



# MOORE



VAT

## QUICK FIXES 2020

January 2020

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## NEW EU RULES FOR VAT

As of 1 January 2020, the biggest changes in the EU-wide VAT system within the last 25 years enter into force to improve the VAT rules for EU cross-border supplies.

In particular, the so-called Quick Fixes consist of:

- An EU-wide rule for the supply of goods in chain transactions
- A simplification measure for cross-border supplies via call-off stocks
- New conditions for the zero-

rating of intra-Community supplies

In October 2018, the Committee of European Finance Ministers (ECOFIN) agreed on the 'Quick Fixes', which are meant to improve the European VAT system on a short-term basis. EU Member States are required to implement these measures no later than 1 January 2020. Further implementation guidance was published by the European Commission on 20 December 2019.



# QUICK FIX 1

## IMPLEMENTATION OF EU-WIDE RULES FOR THE SUPPLY OF GOODS IN CHAIN TRANSACTIONS

With regard to chain transactions, where several parties order the same goods through a supply chain and the goods are delivered directly from the first supplier to the final customer, the Quick Fixes implement EU-wide rules which introduce:

- A Europe-wide definition of such a chain transaction and
- Designate the supply in a chain transaction that can be considered as the zero-rated intra-Community supply of goods.

### Details

1. Where the first supplier in the chain dispatches or transports the goods (himself or through a third party acting on his behalf)
  - Zero-rating applies to the supply by the first supplier in the chain to the next supplier
2. Where an intermediate supplier (**‘the intermediary operator’**) dispatches or transports the goods (himself or through a third party acting on his behalf)
  - Default rule
  - **Zero-rating applies to the supply to the intermediary operator only**
3. However, where the intermediary operator dispatches or transports the goods (himself or through a third party acting on his behalf) and the intermediary operator provides his supplier with his VAT ID number in the Member State of dispatch or transport
  - Zero-rating applies to the supply by the intermediary operator only.
  - Otherwise: – default rule.
4. Where the last customer transports the goods (himself or through a third party acting on his behalf)
  - General understanding:  
Different from default rule: **Zero-rating applies to the supply to the last customer only.**
  - Interruption of the dispatch or transport arrangements will end treatment as a chain transaction.



Suppose there are four parties (A, B, C and D) in a transaction. A supplies goods to B, B supplies the same goods to C and C supplies those goods to D. This is a chain transaction in which A is the 1st supplier and D is the final customer, but the goods are transported directly from A to D.

If C arranges for the transport or dispatch of the goods, the zero-rated supply is from B to C. The other supplies are local supplies. If, however, C provides his supplier (B) with his VAT number in the state from which the transport or dispatch takes place, the zero-rated supply switches to the supply by C to D.

## QUICK FIXES 2

### SIMPLIFICATION RULE FOR SUPPLIES TO AND FROM CALL-OFF STOCK

Further, as from January 2020, an EU-wide simplification measure for supplies via call-off stocks will apply to avoid the need for non-established suppliers to register for VAT in the Member State where the call-off stock is located.

At present, when goods are transferred cross-border into call-off stock, the transferor (the supplier) makes an intra-Community supply at the time of transfer. When the customer takes the goods out of stock, the transferor is deemed to make an intra-Community acquisition in the Member State where the stock is located (meaning he needs to register for VAT there), followed by a domestic supply to his customer.

Under the new rules, provided that certain conditions are met, the transferor is deemed to make an intra-Community supply in the Member State from which the goods are dispatched or transported when the customer takes the goods out of stock and – at the same time – the customer is deemed to make an intra-Community acquisition in the Member State in which the call-off stock is located.

#### Conditions:

- Only applies to call-off stocks
- The goods must be tracked in the special registers of the supplier and the customer
- The identity of the customer and his VAT ID number must be disclosed in the supplier's EC Sales List
- The goods must be removed from stock within 12 months
- If the goods are not removed or returned to the supplier within 12 months: a deemed intra-Community acquisition by the supplier takes place, triggering the need for the supplier to register for VAT in the Member State where the call-off stock is located.

## QUICK FIXES 3 AND 4

### NEW RULES FOR INTRA-COMMUNITY SUPPLIES

Finally, the QUICK FIXES include new provisions on the zero-rating of intra-Community supplies:

#### QUICK FIX 3

A verified valid VAT ID number for the customer and the submission of the EC Sales List will become material requirements for zero-rating of intra-Community supplies of goods.

In particular, zero-rating for intra-Community supplies will be denied if the customer's VAT ID number is invalid or if the EC Sales Lists are not filed or filed incorrectly.

#### QUICK FIX 4

**New requirements for documentary proof of intra-Community supplies.**

##### Details

- Where the **supplier dispatches or transports** the goods: At least two non-contradictory documents from independent parties (other than the supplier or customer) evidencing the

cross-border transport or shipment of the goods, e.g. a CMR waybill and acknowledgement of receipt

- Where the **customer dispatches or transports** the goods: A written declaration from the customer concerning the transport or shipment of the goods on his account, including his VAT ID number and the Member State of destination, no later than the 10th day after the month of delivery.

and

- At least two non-contradictory documents from independent parties (other than the supplier or customer) evidencing the transport or shipment of the goods, e.g. a CMR waybill and acknowledgement of receipt.
- The tax authorities are able to rebut the presumption



## YOUR CONTACTS:

Are you unsure of how these changes will affect your clients? Don't hesitate to contact us. We would be happy to work out a solution with you.

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