



TMF Group VAT & GST update

Croatia updates VAT registration requirements for non-residents

Currently foreign or non-resident traders who are performing taxable activity in Croatia are required to inform tax authorities and submit VAT registration application within 15 days since starting local activities.

Aforementioned legislation change shortens that period to 8 days. Tax personal identification number (called Osobni identifikacijski broj – OIB) will be granted shortly after submission of registration application (OIB application should be enclosed to VAT form application).

Czech Republic publishes detailed list of goods subject to reverse charge mechanism

As a rule, there are two conditions for transaction to be covered by reverse charge mechanism: subject of transaction is listed in governmental regulation as of 22nd December 2014 and net amount of transaction exceeds 100,000 CZK (value condition does not apply to supply of CO2 emission allowances).

List of goods which are subject to reverse charge covers, inter alia, following commodities:

- Portable automatic data processing machines,
- Cereals and technical crops,
- Mobile phones,
- Game consoles, tablets and laptops,

Metals (however numerous exceptions apply) listed under Chapter 71, Section XV of Combined Nomenclature.

Nevertheless some of aforementioned goods will be covered by this amendment from April 2015. Therefore case-by-case analysis is recommended to determine whether certain transaction should be reverse charged.

UK's HMRC published new VAT guidance on prompt payment discounts (effective from April 2015)

HMRC issued new guidance, to be effective from 1st of April 2015 regarding VAT treatment on discounts granted by vendors to customers for early settlements of invoices.

In case vendor grants a discount to customer (due to prompt or early settlement), according to HMRC, vendor should:

- Issue credit note (and supplier reports the VAT reduction in their next VAT return) or
- Issue a VAT invoice including additional info regarding the prompt payment as well as statement that the customer can only recover as input tax the VAT paid to the supplier.

Moreover if the discounted price is paid in accordance with the prompt payment discount (PPD) terms, then the supplier must adjust their records to record the output tax on the amount actually received.

Czech Republic revealed list of commodities subject to new reduced 10% VAT rate

Recently The General Directorate of Finance has issued communicate containing detailed list of goods subject to 10% VAT rate.

List contains following groups of commodities:

- Baby food (e.g. baby milk and food products suitable for children in first few months of their life),
- Drugs (including radiopharmaceuticals, vaccines, diagnostic reagents, etc.) suitable for human as well as drugs given to animals,
- Books (those in which advertising space exceeds 50% are not eligible for 10% VAT rate),
- Foods with a reduced amount of gluten (suitable for people with gluten intolerance).

Luxembourg raises VAT flat rate for farmers from 10% to 12% with effect from April 2015

Luxembourg operates flat-rate scheme which is applicable for taxable persons who supply goods or services in connection with their agricultural or forestry holdings.

Currently VAT flat rate for goods coming from an agricultural holding equals to 10%. Nevertheless recently Luxembourg decided to increase that rate by 2% (like other VAT rates). Please note that expected date for this amendment to come into force is 1st of April 2015.

Spain introduces new definitions for the links which must be established for related companies to join VAT Group

From 1st January 2015 Spain has introduced new requirements to be met by companies which would like to benefit from VAT grouping scheme (called régimen especial del grupo de entidades – REGE).

From the beginning of 2015 it is required for such companies to have financial, economic and organizational links established. Moreover nor entrepreneur nor professional is permitted to be a part of more than one VAT group.



Global reach
Local knowledge

Financial link has been described as the parent company has effective control over other members through share of over 50% in the capital or voting rights.

Economic link is met when all members are performing the same economic activity or activities performed are serving the same purpose (are complimentary).

Last link to be met is of organizational nature – in all entities willing to form the group, the same direction should be in charge.