Global Indirect Tax Headlines

6 November – 19 November 2020

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Index I

Index II

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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.

Albania

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Are you ready to e-invoice?

Forget about the old invoicing procedures and get ready. As of 1 January 2021, e-invoices should be issued for B2G transactions. Whereas, for B2B and B2C (cash) transactions there is a little more time, as the new procedures come into force on 1 July 2021 and on 1 September 2021 respectively.

Brazilian Supreme Court holds software sales will not be subject to state VAT

On 4 November 2020, the Brazilian Supreme Court (STF) held that the state value-added tax (VAT or ICMS) does not apply to the licensing of, or right to use, software. The STF found, however, that the municipal service tax (ISS) applies to the licensing of, or right to use, software because they are services.

Decision

The STF's holding was based on the ISS national guidelines (Supplementary Law 116/2003), which require software license agreements, as well as the right to use software, to be considered as the rendering of services. According to the decision, this treatment applies regardless of whether the transfer of use is via download or through cloud access.

The STF also found that licensing or the right to use software should be considered a service subject to ISS because:

The development of software is a service resulting from human effort and intellectual creation, even for the mass standardized production and sale of software. Legal certainty is preserved by following the guidelines in Supplementary Law 116/2003 on software-sale transactions.
Ownership is not transferred on the licensing of, or right to use, software.

Implications

Generally, transactions involving the rendering of services and sales of goods have caused disputes between taxpayers and the tax authorities. The digital economy is bringing these disputes to the spotlight, primarily because Brazil's tax legislation has not been updated to account for this new environment. Because different jurisdictions within Brazil impose the ISS and ICMS (municipalities and states, respectively), the municipal and state authorities have argued over which tax is triggered by a software sale. For this reason, the STF decision will offer some certainty for Brazilian taxpayers and tax authorities.

Brazil

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Brazilian Supreme Court holds software sales will not be subject to state VAT

Although a majority of the STF agreed to this holding, the decision is not final. The decision, including a determination of whether it will apply retroactively or prospectively, still has to be published.

Technology companies with a presence in Brazil may want to consider reassessing their tax position in relation to software sales, reviewing how the decision affects the overall tax burden on their distribution chain, and revisiting pricing.

China Provides Tax Exemption for Exported Goods Re-Imported Due to COVID-19

China's Ministry of Finance, General Administration for Customs, and State Administration of Taxation have jointly issued Announcement No. 41 on the return (re-import) of exported goods due to force majeure as a result of the COVID-19 pandemic. This includes an exemption from import duty, consumption tax, and VAT on such re-imported goods if the goods were originally exported between 1 January and 31 December 2020 and re-imported within one year from the date of export. Further, export duty paid at the time of original export will be refunded. To claim the tax exemptions and refund of export duty, exporters re-importing goods must either repay the refund of consumption tax and VAT received on the original export or provide certification that these taxes were not refunded on export

The announcement is effective on 2 November 2020. For re-imports that have already been taxed prior to the exemption announcement, a refund may be claimed by applying for a refund with the customs service by 30 June 2021.

China nationwide special fapiao e-invoice end of 2020

Following successful electronic special fapiao invoice trials in the Ningbo city of Zhejiang province in September, subsequently expanded in October to Hangzhou city in Zhejiang and Shijiazhuang city in Hebei, the trials have been extended.

On this basis, fapiao special e-invoices will be rolled out nationwide by the end of the year. The special e-invoice may be used for input VAT deductions. The general e-fapiao, which acts as a receipt without right to deduct input VAT, has been available since trials and roll out in 2015.

E-invoices replace paper fapiaos

Traditional VAT Fapiaos paper invoices are produced on government approved software with unique invoices numbers which are registered with the Chinese Tax Bureau. Businesses have to physically visit the certified providers of these to obtain batch blank sales invoices. This covers both VAT fapiaos, which give the right to deduct input VAT, and general fapiaos which serve only as evidence of payments for sales. E-invoice fapiaos have the same legal basis as the existing paper special VAT fapiaos.

With e-invoice fapiao's business can instead access a certified blank invoice via a government tax bureau portal remotely. They are issued with a special 'U Key', which holds the company's unique digital certificate to access invoices via the 'Comprehensive Service Platform'. This enables other parties to verify the validity of the e-invoice and digital signature via the National VAT Invoice Verification Platform. This also stores the special e-invoice fapiao.

Who is liable to pay VAT upon imports – the declarant, or the goods' owner?

In the case in question (2 Afs 133/2018 – 38), WNE-CZ, s.r.o. importing goods from China was stated as the customs declarant and goods recipient in the single administrative document (SAD), and the goods were cleared for free circulation on its behalf. However, some of the goods were imported for WEBERA, s.r.o. On this part of the imported goods, WNE-CZ, s.r.o. did not pay any tax on import, stating that the goods were not intended for its economic activity, and, moreover, were owned by WEBERA, s.r.o.

The SAC first stated that the wording of neither the VAT Act nor of the VAT Directive directly defines who is to be the person on whose behalf the goods are released to a customs regime of free circulation upon import. The court, however, also held that the Czech legislators had identified the person on whose behalf the goods were released for free circulation as the person liable to pay VAT upon the import of the goods so released. It further follows from the VAT Act together with the Customs Code that the person on whose behalf the goods are released to a certain customs regime should be the declarant, since by lodging a customs declaration they express their will for the goods to be released to a certain customs regime, therefore knowingly undertaking to meet the related obligations (such as payment of customs duties).

Finally, the SAC held that the ownership of the goods being imported is irrelevant for determining the taxable person for the purposes of the VAT Act.

EU imposes additional duties against certain US products (entering into force on November 10th, 2020)

On 9 November 2020, the Official Journal published Commission Implementing Regulation (EU) 2020/1646 of 7 November 2020 on commercial policy measures concerning certain products from the US following the adjudication of a trade dispute under the Dispute Settlement Understanding of the WTO.

Through the adoption of Commission Implementing Regulation (EU) 2020/1646 of November 7, 2020, the EU has decided to impose, new or higher customs duties (ranging from 15 % to 25%) to products originated from the US (which are exported as from this date, from that territory, to the EU).

Among the products originated from the US affected by this trade policy are, mainly, the following: oils, cotton, airplanes and aircrafts, bags and suitcases, cocoa, coffee, cosmetics, nuts and dried fruits, fruit juices, machinery, video game machines, vehicle parts and accessories, fish, peptones, proteins, cheeses, rum, sauces, tobacco, tractors, vermouth and vodka.

Article 3 of this regulation include two important points:

- Products for which the importers can prove that they have been exported from the US to the EU prior to the date on which additional duties are applied to that product, shall not be subject to any additional duty.
- Those additional duties nor apply to Products for which an import license with an exemption or a reduction of duties has been issued prior to the date of entry into force of the aforementioned Regulation.

France proposes new e-invoicing and e-reporting obligations from 2023

On 6 November 2020, as part of the review of the Finance Bill for 2021, the French Government presented an amendment that would allow it to take the necessary measures to introduce:

- Mandatory electronic invoicing for domestic transactions between companies (e-invoicing)
- An obligation to transmit invoicing and payment data for transactions carried out with individuals or foreign operators (e-reporting)

Under the proposals, the obligation to receive electronic invoices would come into effect for all companies from 1 January 2023. The obligations related to e-invoicing and e- reporting for outgoing invoices would apply from 1 January 2023 for large companies, from 1 January 2024 for medium-sized companies and from 1 January 2025 for very small, small and medium-sized companies.

The VAT group option arrives in France

A VAT group on 1 January 2023
Article 45 of 2021 Budget bill plans to implement the VAT group on 1/01/2022 for use by operators in all sectors of activity on 1/01/2023.

The VAT Group is a scheme that assimilates to a "single taxable person" persons who are legally independent but linked financially, economically or organizationally. These conditions would be cumulative.

Advantages of the scheme
The purpose of the VAT group is to neutralize intra-group transactions for VAT purposes. Thus, intra-group flows would not be subject to VAT but would have to be traced by the group anyway, so the scheme does not have an impact on other taxes (in particular, payroll tax).

This new regime would have a significant impact on the cash management of groups by going further than the system currently in force for consolidating payments reserved for companies that depend of the tax center “DGE”.

A VAT group as an extension of the Cost Sharing Group?
The introduction of the VAT group in French law would replace the VAT exemption regime of cost sharing group implemented by article 261 b of the French Tax Code.

The members would lose their status as VAT taxable persons and would no longer have reporting obligations as such. Only the representative of the VAT group would be the guarantor of all reporting obligations, but the members would nevertheless be jointly and severally liable for the payment of VAT.

Need to assess the effects of the VAT group upstream and thus optimize its scope of consolidation

This reform has a great importance for groups. Companies that would be eligible for this scheme must already get organized to determine the impact of this measure on their group and thus draw up the scope of their potential future VAT group. According to the members' rights of deduction, it may be worthwhile including them in the scope of the VAT group. Therefore, it will be necessary to analyse the group's operating processes in order to set up a VAT group which provide legal certainty for operators.

Amendment to implement Mandatory E-invoicing adopted by the Parliament

The amendment to the PLF 2021 (II-3211) tabled on 6 November following the presentation of the DGFIP report to Parliament (on the CTC models envisaged as early as 2023 / e- invoicing and e-reporting), was adopted on Friday 13 November.

The French Finance Bill includes the roll out of e-invoicing from 1 January 2023. This will cover domestic B2B invoices initially. France imposed electronic invoicing on B2G transactions starting in 2017 in a phased approach.
Additionally, domestic B2C and cross-border sales invoicing transactional data will have to be reported ('e-reporting') to the French tax authorities. Both requirements will be rolled out as follows:

- Jan 2023 – large enterprises
- Jan 2024 – mid-sized companies
- Jan 2025 – small companies

Update on temporary VAT rate reduction: Federal Ministry of Finance letter on the return to the “normal tax phase”

In addition to practical difficulties in implementation, the temporary VAT rate reduction has raised a variety of questions of substantive law. The Federal Ministry of Finance already made mention of this issue in its letter of 30 June 2020. This said letter has now been supplemented by the newly published letter of 4 November 2020, which focuses primarily on the issues associated with the return to the “normal tax phase” on 1 January 2021. The regulations taken up are largely to be welcomed and provide some increased degree of legal certainty. Nevertheless, many issues of practical relevance still cannot be answered with legal certainty.

German VAT fraud criticism

The German's state audit office has criticized the level of attention being given by the tax authorities based on the levels of online fraud.

A recent report by the audit office concluded no reversal in the numbers for online VAT fraud in Germany. Many of the measures that have been introduced, including marketplace obligations, are easily evaded. The office called out a slowness to adopt advance technologies and analytics to quickly identify frauds as they occur, rather than relying on historical VAT returns and statistical filing.

Germany reported €73 billion in online sales in 2019. It has been reported in the past there is just under €1 billion in online VAT fraud per annum. The latest European Union VAT gap estimate – the difference between expected and actual VAT receipts – put German's VAT deficit at 8.6%.

Postponed VAT accounting for imports

Legislation—the Brexit Omnibus Bill 2020—proposes a number of tax measures to deal with Brexit, and one of the measures is the introduction of postponed value added tax (VAT) accounting for imports of goods coming into Ireland.

Background

The UK officially left the EU on 31 January 2020 and entered into a "transition period" during which the UK continues to be treated as if it were an EU Member State. The transition period ends on 31 December 2020, at which time the UK will be regarded as a "third" country for VAT and customs purposes (separate rules apply to Northern Ireland). Goods that are purchased by Irish businesses and transported from Great Britain to Ireland will be regarded as "imports" from 1 January 2021 and will be subject to different VAT and customs rules from those that currently apply.

Irish VAT arises on the importation of goods into Ireland from non-EU or "third" countries. The current position is that, unless a trader operates a deferment account, VAT is payable at the time the goods are imported into and cleared for free circulation in Ireland. This VAT may be recovered through the taxpayer's Irish VAT return (to the extent that there is an entitlement to VAT recovery); however, this results in a cash-flow funding cost for the Irish business.

If this position were to remain unchanged, there would be a significant increase in the level of VAT cash-flow funding costs incurred by Irish businesses from 1 January 2021 due to the volume of goods acquired from Great Britain

What does postpone VAT accounting mean?

The proposed measure means that importers of goods into Ireland would not have to make an upfront cash payment of the import VAT. Instead, they would be able to record the import VAT in the VAT return for the VAT period in which the import takes place under the VAT "reverse charge" accounting procedure, in a similar manner that VAT is accounted for on the acquisition of goods into Ireland from other EU Member States.
This would effectively preserve the current VAT position for trading with Great Britain and would be VAT cash-flow neutral for businesses that are entitled to full VAT recovery. The measure would not only apply to the import of goods from Great Britain but would be available to all importers that are VAT-registered in Ireland and are importing goods from any "third" country---thereby providing a cash-flow benefit for Irish businesses that are currently importing goods from countries including the United States, Switzerland, and Norway and from countries in Asia.

The bill provides that eligibility may be subject to certain criteria and conditions and Irish Revenue would be authorized to exclude a person from the scheme if the relevant qualifying conditions are not satisfied.

Draft Budget 2021: Cross-Border E-invoicing may be implemented as of 2022. Esterometro will be no longer applicable

The esterometro disappears from 1 January 2022 . The data relating to transactions with foreign countries will be sent through the "Exchange System", according to the following timelines:

- the transmission of data referring to the operations carried out towards non-resident subjects must take place within the terms established by law for the issue of invoices, generally within twelve days from the date of the operation;
- for transactions received from a foreign transferor or lender, the sending to the ES is made by the fifteenth day of the month following that of receipt of the document proving the transaction or execution of the transaction itself.

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UK companies' Italian fiscal representative for Brexit

As the UK leaves the EU VAT regime after 31 December 2020, UK companies will be required to appoint an Italian fiscal representative unless a Free Trade Agreement (FTA) is concluded beforehand.

UK companies with an existing direct VAT registration in Italy have to opt to first deregister before then applying for a new, third-country VAT registration with fiscal representation to ensure they can continue to trade after 1 January in the event of no FTA. They may not maintain two registration. If choosing to follow this path, they should submit a deregistration form in early January 2021.

The UK company would still be able to file their quarter 4 2020 (due 28th Feb 2021) and 2020 Annual VAT return (due 30 April 2021) under the cancelled direct registration number.

Taxation of digital services, enactment expected for January 2021 effective date

The Mexican Chamber of Deputies on 5 November 2020 approved modifications and additions to the income tax and value added tax (VAT) laws regarding the taxation of digital services in Mexico.

With this action, the legislation (as approved) will need to be signed by the president and published in the official gazette for the measures to be effective 1 January 2021.

Summary of changes approved during legislative process
The digital services tax measures were included in proposals presented in September 2020 and were approved by the lower chamber but with certain minor changes.

The approved measures include a stricter sanctions mechanism that temporary blocks the ability of foreign digital services providers to offer digital services in Mexico if these providers have not complied with certain obligations including registration, the appointment of legal representative, and implementing an electronic signature. The sanctions mechanism will also apply if the foreign digital services provider fails to file three consecutive monthly VAT and income tax returns or two quarterly informative returns.

As a simplification procedure for digital intermediation platforms, the lower chamber approved a provision to replace the current gradual income tax withholding rates with a fixed rate for each activity, this fixed rate applies with regard to individuals and is based on the total income net of VAT obtained through such platform.

Original proposals adopted without changes
The proposals that were approved (but without changes by Mexican Congress) include the following:

- Intermediation services will be subject to VAT when a sale of used personal property is involved.
- Digital intermediation platforms that process payments must withhold 100% of the amount of VAT collected when foreign residents provide digital services into Mexico. Through this mechanism, foreign digital service providers are released from registration and compliance rules established in the VAT law. When requested, intermediation platforms must issue a tax invoice of these transactions. This treatment will also apply when the service is provided through digital intermediation platforms that are residents in Mexico.
- Digital intermediation platform can display the price of the goods or services including the amount of tax with the legend "VAT included".

Updated list of non-resident digital service providers registered for VAT purposes

You can find the updated list here.

The potential for a digital services tax in New Zealand

In its pre-election tax policy release the Labour Party agreed to continue to work with the OECD to find a workable global solution for taxing digital services. However, it also had a clear message from its finance spokesperson Hon Grant Robertson that if insufficient progress is made by the OECD, Labour's policy is to implement a digital services tax (DST) for tax highly digitalised businesses.

Oman new VAT law: no minimum threshold for nonresident registration

Oman has previously announced the introduction of 5% VAT, aimed at driving economic growth in the Gulf state.
Oman's VAT Law has now been published and will come into force on 16 April 2021.
The law has important implications for non-resident businesses that wish to do business in Oman.

No threshold for nonresident registration
Nonresident businesses performing any activities that are liable to tax are required to register for VAT in Oman.
Note that, unlike resident businesses, there will be no minimum threshold that needs to be met before nonresident businesses must register for VAT with Omani authorities. To help facilitate registration and compliance, nonresident businesses will be able to appoint a tax agent in Oman. Further details are expected to be issued by the relevant authorities.

Digital services and goods from abroad
Rules pertaining to digital service providers based outside of Oman are still in development.
Digital service providers based outside of Oman, as well as e-commerce services, will need to pay careful attention to regulations over the coming months to ensure compliance. Any outside business that provides goods or services to clients or customers based inside Oman will therefore need to pay attention to regulations as they develop and act accordingly.

Filing and record-keeping
The law sets out rules for proper record keeping and invoicing. All VAT-registered entities must keep specified records, including customs and invoicing documentation, and retain these records for at least 10 years.
The law also specifies mandatory filing requirements, including documentation required when filing VAT returns.

Sanction and systems

While many details of the new regulatory environment still need to be developed, Oman's authorities have outlined penalties for compliance failures. As is to be expected, any company found to have kept inadequate records or issued incomplete invoices may be subject to potentially severe fines. That upshot is that while businesses operating in Oman will need to get a handle on the relevant tax regulations, they will also need to ensure that they have adequate systems in place to effectively record, organize and file all relevant documentation in accordance with those rules.

Managing the transition

As the law is yet to come into effect, another potential complication needs to be considered. What about instances in which goods or services are paid for prior to the law coming into effect, but are only delivered once the law is in place?

The regulations indicate that VAT will have to be paid in such circumstances. However, further questions are raised in terms of invoicing and filing.

More details are expected to be provided on precisely how compliance will function under these transitional circumstances. Businesses will likely benefit from a consultation with VAT experts, to ensure that compliance is met at all points of the transitional phase and that the necessary internal systems and protocols are in place as soon as they are required.

While the central elements of Oman's VAT legislation are in place, many finer details still need to be worked out and communicated to the public. Businesses need to pay close attention to these developments, even if they are based outside of the country and provide services to consumers in Oman.

Polish Supreme Administrative Court decision related to the VAT treatment of supplies of medical device equipment (judgment of 30 July 2020, no I FSK 2120/19)

The recently issued judgment of the Polish Supreme Administrative Court related to the VAT treatment of supplies of medical device equipment (judgment of 30 July 2020, no I FSK 2120/19) is of importance to the industry.

Normally, in Poland supply of goods is subject to 23% standard VAT rate. However, with respect to Medical Devices in the meaning of the Medical Devices Act, Polish taxpayers may apply reduced VAT rate (8%). Only goods meeting definition of the Medical Device (i.a. registered as Medical Devices in a special register in Poland) were subject to 8% VAT rate. At the same time, equipment of the Medical Device (e.g. USG probes, Faraday cases – unless registered) were subject to standard VAT rate.

In the mentioned judgment the court confirmed that for the purposes of i.a. the Polish VAT Act, the equipment for medical devices should be treated the same way as medical devices itself within the meaning of the Polish Act on Medical Devices. As a consequence, the supply of products being an equipment for medical devices may be subject to the reduced VAT rate.

Poland will allow VAT taxpayers to group together

A report from the VAT Committee meeting on November 16 this year has been published on the European Commission's website. One of the topics discussed was the introduction of the Group's VAT in Poland, i.e. an optional solution resulting from the VAT Directive, but not yet implemented in Poland.

Proposed Budget 2021: Increase VAT rate sweetened drinks, Use & Enjoyment rules Canary Islands

Proposed budget bill 2021:

- Increase of the VAT rate of sugar-sweetened drinks tax to 21% (from 10%)
  - Exceptions:
    - Baby milk and beverages considered food supplements for special dietary needs.
    - 10% rate still valid if sweetened drink is consumed at restaurants and hotels.
- Place of supply rules for services: Use & enjoyment rules not applicable in the Canary Islands and the North Africa Spanish territories of Ceuta or Melilla
- Extension of the 2021 the transitional thresholds for the special simplified VAT regime and special VAT regime for agricultural, farming and fishing activities, i.e. EUR 250,000.

Tougher penalties for UAE businesses who disclose VAT errors

Businesses in the United Arab Emirates (UAE) face tougher penalties than previously expected when they make a VAT Voluntary Disclosure (VD) of errors made in a previous VAT return or VAT refund claim following a recent judgment by the UAE Federal Supreme Court.

New customs compliance requirements in Dubai free zones

In brief

On 22 October 2020, Dubai Customs issued Customs Notice No. 17/2020 to enhance the control of the stock maintained by businesses operating in Dubai free zones, establishing new compliance requirements to ensure the clearance of goods consumed or used within the free zones. The new rules entered into force on 25 October 2020 and include a mandatory "consumption goods" declaration to be submitted at least on a quarterly basis. Businesses established in both fenced and unfenced free zones are encouraged to assess the impact of the new requirements on their activities to avoid potential penalties in case of a customs audit.

In detail

On 22 October 2020, Dubai Customs issued Customs Notice No. (17/2020) to implement new controls on goods consumed or used within Dubai free zones. A new set of customs procedures has been introduced to improve control, simplify the clearance process, and reduce the risk of penalties for businesses in the event of a customs audit.

Types of goods consumed in free zones: non-dutiable vs. dutiable

The new rules segregate the goods consumed/used in free zones into two categories: non-dutiable (i.e. goods that are not subject to customs duty when consumed/used) and dutiable (goods that are subject to customs duty when consumed/used), as follows:

» Non-dutiable goods: goods consumed/used for the establishment, operation and maintenance of projects and facilities (i.e. for the operation of a business), and for the production of goods and services within the free zones. Examples include:
    - Building equipment and materials used in construction projects
    - Packaging materials
    - Machinery, equipment and spare parts necessary for the operation and maintenance of facilities
    - Petrol, oil, lubricants and materials used in manufacturing and operations conducted within the free zones
    - Office equipment and supplies, and laboratory devices and equipment for scientific research

» Dutiable goods: goods sold to the local market, whether at wholesale or retail level within the free zones, or goods consumed/used in cases other than those specified for non- dutiable goods. Examples include:
  - Electronics, tires, perfumes, foodstuff, etc. sold to the local market
  - Damaged or worn items, oil residues from vessels and factories or recycling waste that is suitable for sale, use or recycling

How to declare goods consumed/used within free zones to Dubai Customs in order to comply with the new requirements

All free zone businesses that consume, use or sell the goods described in the Dubai Customs Notice No. (17/2020) shall follow a specific customs procedure, which includes the submission of a request for approval to the customs office responsible for the relevant free zone. It is important to note that the goods to be consumed/used may be subject to inspection and/or additional controls.

The new customs procedure includes the mandatory submission of a "consumption goods" declaration to report to Dubai Customs the consumption/use of both non-dutiable and dutiable goods. This new declaration shall be submitted at least on a quarterly basis, and shall be accompanied by the following documents:

- Invoices, including the value of the goods for customs purposes
- Customs inspection report, if applicable
- Approvals and required reports from the competent authorities
- Any other documents that may be requested by Dubai Customs

The new compliance and reporting obligations detailed in this document came into force on 25 October 2020 and are applicable to all businesses conducting economic activities in the Dubai free zones, both fenced and unfenced.

The takeaway

The new rules to declare goods consumed or used by free zone businesses represent a landmark decision taken by Dubai Customs to further control the stock of this particular type of goods, with the ultimate goal of ensuring that adequate customs clearance procedures (and payment of customs duty, where applicable) are followed according to the customs rules and regulations.

As Dubai Customs enhances its audit controls, it is critical that businesses urgently assess the impact of the new rules on their business activities and are ready for further scrutiny. A strong customs function within the organization will help free zone companies navigate the Dubai Customs' inventory tracking and customs reporting requirements and ensure readiness in case of a potential audit.

It is important to remember that while goods are not generally subject to customs duty in Dubai free zones, non-compliance with the described procedures may lead Dubai Customs to impose penalties and levy customs duty on goods that are not properly reported and accounted for.

Petition – Keep tax-free sales at airports and the VAT Retail Export Scheme

The government has decided to remove the airside extra-statutory concession for tax free sales at airports and withdraw the VAT Retail Export Scheme for international visitors. Sign the petition to reverse the decision.

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HMRC guidance on recovery of import VAT may require businesses to change existing import practices

HMRC has issued R&C brief 15/2020 clarifying their views on the entitlement to recover import VAT. Despite a number of representations, their view is firmly that it is only the owner of the goods that is entitled.

Brexit Northern Ireland 'XI' EORI required

The UK's HMRC has today confirmed that businesses moving goods from Northern Ireland (NI) will need a special EORI number – with a 'XI' country prefix. This follows the EU recommendation for Northern Ireland VAT numbers after the end of the Brexit transition period.

An EORI (Economic Operator Identification Number) is a unique number that identifies a trader with Customs. It is required on customs exit and entry documents to ensure goods can be processed – plus other Customs communications. Traders in the EU only need one to cover all 27 member states. Following Brexit, and UK companies leaving the EU Customs Union after 31 December 2020, they will retain their GB EORI, but will need a second, EU number if importing into the EU.

The NI number will be made up of your UK VAT number, with 'GB' replaced by 'XI. HMRC will automatically issue traders with this number if they believe traders are shipping goods outside.

From 1 January 2021 NI businesses will need an EORI number that starts with XI to:

- move goods between NI and non-EU countries
- make a declaration in NI
- get a customs decision in NI

To get an EORI number that starts with XI, traders must already have an EORI number that starts with GB. If they do not have one, they should apply for an EORI number that starts with GB as soon as possible.

Ukrainian VAT on digital services January 2022

The Ukrainian parliament is considering imposing VAT on foreign providers of digital services from 2022. This is a delay from the original 2021 plan.

A Bill in Parliament includes the following elements:

- Simplified VAT registration and returns (without deductions) processes
- Withdrawal of the current withholding tax on advertising income
- Exempt educational services
- Electronic Services under consideration:
    - Photos, e-books and journals
    - Steaming or download media
    - Online gaming
    - Databases
    - Internet access services
    - Advertising
    - Cloud-based e-services and storage
    - Software licenses
    - Electronic information
- Not require VAT invoices on B2C sales
- Extend the liability to marketplaces and similar electronic intermediaries
- Determining the location of customers

» The bill details the following ways of identifying the location of the consumer and therefore the obligation to charge Ukrainian VAT:

- SIM card country code
- IP address of device
- Address of consumer for billing
- Bank account used for payments

Upcoming VAT points of attention

Upcoming VAT Points of Attention	Date
Brexit	The EU VAT legislation continues to apply up until 31st December 2020.
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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Bangladesh	E-payment of VAT likely from November 20
Uganda	Uganda's Court of Appeal outlaws domestic VAT

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