the e-commerce industry may have to register, collect and remit GST/HST on their Canadian sales, and maintain additional records starting on July 1, 2021.

Current situation

Under the current GST/HST rules, non-resident persons that are not carrying on business in Canada are not required to register, collect and remit the GST/HST. Consequently, the current rules often result in the GST/HST not being collected and remitted on online purchases from non-resident vendors or made through digital or distribution platforms.

With the implementation of the new proposed GST/HST rules, non-resident vendors and digital or distribution platforms operators may be required to register, collect and remit the GST/HST on their sales in Canada as of July 1, 2021.

Upcoming changes

The new proposed GST/HST rules, which were announced by the Government of Canada on November 30, 2020, would impose new GST/HST obligations to:

- Non-resident suppliers of digital products or services, as well as digital or distribution platform operators that facilitate the sales of digital products or services (distribution platform) that are not otherwise considered as carrying on business in Canada.
- Non-resident suppliers of goods and operators of fulfilment warehouses.

VAT and leases of residential real estate

A provision of the value added tax (VAT) law concerning the VAT imposed on leases of selected real estate is effective 1 January 2021.

The leasing of real estate is (with certain exceptions) exempt from VAT, and without the ability to claim a VAT deduction. Until 31 December 2020, VAT taxpayers could elect to declare output VAT on real estate leased to another taxpayer for purposes of that other taxpayer's economic activity.

Effective 1 January 2021, VAT no longer applies to leases of certain real property (in general, residential property).

The primary purpose of this provision is to address perceived abuses by claiming the entitlement to VAT deduction when the real estate is intended for housing. Buildings for housing are determined based in part on information from the real estate register.

Any adjustment to VAT-related deductions for buildings, units, and their technical improvements must be performed within 10 years of their acquisition.

E.U. European Commission launches consultation on EU digital levy

On 14 January 2021, the European Commission (the Commission) published a roadmap including a public consultation for the introduction of a digital levy. In July 2020, European Union (EU) leaders requested the Commission to propose such levy as a new EU- own resource to support the EU's borrowing and repayment capacity in the context of the EU's recovery package, the Next Generation EU.

The roadmap informs citizens and stakeholders about the Commission's plans and invites feedback on the intended initiative. The first feedback period for the initiative ends on 11 February 2021, and a 12- week public consultation period will follow. The Commission expects to put forth a proposal for a Directive during the first half of 2021.

The roadmap highlights that the EU is still committed to reaching a global agreement, and that the roadmap and consultation should be seen as supplementing ongoing work at the G20 and Organization for Economic Co-operation and Development (OECD) level on a reform of the international corporate tax framework.

E.U. states enforce Brexit import customs duties and VAT representative rules

Following the UK leaving the EU Customs Union from 1 January 2021, EU member states have begun to enforce the requirement on UK importers to appoint a resident indirect customs representative or agent for import customs duties and VAT obligations. This person/business acts as the customs fiscal representative and as the customs declarant - so is jointly and severally liable for import taxes.

Prior to Brexit's completion, countries like Germany, France and the Netherlands had been showing some flexibility for infrequent importers from third countries – which the UK is now following Brexit.

The rules for third country importers into the EU Customs Union were set in the EU's Union Customs Code. It requires the freight forwarder to act as the direct intermediary or the vendor to appoint an indirect representation. Generally, freight companies are very reluctant to be held liable so do not offer this.

The EU has also started enforcing similar requirements on exports from the EU. Third country exporters must appoint a representative and countries are phasing this in.

E.U. customs changes with ecommerce VAT package

EU customs for ecommerce is changing on 1 July 2021.

This is based on the EU introducing a range of VAT measures for ecommerce sellers and marketplaces from 1 July 2021. These include: One-Stop-Shop (OSS) single VAT return; ending €22 import VAT exemption with new IOSS return for imports not exceeding €150; and new marketplace VAT liabilities.

To support these VAT measures, there are also customs changes to the UCC codes:

- A new super reduced dataset customs declaration for goods not exceeding €150 being imported to EU consumers;
- This will mean just a fraction of the data requirements for the customs declarations; and
- 'Green channel' fast customs clearance for consignments not exceeding €150 using the new IOSS reporting regime

Customs declarations containing the reduced (H7) data set can be used by:

- by any person
- for goods sent in B2C, B2B or C2C consignments up to an intrinsic value of €150 subject to customs duty exemption in accordance with Article 23(1) DRR or in C2C consignments up to an intrinsic value of 45€ subject to customs duty exemption in accordance with Article 25(1) DRR and
- for IOSS, special arrangements or the standard import VAT collection mechanism.

E.U. reduced VAT rate freedoms 2022 update

The EU is re-evaluating plans to give member states further powers to change reduced VAT rates. This would allow countries to increase the number of reduced rates and withdraw the current restricted list of goods (VAT Directive Annex II) which are allowed these rates. This was part of a wider EU VAT Action Plan set of reforms.

Political agreement on this had been reached for implementation in 2022, but this was tied to the implementation of the Definitive VAT System reforms which now seems unlikely to progress. Portugal, which currently holds the Presidency of the Council of the EU, is now aiming to get final agreement by June 2021 on an implementation date.

The main area of outstanding agreement is whether to use a negative list (which goods or services cannot apply reduced rates) or a longer positive list (which supplies can have the use of reduced rates).

Current VAT rate rules under EU VAT Directive

Currently, member states are free to set their standard VAT rate provided it is at 15% or above. This floor limit is to prevent distortions in the EU single market by businesses or consumers looking to gain a tax advantage by shifting consumption to other EU states.

The EU VAT Directive also permits member states to have two reduced rates, the lower of which should be 5% or above. However, the range of products and services which countries may grant reduced rates on is tightly controlled and listed in Annex III of the EU VAT Directive. Member states may not deviate from this list.

Additionally, there are a number of special rates permitted by the EU VAT Directive:

- Super-reduced rates – below 5% on a narrow range of supply such as for maintenance and adaptation of means of transport for people with disabilities;
- Zero rate – where no VAT is charged but the taxpayer retains the right to deduct input VAT suffered; and
- Parking Rates – up until 1991, member states were permitted to continue with additional, third reduced rates that were in operation prior to them joining the EU.

e-Invoice from 1st January 2021

With the first phase of e-invoice already being implemented for the businesses with a turnover of 500 crores and above, it's now time for the second phase of e-invoice to be implemented from 1st January, 2021.

Electronic invoicing popularly called as 'e-invoice' is a concept in which all B2B invoices are electronically uploaded by the supplier and authenticated by invoice registration portal (IRP) with an IRN and QR code. In turn, the IRN and QR code should be printed on the invoice by the supplier before issuing it to the buyer.

While the e-invoice concept has been in discussion for quite some time, it saw the light of day on 1st October,2020.

e-Invoice business applicability from 1st January,2021

The second phase of e-invoice implementation is said to begin from 1st January,2021 and will be applicable for businesses with the annual turnover of 100 crores or above in the previous financial year.

In the first and second phase of e-invoice implementation, the decision has been taken to consider only the larger businesses and gradually, in a phased manner, more number of businesses will be brought into the ambit. It is expected that from April, 2021, it will be applicable for all the registered business.

e-Invoice process

e-Invoice requires you to generate the invoice data in the prescribed format (JSON), either using the ERP/business management software or offline tool provided by the portal. And, then upload it to the IRP which in turn validates and authenticates the invoice data with IRN and QR code.

e-Invoice from 1st January 2021

The process to generate e-invoice is mentioned below:

- Generate the e-invoice in a prescribed format using the software solutions/business management software or use the offline tool provided by the portal
- Login and upload the e-invoice file to IRP. If the software is integrated with IRP via GSP, the upload of the JSON file will be automated, meaning system sends the required details directly to the IRP portal
- The IRP portal validates the key invoice elements and upon successful validation, the invoice data is authenticated with IRN number and QR code
- Next, you can download or receive the e-invoice file along with the IRN for the invoices that has been uploaded by you. Using the details received, update your invoice with IRN number and QR code. In case of an integrated environment of ERP and IRP via GSP, the software will automatically fetch and print such details.

What should you do from 1st January 2021?

If you are a business with an annual turnover of 100 crores and above, e-invoice will be applicable, and you need to electronically upload all B2B and B2G invoices to the portal. You need to generate the e- invoice in the required format and upload it to the IRP portal. The IRP portal will authenticate the invoice data and return the file with IRN and digitally- signed QR code.

e-Invoicing mandates that an invoice remains valid only if it has IRN and QR code that is authenticated by the IRP (Invoice Registration Portal). Invoicing being a key process in every business, it's a necessity to have a business management software that will help you seamlessly generate e-invoice without impacting the way you use to operate your business.

Businesses using ERP/ business management software that seamlessly connects to the IRP system via GSP, and automatically prints the QR code and IRN on the invoice, will find it easy to manage e- invoice requirements without many changes to the business process.

Italian Government announces deferrals for DST payments for 2020

On 15 January 2021, the Italian Government published a press release setting out, among others, a deferral of the forthcoming Italian Digital Services Tax (DST) payment deadlines. These measures will be implemented by a Law Decree, which is expected to be issued shortly.

According to the press release, the Law Decree will provide that for the first year of application of the Italian DST (i.e., financial year 2020):

- The deadline for the payment of the DST for financial year 2020, which would ordinarily be due on 16 February 2021, is deferred to 16 March 2021.
- The deadline for the filing of the DST return for financial year 2020, which would ordinarily be due on 31 March 2021, is deferred to 30 April 2021.

In addition, on 16 December 2020, the Italian Tax Authority published an Implementation Draft Decree for public consultation, which contains certain guidelines for the application of the DST. It is expected that a final version of the Draft Decree will be released in the next few weeks, following the consultation process.

Approval of the DST (Digital Services Tax) form

Italy approved the DST form for the declaration of the tax on digital services and the related instructions and technical specifications for the telematic transmission of data.

Proposed amendments to electronic tax records preservation system

An outline for tax reform proposals for 2021—under an agreement reached by the ruling coalition in late 2020 and then approved by the Cabinet—includes measures that would amend electronic recordkeeping and preservation systems for account books and tax records.

The proposals (currently in an outline format and thus subject to possible modifications during discussions of the measures in the Diet) include amendments to:

- The system for preservation of national tax- related account books and documents in an electromagnetic format
- The scanner system for preserving national tax-related documents
- The system for preserving electromagnetic records related to transactions

Kenya introduces digital services tax

Kenya has joined the growing list of countries that have introduced a digital services tax (DST).

DST will be charged on digital services supplied to users in Kenya, according to specified criteria.

Authorities made provision for the DST in Kenya's Finance Act of 2020. The move aims to broaden the tax base. It also seeks to create a level playing field for local and foreign digital services providers.

Digital services tax on streaming, hosting and more

Kenya's DST applies to a broad array of services, including streaming services and web hosting. The tax also covers the sale of user data, ride hailing services, plus any service provided through a digital platform that is not specifically exempted.

Exemptions include specified digital financial services

Authorities have set DST at 1.5% of the gross transaction value. Note that digital service providers bear the responsibility to pay the relevant digital services tax to Kenyan authorities

Note also that foreign digital service providers have the option of filing directly with the Kenya Revenue Authority or appointing a fiscal representative.

Companies providing digital services to customers in Kenya should review and, if necessary, revise their processes to ensure compliance.

Digital services tax, first return and payment expected in February 2021

Following the release of digital services tax regulations in December 2020, the first return and first payment of the digital services tax for January 2021 are scheduled to be filed and paid, respectively, by 20 February 2021.

Extends VAT Exemption for Sugar, Cooking Oil, and Soap

The Mozambique government has approved an extension of the VAT exemption granted for sugar, cooking (edible) oil, and soap, as well as the raw materials, intermediary products, and equipment and parts used in their manufacture. The VAT exemption for these products, which had previously been extended to 31 December 2020 with an expanded scope in light of COVID-19, is now extended to 31 December 2023.

New digital VAT return from January 2022

A new digital VAT return will be introduced as of 2022. The VAT return will be based on SAF-T codes, and will be more detailed than the current VAT return, including bad debts reporting, VAT adjustments and reversal of input VAT and withdrawal VAT. The new return will demand more from companies in respect of correct registration of data in their accounting systems and there will be less room for manual corrections. We also expect that the new format will open up a whole new range of controls and analysis of the data, at a deeper level than what is currently possible.

Special VAT treatment for Oman's free zones

Oman is located on the south-east coast of the Arabian Peninsula which gives Oman a strategic location as a shipping and trading centre for markets in Europe, Africa and Asia. To realise the economic benefits of this location, currently, Oman is the home of three free zones, viz. Sohar Free Zone, Salalah Free Zone and Al Mazunah Free Zone. According to Asyad, Sohar and Salalah free zones attracted 120 projects with an estimated investment OMR3.7 billion by the end of 2019.

Oman market will see 5 per cent VAT invoices from April 21. As a consumption tax, VAT is applied on most supplies of goods and services across the country.

Generally, a special VAT treatment is provided to Free Zones to exempt from VAT for specific supplies of goods and services to encourage economic activities. However, this special treatment is based on strict criteria by Tax Authority including control, fenced geographical area, security, custom and specified internal procedures of the free zone. Strict criteria are put in place to enable any kind of tax avoidance.

Free zones must comply with these criteria to enjoy VAT exemption. Free zones businesses are expected to keep a detailed record and comply with VAT regulations to receive VAT-free purchases and other benefits.

As a practice, many supplies of goods to free zone businesses are outside the purview of VAT and also VAT is not applicable for services performed in free zones.

The exception to the general rule, VAT is applicable if supplied goods to a person or businesses in the free zone are consumed or utilized by them. For example, a business purchases furniture's, electronic items, vehicles, fuel for vehicles, stationery, computers, food and similar goods to run the business, these purchased goods will attract VAT as these are consumed by business. An individual in free zone buying goods for his purpose will be paying the VAT.

Special VAT treatment for Oman's free zones

However, if the purchaser of goods in free zone plans to resell the goods then these goods are exempted from VAT. Also, supplied goods becoming part of another good in Free Zone will be outside the scope of VAT.

Purchasing of goods in the free zone for using in production does not attract VAT provided there is a strong direct connection between purchased goods and produced goods e.g. tools will have sufficient connection but computer purchased to only support pre-manufacturing functions will not have sufficient connection.

The supplier is responsible to assess carefully that a supply of goods to the free zone is not chargeable under VAT. This makes supplier charge VAT on all supplies by default and in that case, free zones purchasers should be alert to avoid paying VAT unnecessary.

Normally, goods are free from VAT if supplied from outside the country to free zones. Also, the transfer of goods between Free Zones does not attract VAT subject to some compliances. Supplying goods outside the free zone is treated import and VAT is payable.

The rules and procedures will be elaborated in the expected VAT Executive Regulations from the tax authority.

Issues Notice Clarifying Sales Tax on IT Services

Pakistan's Federal Board of Revenue has issued a notice to clarify sales tax on IT services & IT enabled services.

FBR issues clarification on Sales Tax on IT services & IT enabled services.

Federal Board of Revenue (FBR) has issued a clarification on the news item appearing in Daily Business Recorder on 22nd January, 2021 regarding imposition of 16 % Sales Tax on IT Services and IT Enabled Services. FBR has stated that IT and IT Enabled Services were subject to Sales Tax at 16 % since July 2015 under Islamabad Capital Territory (Tax on Services) Ordinance, 2001. Later, FBR reduced the rate of Sales Tax on these services to 5 % vide SRO 781 (I)/2018 dated 21st June 2018.

FBR has clarified that the scope and extent of IT Services was not defined under Islamabad Capital Territory (Tax on Services) Ordinance, 2001. This was giving rise to dispute between Tax Authorities and Taxpayers. FBR has explained that the definition of IT and IT Enabled Services was available under the Income Tax Ordinance, 2001. The same definition has been adopted for Sales Tax purposes vide SRO 77 (I)/2021 dated 21st January 2021. The recent SRO has been issued as a clarification to reduce disputes on the definition of IT and IT Enabled Services. FBR has vehemently clarified that no new tax has been imposed.

Slim VAT made the settlement of correction invoices even more complicated

The so-called The Slim VAT package was intended to simplify tax settlements. It turns out, however, that at least some of the new solutions raise even greater doubts than before. This is, inter alia, with corrective invoices in minus. As a result, companies will have to pile up piles of additional documents.

Start of B2B electronic invoicing at the end of 2021. It will be voluntary until 2023

E-invoice is the next stage of implementation of pioneering e-administration services, facilitating settlements between companies and ensuring their accounting security.

Such activities are crucial for the quick and efficient identification of tax fraud, especially VAT carousels.

E-invoices will be a type of electronic invoices issued and received via the central database of e-invoices – the National System of e-invoices (KSeF).

The bill will soon be submitted to public consultations.

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The tax office imposes penalties for which there is no legal basis.

The use of the tax avoidance clause or the imposition of severe penalties for unreliable VAT settlements are just some of the latest examples of situations where the tax authorities are above the law and punish taxpayers without any legal basis. Observations of tax advisers show that this is happening more and more often.

Postpones QR Codes on invoices and certified billing obligations

QR codes in Portugal are postponed until 2022 and PDF invoices are still acceptable until March 2021.

Upcoming changes: QR Codes and certified billing software

Due to Covid-19, Portuguese authorities proposed a delay in making the QR Codes in invoices obligatory for all businesses in Portugal until 2022. The proposal also included other key factors, such as possible benefits for those who opt to use QR invoicing in 2021, and feasibly only requiring businesses in hospitality and gastronomy sectors, as well as cultural events, to use the QR Codes.

Additionally, non-established businesses in Portugal will be required to utilize certified billing software to issue their invoices starting from July 2021. Businesses who do not comply with this obligation risk fines from the Portuguese Tax Authorities as well as their invoices being considered invalid. This obligation was also postponed from 1 January to 1 July 2021 due to Covid-19 challenges for businesses.

In order to abide by the requirements set by the Portuguese Tax Authorities, non-established businesses should make sure that their systems are configured to issue invoices with a certified billing software as from July 2021.

PDF invoices to be accepted until March 2021

The Secretary of Tax Affairs announced in November 2020 that PDF invoices will still be deemed as electronic for tax and legal purposes and will be accepted until 31 March 2021. From that moment on, businesses will have to comply with the new requirements put in place by the tax authorities.

Portuguese Invoicing Dictionary

With all of the upcoming changes, it can be difficult to keep track of what is what. You can find our explanation of some key words below:

- QR Codes: A two-dimensional code to be utilized on invoices in Portugal.
- UIDD Number: Unique identification number assigned by the Portuguese Tax Authorities that must be included on each invoice.
- E-Invoicing: A method of issuing invoices that will be mandatory only on B2G invoices.
- Certified Billing Software: Invoicing software to be used in Portugal by local businesses, and as from July 2021, also by non- established businesses. The software must meet certain requirements laid out by the Portuguese Tax Authorities to make sure that the invoices are accepted and issued correctly.

VAT regime expected to be announced in 2021

A value added tax (VAT) regime is expected to be announced during 2021.

It is anticipated that VAT would be broadly imposed at a rate of 5%, and the new VAT regime would have implications for most sales of goods and services in Qatar (with possible limited exceptions being available for certain activities of financial services and insurance).

All persons and entities conducting business in Qatar would need to register for VAT purposes. These VAT-registered businesses would be able to claim a credit for the amount of VAT paid on expenditures relating to their taxable business activities.

Started the development of the SAF-T system

The development of SAF-T was first set to start in March 2020 but the Romanian Government postponed the implementations due to the covid-19 pandemic which caused a financial crisis in the country.

New VAT exemption for companies offering e-services

The Federal Tax Service of Russia informed e- service companies of a change in the Tax Code regarding VAT exemptions that came to force on 1 January 2021.

According to these changes, since 1 January 2020 a VAT exemption will be applied regarding:

- Transfer of exclusive rights to programs for electronic computers and databases included in the unified register of Russian programs for electronic computers and databases
- Rights to use these programs and databases (including updates to them and additional functionalities), including the provision of remote access to them via the data-telecommunication network Internet.

Defers Initial Due Dates for Financial Transactions and Digital Services Tax

The Spanish Tax Agency has issued a release announcing a deferral of the initial deadlines for the new Financial Transactions Tax (FTT) and Digital Services Tax (DST), which both entered into force on 16 January 2020. The deferrals are reportedly being provided to give companies more time to adapt and implement required changes to comply with the newly created taxes.

With respect to the FTT, the settlement period is monthly, and the standard filing period is from the 10th to the 20th of the following month. For the months of January and February 2021, it is provided that the initial self-assessment return and payment corresponding to these months will be due by the deadline for the month of March 2021 (from 10 to 20 April 2021). Therefore, the first self-assessments of the tax will not be submitted until 10 April 2021.

With respect to the DST, the settlement period is quarterly, and the standard filing period is the month following the settlement period. For the first quarter of 2021, it is provided that the initial self-assessment return and payment corresponding to this quarter will be due by the deadline for the second quarter of 2021 (from 1 to 31 July 2021). Therefore, the first self-assessments of the tax will not be submitted until 1 July 2021.

Hikes import sales tax

The South American state of Suriname is to raise import sales tax from 10% to 12%. This is a short- term measure. Most domestically services are still taxed at 8%, except luxuries which are charged at 25%. Domestically supplied goods are subject to 8% sales tax.

The turnover tax is, in principle, due when remuneration is (partially) received. A tax return is filed within 15 days after the end of the specific month.

VAT returns require electronic filing beginning 2021, new e-filing platform

Swiss value added tax (VAT) returns must be filed electronically as of 1 January 2021.

Taxpayers that previously filed their Swiss VAT returns on paper (about 50% of taxpayers at the beginning of 2020) need to switch to e-filing starting with their VAT returns covering the fourth quarter or the second semester of 2020.

To ease the switch for small and medium sized companies that have long preferred the simplicity of paper return filing, the Swiss tax authorities created an additional online filing platform referred to as MWST-Abrechnung easy ("VAT return easy"). Compared to the long-existing ESTV SuisseTax platform, the new platform simplifies the online declaration process and reduces it to the essentials. The new platform does not require a separate registration.

Zero Rating of Export of Services

One of the first updates to the UAE VAT Executive Regulations since they were published towards the end of 2017 relates to the zero-rating of exported services. This change in 2020 only involved changing the word ‘or’ to ‘and’, but caused a profound shock in the UAE market for exported services and left a lot of questions open. Given the lack of clarity regarding the update, the FTA subsequently published a VAT Public Clarification on the zero-rating of export of services (“VTP019”) to provide its opinion on the impact of the change.

FTA to deactivate VAT 301 – import declaration form for VAT payment

Since the implementation of VAT in UAE, the VAT301 form has been available on e-services portal to manually process the VAT payment on Customs Declarations using the Tax Registration Number (TRN).

Recently, Federal Tax authority (FTA) has communicated with the taxpayers that the VAT301 form will be discontinued shortly for users who have a valid TRN and were using this form earlier for settlements via their VAT returns.

For the VAT registrants who already have a valid TRN, in order to continue being able to import goods via customs, they will need to ensure that their custom code is linked to their TRN.

If a registrant does not have a customs code, it will require registering with the Customs Department and linking their new customs code with their TRN.

Alternatively, one will only be able to import goods via a clearing company that is registered with the FTA or only use form VAT301 to utilize the payment option.

Below entities can still request to open form VAT 301 for VAT settlements based on customs declaration through FTA online services:

- Designated entities exempted by FTA.
- Free zone Companies that exports through land to GCC Countries from designated zones for the VAT purpose.
- FTA approved shipping and clearance agencies to clear shipments of on behalf of registered and non-registered importers with FTA.

To submit application to open VAT301 form, there is a form “VAT 301 settlement access form” which is available on FTA website.

Releases Summary of Tax Consultation on VAT Treatment of Software Products

The Ukraine Ministry of Finance has released a summary of guidance in the form of a tax consultation on the VAT treatment of software products.

Ambiguous interpretation of tax legislation causes tax disputes between taxpayers and controlling authorities. To resolve these disputes, the Ministry of Finance uses the mechanism of tax clarifications - Summarizing Tax Consultations, prepared taking into account the recommendations and proposals of the Expert Council on the preparation of the Summarizing Tax Consultations under the Ministry of Finance.

The Ministry of Finance approved the Order on Summarizing tax consultations on certain issues of value-added tax (VAT) on the supply of software products.

What's it about?

The consultation provides an answer to the question of whether transactions for the supply of various types of software products will be exempt from VAT.

In particular, it has been clarified that operations to supply and access computer programming results in the form of Internet web-sites and/or online services, in the case of the transfer of intellectual property rights to such objects to the customer, will be exempt from VAT taxation.

At the same time, operations for the supply of systems and/or equipment, component of which is software products without the allocation of its separate value are subject to VAT under the generally established procedure.

HMRC Guidance: Moving qualifying goods from Northern Ireland to the rest of the UK

Find out which goods qualify for unfettered access when moving from Northern Ireland to the rest of the UK.

For more information click here.

Changes to accounting for VAT for Northern Ireland and Great Britain from 1 January 2021

This guidance gives information about when you can, or need to, account for VAT on your tax return if you're a UK VAT-registered business.

Change made:

New guidance added to the 'VAT on goods sold from Great Britain, transported via Northern Ireland, to an EU member state'. This explains the changes to VAT treatment according to where the goods are situated at the point at which the transfer of rights to the goods takes place.

Click here for more information.

Tool to check EORI number

Click here for the tool.

HMRC Guidance: Using CHIEF for declaring goods into or out of Northern Ireland

Find out when you will still be able to use CHIEF for declaring goods into or out of Northern Ireland.

In due course, all declarations in to and out of Northern Ireland will need to be made using the Customs Declaration Service. Using the Customs Handling of Import and Export Freight (CHIEF) system for Northern Ireland declarations will be reviewed by HMRC and you will be told when to stop using it.

For more information click here.

End of the MTD transition period in the UK as from April 2021

HMRC postponed the implementation date of stricter requirements in MTD due to Covid-19. This extension is coming to an end.

Applicable Deadlines

In April 2018, HMRC launched a test phase of a new digital system for tax purposes called Making Tax Digital.

Until 1 April 2022, only UK businesses with turnover above the VAT registration threshold in the UK are required to utilize the Making Tax Digital (MTD) method for VAT reporting. Businesses below the threshold could also voluntarily sign up for MTD.

As of April 2022, all VAT registered businesses will need to comply with Making Tax Digital irrespective of their annual turnover. This will be a significant change for very small businesses who currently prepare their accounts and taxes manually, as the digital links requirement will apply to these businesses also.

Digital links: What does it mean and when is it required?

MTD requires businesses to have digital links between the data reported in the VAT return and the recording of their invoices issued and received. This means that data cannot be manually changed at any stage of the process. For example, if you manually exclude non-deductible VAT, or if you check and delete those invoices that were booked incorrectly in an Excel Spreadsheet, the digital link requirement would not be met.

MTD was implemented in two phases: a first period in which the “digital links” obligation was more lenient and a second period in which HMRC would require a strict digitalization of VAT data processing.

During the first period, some manual changes were acceptable. Copying and pasting data in an Excel sheet and using bridging software to submit manually updated data was considered compliant with MTD. However, as of April 2021, the digital link requirement becomes a stricter obligation. It will not be possible to copy and paste data and bridging software will be allowed only where there have been no manual changes to the data reported.

What is MTD?

Making Tax Digital is a scheme rolled out by the UK government that aims to make declaring tax to HMRC fast, effective, and simple by doing it all digitally. Businesses must keep digital records with information on their VAT accounting schemes, the time and value of supply for goods bought and sold, VAT rates, reverse-charge transactions, as well as important business information such as the full company name, address, and UK VAT number.

Click here for more details on the information required.

Forms for claiming a VAT refund if your business is registered in a country outside the UK

If your business is not registered in the UK use form VAT65A to reclaim VAT paid in the UK.

Click here for more information.

Northern Ireland B2C distance selling after Brexit

The UK left the EU VAT regime from 1 January 2021. However, Northern Ireland (NI) VAT and customs has taken up a new dual UK-EU position as part of the Brexit Withdrawal Agreement.

EU to NI B2C VAT rules

EU sellers of goods to NI consumers are still be able to use the Distance Selling rules – meaning they can initially sell to NI consumers under their home EU VAT number and rate. Once they pass the old UK distance selling threshold (ended on Brexit) of £70,000, they need a UK VAT registration. Via this, they charge NI consumers the UK VAT rate and report quarterly to the UK's HMRC. EU sellers may choose to register voluntarily before reaching this threshold.

Note this threshold rule will change 1 July 2021 when the EU VAT ecommerce package is implemented.

NI to EU B2C VAT rules

NI located businesses (based on their postcodes) may also sell under their UK VAT numbers to EU member states until they pass their distance selling thresholds. Most EU countries set their thresholds at €35,000 per annum. Germany, the Netherlands and Luxembourg have opted for €100,000 per annum.

Non-EU to NI B2C VAT rules

There are new 2021 UK ecommerce VAT rules for sellers or facilitating marketplaces selling to NI and across the rest of the UK ('GB'). Supply VAT (sales VAT) must be charged by the non-EU overseas seller where the consignment does not exceed £135. Above this threshold and UK import VAT is payable at the UK border.

HMRC Guidance: UK trade agreements with non-EU countries

Find out about the trade agreements the UK has concluded that are in effect and the progress of our discussions with other countries.

For more information click here.

HMRC Guidance: Electronic invoicing (VAT Notice 700/63)

Check what you need to do if you're sending, receiving and storing VAT invoices in an electronic format.

For more information click here.

HMRC Guidance: Pay no import duty and VAT on substances for biological and chemical research

Get relief if you're importing biological and chemical substances for research purposes from outside the EU and UK.

For more information click here.

Upcoming VAT points of attention

Upcoming VAT Points of Attention	Date
Brexit	The transition period is over
VAT eCommerce Directive (2) – Distance Sales + EU wide online marketplace liability -	July 1st 2021
Modification EU VAT Directive - Quick Fixes -	January 1st 2020
Central Electronic System of Payment information	January 1st 2024

Various

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U.K.	Industry calls on government to scrap reverse charge VAT

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