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International indirect tax guide

Navigating the global VAT, GST and sales tax landscape

2018

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Introduction – 100 years young

Welcome to the third edition of our International indirect tax guide

2018 marks the 100th anniversary of the concept of Value Added Tax (VAT). VAT was the brainchild of a German industrialist, Dr. Wilhelm von Siemens in 1918 – a hundred years later, the tax which was devised to be efficient and relatively simple to collect and enforce is together with Goods and Services Tax (GST), now in place in over 140 countries globally.

VAT/GST is still evolving, and an arguable simple tax is growing in its complexity and application as a traditional goods and services model is replaced with digital content; virtual consumption and seamless international trade flows.

We are seeing many changes relating to registration requirements, digital reporting requirements, the approach to audits and compliance by tax authorities and the approaches to taxing the digital economy. It has been said that we are now living in a volatile, uncertain, complex and ambiguous (VUCA) world, and in relation to international indirect taxes, this is certainly the case.

Unexpected election results (including the UK's referendum on Brexit) have resulted in a range of changes in VAT/GST and customs regimes and there have also been unanticipated decisions of the courts. Businesses are at the first line of response with a need to respond to these changes and make sure they remain compliant, adhering to new requirements across the globe, often with short notice. There are numerous challenges facing businesses, and below we have set out some of the key international indirect tax trends that we and our clients are seeing and facing. Indirect tax has become a genuine commercial conversation now.

Indirect tax is the new direct tax

While there appears to be a trend for corporate income tax rates being lowered, VAT, GST and sales tax rates are generally increasing. Tax authorities are realising that taxing revenue and actual transactions can raise more revenue than simply focusing in on profit, which can often be subjective and subject to manipulation. Put simply, it's easier to tax the transactions that create the outcomes, rather than the outcomes themselves.

When the transaction tax base is expanded to move out of the 'physical' and into the 'virtual', the reach of the indirect tax is extended significantly, and revenue collections grow accordingly. It is no wonder that numerous territories are looking to introduce or re-shape existing VAT/GST systems.

'It's easier to tax the transactions that create the outcomes, rather than the outcomes themselves.'

‘When a business prepares for implementing VAT or GST, they should recognise that VAT/GST is a business issue not just a tax one and that this is vital to the success of a VAT/GST implementation project.’

New indirect tax systems

Many of the emerging markets are introducing new indirect tax systems. Over the last 12 months we have seen India carry out landmark economic reform by introducing GST, replacing several different taxes at a state or national level. We have also seen the first two Gulf Cooperation Council (GCC) states introduce VAT – namely the United Arab Emirates and Saudi Arabia. It’s also expected that the other GCC states will follow shortly in 2019. In Malaysia, the country is repealing GST and reverting to a sales and services tax. China also continued its tax reform and has recently completed the final transition from Business Tax on services to VAT.

When a business prepares for implementing VAT or GST, they should recognise that VAT/GST is a business issue not just a tax one and that this is vital to the success of a VAT/GST implementation project. Appropriate time, resource and effort should be focused on mapping the value chain, defining the various business use cases, and understanding the current business as usual position across people, process, technology and data. Businesses should assess all information sources for tax sensitive data and understand the impacts of VAT/GST, where there are gaps, what needs to change, and then develop a project plan to get ready for the first day of implementation.

Taxing the digital economy

It’s been 15 years since the European Union (EU) introduced specific targeted legislation to tax the digital economy. It did this by forcing non-EU businesses providing digital services to private consumers in the EU member states to register for VAT and charge VAT based on the customer location. This legislation was originally controversial, and businesses were slow to comply. This is now a genuine trend and the legislation has inspired similar laws across the globe. It seems that almost every month another country announces new legislation targeting non-resident supplies of digital services. This is particularly a growing trend in the APAC region, including Australia who introduced the ‘Netflix’ tax, as well as, New Zealand, South Korea, and Taiwan. Singapore is also one of several countries announcing similar future plans. There are lots of challenges for businesses to consider, including identifying and evidencing customer location, calculating and charging the right rate of tax, meeting local invoicing requirements, as well as making payments in foreign currencies.

Expanding definition of ‘nexus’ – Wayfair

It is not just digital services that are increasingly being taxed in the emerging digital economy, but also supplies of goods from suppliers outside of the country or state by online webstores and online marketplaces. The recent ‘Wayfair’ decision in the US could be the most significant indirect tax court decision in a generation.

On 21 June 2018, in a 5-4 decision, the US Supreme Court decided on South Dakota v. Wayfair, Inc., in a landmark case concerning sales and use tax nexus standards. The South Dakota Supreme Court had held that a law requiring certain remote sellers to collect sales tax on sales made in the state was unconstitutional because it violated the physical presence requirement for sales and use taxes under Quill Corp. v. North Dakota. A business traditionally needed to have a physical presence in a state to have a requirement to register and charge sales tax in that state. The Supreme Court decision now opens the door for states to introduce new economic nexus standards, for example requiring businesses that receive revenue more than $100,000 from customers in a state to register and charge sales tax. This is comparable to the distance selling rules in the EU.

This significant change in the sales and use tax nexus standard warrants businesses to conduct a thorough review of their activities in US jurisdictions in which they do not have a physical presence. Implications of existing economic nexus rules and those to be implemented in the future will need to be clearly understood and compliance obligations met. Just like obtaining and validating VAT/GST numbers from customers, businesses with customers in the US should also consider how they manage exemption certificates.

Changes to customs processes – Brexit

The ‘Brexit’ decision of the British public to leave the EU has large possible ramifications across indirect taxes. It has also shone a light on supply chains, and customs duty, often seen as the ‘Cinderella’ tax, has gained more headlines in the media. Businesses in the UK and Europe are now modelling the potential impact of different trading relationship models on cash and cash-flow.

> ‘The direction of travel for international indirect tax compliance is very clear, it’s digital and near real-time.’

In addition to Brexit, importers and exporters should also be aware that the UK is replacing its Customs Handling of Import and Export Freight (CHIEF) customs declaration system and will launch a new ‘Customs Declaration Service’ system in 2019 – another change for businesses to add to their roadmap to be prepared for. While there is uncertainty, many businesses are carrying out ‘no regrets’ actions, for example looking to obtain ‘trusted trader’ position by obtaining Authorised Economic Operator (AEO) status.

Digitalisation of VAT compliance

The direction of travel for international indirect tax compliance is very clear, it’s digital and near real-time.

Historically, tax authorities accepted paper invoicing and adopted a ‘post-audit’ approach, where the taxpayer charged tax on an invoice and this would only be audited after the fact. Often by a tax inspector or auditor physically looking at invoices and records. This would often be based on sampling – a risk-based approach to compliance. Taxpayers themselves may have only needed to physically submit a periodic summary VAT/GST return, often paper. However, the trends seen across the globe include a shift to mandatory electronic invoicing. An example of this is Italy which will introduce mandatory business-to-business electronic invoicing from January 2019.

As well as the customer receiving an electronic invoice, many tax authorities also receive it as well as receiving tax, master and transactional data in real time. This has already been seen in Hungary, where the submission of invoice data to the tax authority became mandatory in July 2018. Some tax authorities can validate the invoice in real time, for example in Argentina, an XML file is sent to the tax authority by the taxpayer to request a corresponding electronic authorisation code. Another trend is the mandatory submission of tax and transitional information through Standard Audit Files for Tax (SAF-T). The problem is that these are not standard or harmonised globally, and the format, contents and filing frequency differs between countries – for example, some are submitted periodically while others are only upon request or during an audit.

Tax authorities are increasingly making use of tax data by carrying out sophisticated data analytics, reviewing the full data set looking for anomalies and errors to form the basis for assessments of tax and penalties. Tax authorities are also comparing data submitted by different taxpayers, for example matching a customer’s claim for input tax on a purchase against a supplier’s declared output tax on the sale. We are seeing this in India and in Spain.

Finally, taxpayers are facing new requirements to physically submit a VAT/GST return electronically, for example the UK’s ‘Making Tax Digital’ initiative will mandate businesses to submit their VAT returns via an application programming interface (API) direct to the tax authority, either direct from approved software or via an API-enabled spreadsheet. Because of the digitalisation of VAT/GST compliance globally, businesses need to make sure they have confidence in the quality and integrity of their data that the tax authorities now have access to. Businesses should not only guarantee the completeness of customer and supplier master data that may drive a tax determination decision, but also run proactive data analytics on historic transactions to highlight any systematic errors.

How long is it before VAT and GST are administered every time a credit card or digital payment solution is entered at source and the VAT/GST is automatically populated to a return: buying a coffee at the local café will never be the same!

Tax technology

Tax technology continues to be another growing trend. Not only has this been fuelled by the need to meet complex new tax compliance requirements, but also by the changing tax technology ecosystem.

Avalara has recently listed on the New York stock exchange and significantly increased its global presence. Sovos has made acquisitions including around electronic invoicing. Both Vertex and Thompson Reuters (ONESOURCE) have made several new senior appointments and invested heavily in their international indirect tax product roadmap. All these tax technology companies are improving awareness of tax technology and the benefits of indirect tax automation to businesses. Businesses are also starting to develop their own tax technology strategies and roadmaps rather than simply looking to purchase a standalone solution to meet a single requirement. Businesses should however realise that technology solutions are not ‘plug and play’. They need to clearly define the functional and tax requirements they need to meet and make sure that the configuration is properly designed in a scalable manner, that the solution is adequately tested and people trained.

‘Volatility is by its nature unpredictable but if you are prepared your response can be pro-active.’

Responding to a VUCA world

How should businesses and their indirect tax functions respond to the changes and uncertainty in relation to international indirect taxes? We would suggest that businesses develop specialists that understand data and technology as well as tax technical expertise. As well as utilising internal resources, businesses may want to engage third parties, local subject matter experts, to help understand the complexity of new requirements. In any roadmaps and project plans, a buffer should be included to prepare for changes to requirements. Volatility is by its nature unpredictable but if you are prepared your response can be pro-active or at least considered re-active rather than an instinctive or knee-jerk.

Businesses should invest in information and data – collecting relevant tax sensitive data from suppliers and customers, but also in relation to tax rates and rules and new functional and tax requirements. This information needs to be interpreted and shared with stakeholders in the business. Building knowledge helps inform decision making when there is uncertainty. For example, when you are going to start doing business in emerging markets, it’s important to understand the market from an indirect tax perspective, including VAT/GST or sales tax regimes, planning around this is critical to success.

Experimenting and modelling (including data analytics) allows an indirect tax function and the wider business to understand cause and effect, generate and test hypothesis. Ambiguity requires clear, confident leadership which can be obtained from knowing what your outcomes could be and understanding your options.

Many of the international indirect tax issues and trends discussed above touch different parts of the business, from warehousing and logistics, procurement, finance, legal, marketing and business line managers. Communication with stakeholders is key – know what challenges there are throughout other parts of the business and the knock on effect of any decisions or outcomes.

We hope you enjoy the International Indirect Tax Guide 2018. Please do share any feedback with us and please do join our VAT Club group on LinkedIn[1] to view global VAT/GST and sales tax news, updates and thought leadership on international indirect tax.

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Customs duty

Customs compliance, reliefs and statistical analysis

Many companies have limited or no in-house customs expertise. Where there is in-house customs expertise, it often sits outside the main tax function, in the operations and logistics departments of the business, where the commercial pressures to keep supply chains moving may mean that key customs duty processes are not always given maximum priority.

The cost of getting customs duty compliance wrong can be high. Consequences range from depriving your company of valuable working capital, to reducing profit margins and product competitiveness. It's, therefore, essential that the right amount of customs duty is paid and that all available reliefs are claimed.

Essentially there are three customs aspects that every company should address, as a matter of course:

1 Customs compliance
2 Reliefs
3 Using import statistics and export statistics as a business management tool.

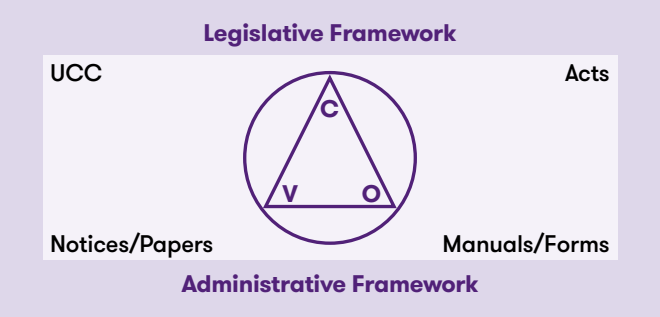
Customs compliance

There tends to be the perception that customs is country specific. This notion neglects to account for the fact there are three customs principles, or customs cornerstones, which are international.

The three cornerstones are:

- Tariff classification
  - What it is?
- Valuation
  - What is its price?
- Origin
  - Where it is from?

Each of the cornerstones are subject to an international Convention or Agreement, tariff classification through a World Customs Organization (WCO) Convention, and valuation and origin through World Trade Organization (WTO) Agreements.



Tariff classification

As an importer or exporter, you are responsible for the correct tariff classification of your goods. For this purpose, you would need to employ the Harmonized Commodity Description and Coding System, generally referred to as a Harmonized System (HS). The HS is widely held as the true 'language of international trade'.

Internationally, the tariff includes around 5,000 commodity groups, identified by a six-digit code, whilst the EU tariff includes additional eight-digit subdivisions and legal notes specifically created to address the needs of the EU.

Valuation

In essence, customs value = transaction value = price paid or payable + adjustments – deductions.

Customs valuation is the process to determine the value of goods when entered under various customs procedures, such as import, export, warehousing and processing.

The primary method, the 'transaction value', applies first. Should it fail to determine a customs value of the goods, then the five secondary methods need be considered. Essentially, it is the pursuit to determine the price actually paid or payable for the goods.

Origin

Determining the origin of your goods is no longer a simple endeavour. The country of shipment does not necessarily constitute the country of origin of the goods. Where the goods come from could well differ from the country from which they originate. Adding to the complication, raw materials and components travel across country borders en-route to manufacturing plants, before being packaged and consigned to their final destination of use.

Customs reliefs

It is possible, dependent on a company's economic activity, to reduce their customs duty liability through the application, authorisation and use of a number of reliefs, which tends to be country specific. The following provides an EU insight.

Processing

- Inward Processing (IP)
  - Relief from customs duty and import VAT on the importation of non-EU goods that are processed and then exported outside the EU.
- Outward Processing (OP)
  - The temporary export of EU goods to be processed in a non-EU country. Upon re-entry to free circulation in the EU, the customs duty is only payable on the value added in the non-EU country. The partial relief of the customs duty.

Specific use

- Temporary Admission (TA)
  - Non-EU goods, which are intended for re-export after a specific use, may be admitted with total or partial relief from customs duty without it being subject to other charges.
- End Use (EnU)
  - A reduced or zero rate of customs duty applies on certain goods imported into the EU that are put to a specific use, within a set time-period. The relief does not apply to VAT, excise duty or anti-dumping duty.

Transit

- External
  - Goods that temporarily leave and re-enter the EU while maintaining the status of EU goods. The goods in transit do not attract any customs duty, VAT and excise duty.
- Internal
  - Non-EU goods moved from one point to another within the EU. The goods in transit do not attract any customs duty, VAT and excise duty.

Storage

- Customs Warehousing (CW)
  - A storage facility that defers customs duty and/or import VAT, anti-dumping duty and Common Agricultural Policy (CAP) levy until the goods leave the CW or enter another customs procedure. There are two types of CW – Public and Private.
- Free Zones
  - A designated area where non-EU goods are treated as outside the EU for customs duty purposes.

Customs statistical analysis

More often than not companies neglect to appreciate the value and the benefit derived in the analysis of their import statistics and export statistics. This is surprising since for all their other business activities, statistics tends to be a critical part in measuring a company's performance and compliance.

Import and export statistics should not be seen as merely a transaction record, but rather a management tool, that not only questions customs compliance, but also provides opportunities for customs duty reduction and relief.

- InForm C88 – Single Administrative Data (SAD)
- Management Support System (MSS)
- Intrastat
- + Form C79 – Import VAT Certificate
- + Monthly Duty Deferment Schedules

A call to action

The cost of getting customs duty compliance wrong can be high. It's essential that a company dedicate resources to the customs function. If such resource is not available within the company, it could be provided through a customs specialist.

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Trade blocs

Knowing your trade blocs from your trade blocks

Trade blocs is the term used when referring to the forms and stages of economic integration, which is increasingly shaping the pattern of world trade. Trade blocs are inclusive of the movement of merchandise or goods, services, and people.

Trade blocs are a depiction of the forms and stages of economic integration. Far too often, the essence and characteristics of trade blocs are misrepresented, misinterpreted or even misunderstood. Unfortunately trade blocs are not visually represented, which can cause them to not be fully understood.

The table below attempts to help your understanding of trade blocs by providing you with a visual representation of the trade blocs' characteristics. The 'x' in the table below denotes what is applicable to the respective trade bloc (form and stage).

Economic Integration Forms and Stages	Free Trade Zone*	Free Trade Area	Customs Union	Common Market or Single Market	Economic Union**	Political Union
Free movement of goods	–	X	X	X	X	X
Common external tariff	–	–	X	X	X	X
Free movement of factor endowments	–	–	–	X	X	X
Common economic policies	–	–	–	–	X	X
Common political environment	–	–	–	–	–	X

* Free Trade Zone is not universally accepted as the first stage of economic integration, but it is included as it signals an intention for enhanced trade preferences.
** The table does not include a Monetary Union, which refers to a trade bloc adopting a single currency for all member countries.

Free Trade Zone

Although not universally accepted as the first stage of economic integration, it is included as it signals an intention for enhanced trade preferences.

The World Bank defines a free trade zone as 'customs duty free areas, offering warehousing, storage, and distribution facilities for trade, transshipment, and re-export operations.'

Free Trade Zones go by many names. Free Zones in the EU, whilst internationally Export Processing Zones (EPZs), Free Export Zones, Export Free Zones, Industrial Free Zones, Free Ports or Industrial Development zones.

The principle behind the establishment of the Zones are similar. It provides for the customs duty free importation of raw material or components into the Zones where it is processed or manufactured into final products, which are then exported. The Zones are considered customs enclaves, as they operate outside of the customs legislation of the country or territory in which they are based.

These Zones are generally found adjacent to, or in quick proximity of, major seaports, international airports, and national frontiers. These are areas which provide many geographic advantages for trade.

Free Trade Area (FTA)

FTA can be easily confused with the acronym of the Free Trade Agreement. However, a Free Trade Area is the first stage of economic integration where all barriers to trade, both tariff and non-tariff barriers are removed amongst member countries.

Although tariff (customs duty) barriers are removed between the member countries, each country retains its own external customs duty against imports from the rest of the world.

Examples of FTAs include the Association of Southeast Asian Nations (AEAS), European Free Trade Association (EFTA), the North American Free Trade Area (NAFTA) and the Southern African Development Community (SADC).

Customs Union

A Customs Union is the second phase the regional integration evolution, where a common external customs duty, also known as a common external tariff (CEF) is introduced against imports from the rest of the world.

The most famous example of a Customs Union is the European Union (EU), although the oldest operational customs union in the world is the Southern African Customs Union (SACU).

Common market or single market

A common market or single market goes beyond a Customs Union by allowing the free movement of labour and capital among member countries.

Although the European Union (EU) is without question the most famous Single Market, examples of the Common Market include the Common Market for Eastern and Southern Africa (COMESA), and Mercosur (Southern Cone Market) of Southern American states and the West African Common market.

Economic union

An Economic Union extends on a common/single market through harmonising or even unifying certain economic, monetary and fiscal policies and the regulatory environment of member countries.

An example, which you could find confusing it that of the EU. This is offered in the context of a single currency, due to the adoption of one monetary policy.

Political union

A political union is a type of state, which is composed of or created out of the unification of smaller states.

A classic example is that of the now defunct Union of Soviet Socialist Republics (USSR).

Monetary union

A monetary union, also known as a currency union, is the instance where two or more member countries share a common or single currency. In the context of the EU, in certain member states, it is the Euro.

The Economic and Monetary Union (EMU) is an umbrella term for the group of policies aimed at converging the economies of member states of the EU. The policies cover the 19 Eurozone states, as well as non-euro EU states.

Trade bloc considerations

It's possible for trade blocs to a have a trade creation and a trade diversion effect on member countries' trade.

Trade creation andtrade diversion

Trade creation results when certain domestic production within a trade bloc is replaced by low-cost imports from another member country.

Trade diversion results when lower-cost imports from outside a trade bloc is replaced by higher cost imports from a member country.

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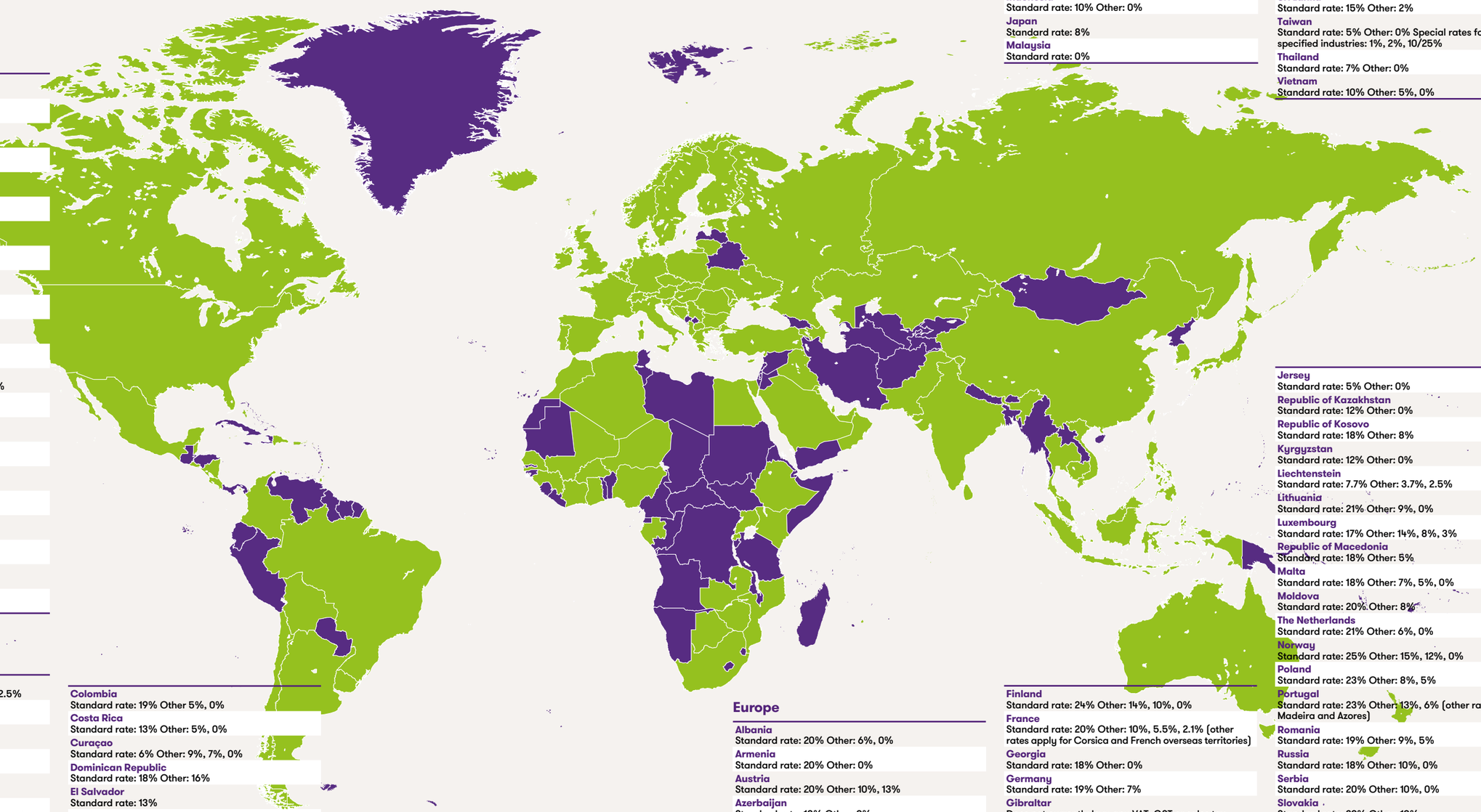
Global indirect tax rates



Africa

Algeria
Standard rate: 19% Other: 9%, 0%

Botswana
Standard rate: 12% Other: 0%

Burkina Faso
Standard rate: 18% Other: 0%

Cote d'Ivoire
Standard rate: 18% Other: 9%, 0%

Egypt
Standard rate: 14% Other: 0%

Ethiopia
Standard rate: 15% Other: 0%

Gabon
Standard rate: 18% Other: 10%, 5%, 0%

Ghana
Standard rate: 17.5% Other: 3%, 0%

Guinea
Standard rate: 18% Other: 0%

Republic of Kenya
Standard rate: 16% Other: 0%

Mali
Standard rate: 18% Other: 17%, 5%, 0%

Mauritius
Standard rate: 15% Other: 0%

Morocco
Standard rate: 20% Other: 14%, 10%, 7%, 0%

Mozambique
Standard rate: 17% Other: 5%, 0%

Niger
Standard rate: 19% Other: 5%, 0%

Nigeria
Standard rate: 5% Other: 0%

Rwanda
Standard rate: 18% Other: 0%

Senegal
Standard rate: 16% Other: 0%

South Africa
Standard rate: 15% Other: 0%

Uganda
Standard rate: 18%

Zambia
Standard rate: 16% Other: 0%

Zimbabwe
Standard rate: 15% Other: 0%

Americas

Argentina
Standard rate: 21% Other: 27%, 10.5%, 5%, 2.5%

Aruba
Standard rate: 6%

The Bahamas
Standard rate: 12% Other: 0%

Belize
Standard rate: 12.5% Other: 0%

Bolivia
Standard rate: 13%

Brazil
Standard rate: 17%, 18% or 20% Other: 0%-365%, 2%-5% (other multiple rates also apply)

British Virgin Islands
Does not currently levy any VAT, GST or sales tax

Canada
Standard rate: 5% Other: 0%

Caribbean Netherlands

Bonaire
Standard rate: 8% (goods), 6% (services)
Other: 25%, 7%, 0%

Saba and Sint Eustatius
Standard rate: 6% (goods), 4% (services)
Other: 18-30%, 5%, 0%

Cayman Islands
Does not currently levy any VAT, GST or sales tax

Chile
Standard rate: 19%

Colombia
Standard rate: 19% Other 5%, 0%

Costa Rica
Standard rate: 13% Other: 5%, 0%

Curaçao
Standard rate: 6% Other: 9%, 7%, 0%

Dominican Republic
Standard rate: 18% Other: 16%

El Salvador
Standard rate: 13%

Mexico
Standard rate: 16% Other: 0%

Nicaragua
Standard rate: 15% Other: 0%

Puerto Rico
Standard rate: 11.5% Other: 4%

Saint Lucia
Standard rate: 12.5% Other: 10%, 0%

Sint Maarten
Standard rate: 6% Other: 0%

Trinidad and Tobago
Standard rate: 12.5% Other: 0%

United States
Sales tax rates vary across the country, from 0% to over 13%

Uruguay
Standard rate: 22% Other: 10%, 0%

Middle East

Bahrain
Does not currently levy any VAT, GST or sales tax

Iraq
Does not currently levy any VAT, GST or sales tax

Kuwait
Does not currently levy any VAT, GST or sales tax

Oman
Does not currently levy any VAT, GST or sales tax

Qatar
Does not currently levy any VAT, GST or sales tax

Kingdom of Saudi Arabia
Standard rate: 5% Other: 0%

United Arab Emirates
Standard rate: 5% Other: 0%

Asia Pacific

Australia
Standard rate: 10% Other: 0%

Cambodia
Standard rate: 10% Other: 0%

China
Standard rate: 16% Other: 3-10%

Hong Kong
Does not currently levy any VAT, GST or sales tax

India
Standard rate: 18% Other: 0%, 0.25%, 3%, 5%, 12%, 18% and 28%

Indonesia
Standard rate: 10% Other: 0%

Japan
Standard rate: 8%

Malaysia
Standard rate: 0%

New Zealand
Standard rate: 15% Other: 0%

Pakistan
Standard rate: 17% (goods), 13-16% (services)
Other: 0%

Philippines
Standard rate: 12% Other: 0%

Singapore
Standard rate: 7% Other: 0%

South Korea
Standard rate: 10% Other: 0%

Sri Lanka
Standard rate: 15% Other: 2%

Taiwan
Standard rate: 5% Other: 0% Special rates for specified industries: 1%, 2%, 10/25%

Thailand
Standard rate: 7% Other: 0%

Vietnam
Standard rate: 10% Other: 5%, 0%

Europe

Albania
Standard rate: 20% Other: 6%, 0%

Armenia
Standard rate: 20% Other: 0%

Austria
Standard rate: 20% Other: 10%, 13%

Azerbaijan
Standard rate: 18% Other: 0%

Belgium
Standard rate: 21% Other: 12%, 6%, 0%

Bosnia and Herzegovina
Standard rate: 17%

Bulgaria
Standard rate: 20% Other: 9%, 0%

Croatia
Standard rate: 25% Other: 13%, 5%, 0%

Cyprus
Standard rate: 19% Other: 9%, 5%, 0%

Czech Republic
Standard rate: 21% Other: 15%, 10%

Denmark
Standard rate: 25% Other: 5%, 0%

Estonia
Standard rate: 20% Other: 9%

Finland
Standard rate: 24% Other: 14%, 10%, 0%

France
Standard rate: 20% Other: 10%, 5.5%, 2.1% (other rates apply for Corsica and French overseas territories)

Georgia
Standard rate: 18% Other: 0%

Germany
Standard rate: 19% Other: 7%

Gibraltar
Does not currently levy any VAT, GST or sales tax

Greece
Standard rate: 24% Other: 13%, 6%

Guernsey
Does not currently levy any VAT, GST or sales tax

Hungary
Standard rate: 27% Other: 18%, 5%

Iceland
Standard rate: 24% Other: 11%, 0%

Ireland
Standard rate: 23% Other: 13.5%, 9%, 4.8%, 0%

Isle of Man
Standard rate: 20% Other: 5%, 0%

Israel
Standard rate: 17% Other: 0%

Italy
Standard rate: 22% Other: 10%, 5%, 4%, 0%

Jersey
Standard rate: 5% Other: 0%

Republic of Kazakhstan
Standard rate: 12% Other: 0%

Republic of Kosovo
Standard rate: 18% Other: 8%

Kyrgyzstan
Standard rate: 12% Other: 0%

Liechtenstein
Standard rate: 7.7% Other: 3.7%, 2.5%

Lithuania
Standard rate: 21% Other: 9%, 0%

Luxembourg
Standard rate: 17% Other: 14%, 8%, 3%

Republic of Macedonia
Standard rate: 18% Other: 5%

Malta
Standard rate: 18% Other: 7%, 5%, 0%

Moldova
Standard rate: 20% Other: 8%

The Netherlands
Standard rate: 21% Other: 6%, 0%

Norway
Standard rate: 25% Other: 15%, 12%, 0%

Poland
Standard rate: 23% Other: 8%, 5%

Portugal
Standard rate: 23% Other: 13%, 6% (other rates apply Madeira and Azores)

Romania
Standard rate: 19% Other: 9%, 5%

Russia
Standard rate: 18% Other: 10%, 0%

Serbia
Standard rate: 20% Other: 10%, 0%

Slovakia
Standard rate: 20% Other: 10%

Slovenia
Standard rate: 22% Other: 9.5%

Spain
Standard rate: 21% Other: 10%, 4%

Sweden
Standard rate: 25% Other: 12%, 6%

Switzerland
Standard rate: 7.7% Other: 3.7%, 2.5%

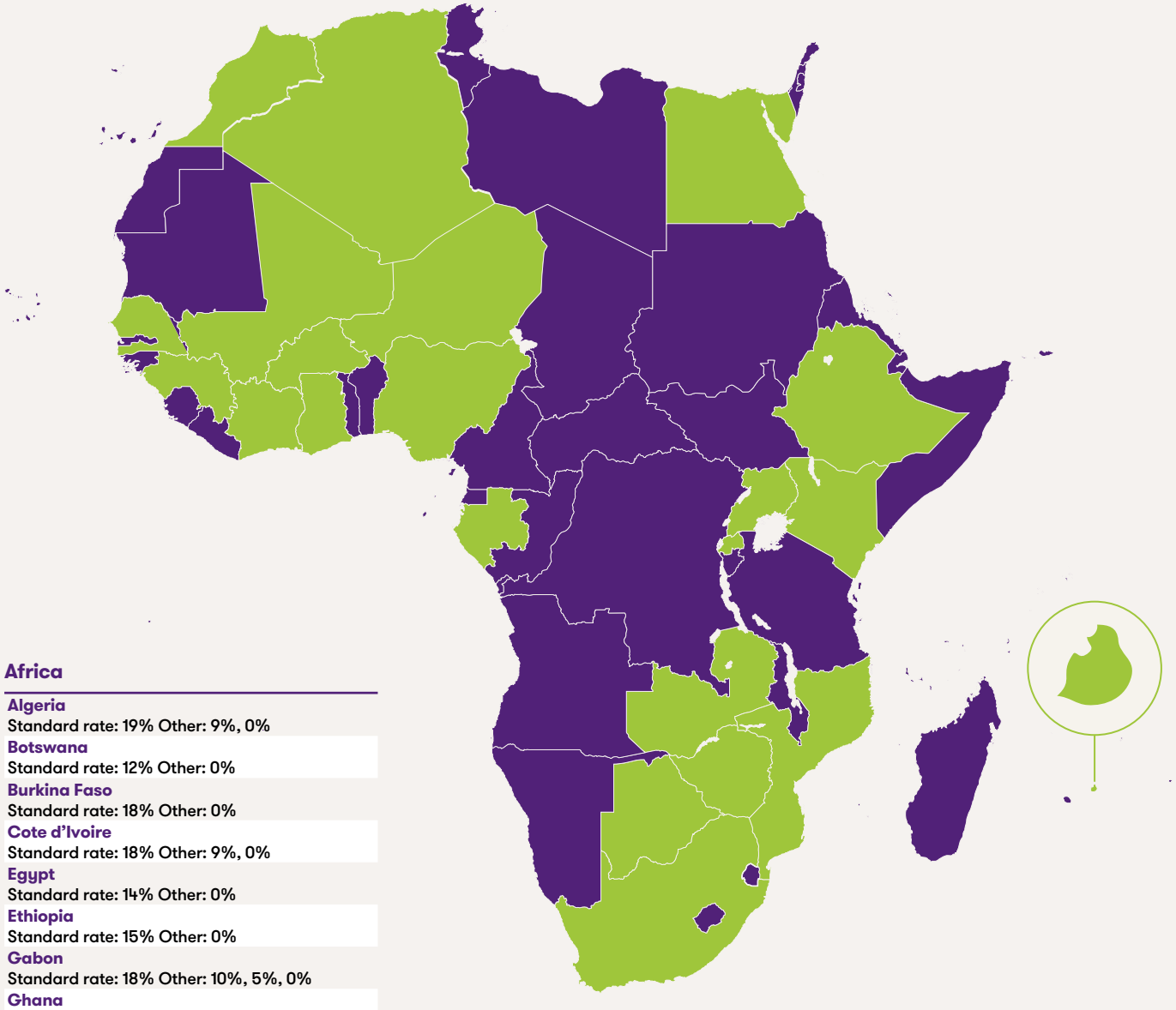
Turkey
Standard rate: 18% Other: 8%, 1%

Ukraine
Standard rate: 20% Other: 7%, 0%

United Kingdom
Standard rate: 20% Other: 5%, 0%

Uzbekistan
Standard rate: 20% Other: 0%

Indirect tax overview – Africa



Africa

Algeria
Standard rate: 19% Other: 9%, 0%

Botswana
Standard rate: 12% Other: 0%

Burkina Faso
Standard rate: 18% Other: 0%

Cote d'Ivoire
Standard rate: 18% Other: 9%, 0%

Egypt
Standard rate: 14% Other: 0%

Ethiopia
Standard rate: 15% Other: 0%

Gabon
Standard rate: 18% Other: 10%, 5%, 0%

Ghana
Standard rate: 17.5% Other: 3%, 0%

Guinea
Standard rate: 18% Other: 0%

Republic of Kenya
Standard rate: 16% Other: 0%

Mali
Standard rate: 18% Other: 17%, 5%, 0%

Mauritius
Standard rate: 15% Other: 0%

Morocco
Standard rate: 20% Other: 14%, 10%, 7%, 0%

Mozambique
Standard rate: 17% Other: 5%, 0%

Niger
Standard rate: 19% Other: 5%, 0%

Nigeria
Standard rate: 5% Other: 0%

Rwanda
Standard rate: 18% Other: 0%

Senegal
Standard rate: 16% Other: 0%

South Africa
Standard rate: 15% Other: 0%

Uganda
Standard rate: 18%

Zambia
Standard rate: 16% Other: 0%

Zimbabwe
Standard rate: 15% Other: 0%

Key highlights: Africa

South Africa increased its standard rate of VAT from 14% to 15% with effect 1 April 2018.

With effect 1 October 2018, a VAT registered business in Mauritius required to submit monthly electronic VAT returns must submit a list of taxable supplies showing the invoice number and value of supply.

Liberia will replace its existing Goods and Services Tax with a VAT system in January 2019.

Angola will replace its existing Consumption Tax regime (10%) with a VAT system (14%) with effect 1 January 2019.

Zimbabwe introduced withholding tax on VAT with effect 1 April 2017. VAT registered business who are appointed by the revenue authority are required to deduct withholding tax on VAT, which is two-thirds of the output tax from any amount to be paid to another VAT registered business who has been specified by the revenue authority to be liable to VAT WHT. The specified VAT operator will then claim the withholding tax on the VAT return for the respective tax period.

Customs and trade: Africa

One of the greatest challenges to trade in Africa is to navigate the multiple trade blocs with the associated overlapping country membership of these blocs. It can become quite confusing very quickly. Contrary to popular belief, there are an array of trade blocs in Africa. You will even find the oldest operational customs union in the world, in Africa.

For African countries, the challenge is to increase trade between them. At present, intra African trade accounts for only 10% of all trade, compared with 25% in Southeast Asia. In addressing this challenge, a most exciting development was the agreement signed on 21 March 2018 for the establishment of an African Continental Free Trade Area (CFTA).

Key multilateral Africa Free Trade Agreements

The African Union (AU) currently only recognises eight Regional Economic Communities (REC), each established under a separate regional treaty.

The RECs are:

- Arab Maghreb Union (UMA)
- Common Market for Eastern and Southern Africa (COMESA)
- Community of Sahel-Saharan States (CEN-SAD)
- East African Community (EAC)
- Economic Community of Central African States (ECCAS)
- Economic Community of Western Africa States (ECOWAS)
- Intergovernmental Authority on Development (IGAD)
- Southern African Development Community (SADC).

There are additional RECs, not officially recognised by the AU, which are:

- Economic and Monetary Community of Central Africa (CEMAC)
- Economic Community of the Great Lakes Countries (CEPGL)
- Indian Ocean Commission (IOC)
- Mano River Union (MRU)
- Southern African Customs Union (SACU)
- West Africa Economic and Monetary Union (UEMOA/ WAEMU).

Oldest international customs union

Although the Southern African Customs Union (SACU) is said to have been established on 29 June 1910, it actually dates back to 1889 when Botswana, Lesotho, Namibia, South Africa and Swaziland were under British rule.

With the exception of Namibia, the other countries are members of the Common Monetary Area (CMA). Even though the South African Rand is legal tender in all member countries, these countries do issue their own currencies. These currencies are however exchanged at par with the South African Rand.

Economic partnership agreements

The EU, under pressure from the World Trade Organization (WTO), has pursued converting their non-reciprocal Generalised System of Preferences (GSP) with African countries into reciprocal Economic Partnership Agreements (EPA).

At present, the five EPAs:

- West Africa EPA
- Central Africa EPA
- Eastern and South Africa EPA
- East African Community EPA
- Southern African Development Community (SADC) EPA.

These are in various process of negotiation and ratification.

The EU also negotiated a Caribbean EPA and a Pacific EPA.

The African Continental Free Trade Area (CFTA)

Although 44 countries had signed the agreement, which was due to start six months after its signature on 21 March 2018, ten countries, including Nigeria, still have to sign.

Once signed the respective countries' national parliaments have to ratify the agreement, which would then result in free trade across the African continent.

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Algeria

Indirect tax snapshot

What are the current rate(s) of VAT?	• Standard rate of 19% for most goods and service. • Reduced rate of 9% for some goods and services listed by the Turnover Tax Code. • Zero-rated goods and services destined for some activities including petroleum activities, some cultural and social activities.
Are there any confirmed or anticipated changes to these rates?	No.
What is the principal indirect tax?	Value Added Tax (VAT) is the principal indirect tax in Algeria. It is a tax on consumer expenditure, and is collected on business transactions and imports. There are other Indirect Tax regarding few goods like (Liquors, Cigarettes, Alcohol, Gold, silver, platinum).
Is there a registration limit for the tax?	Yes. It relates to the annual turnover of taxable transactions in Algeria. If the total annual turnover of the taxpayer exceeds the amount of 30,000,000 DZD, then it's mandatory to register for VAT and clearly state VAT in each invoice.
Does the same registration limit apply to non-established businesses?	Yes it does. All taxpayers are subject to the VAT registration and invoicing the VAT for each invoice if the total annual turnover exceeds the amount of 30,000,000 DZD. The normal VAT registration limit does not apply to companies that are not established in Algeria. Companies which do not have a fixed base or do not constitute a permanent establishment in Algeria are not subject to VAT registration.
Does a non-established person need to appoint a fiscal representative in order to register?	Yes, a non-established person need to appoint a fiscal representative to complete the formalities of registration.
How often do returns have to be submitted?	Businesses are required to submit VAT returns covering a month accounting period (before the 20th of the following month).
Are penalties imposed for the late submission of returns/payment of tax?	Yes. If a VAT return, or the corresponding payment, is submitted late a penalty will be imposed.
Are any other declarations required?	No.
Are penalties imposed in other circumstances?	Yes. Penalties can be imposed for errors, omissions, or late declaration.
Can the tax incurred by overseas businesses be claimed if they are not registered in your country?	Yes, in certain circumstances and subject to certain conditions.
Deduction of VAT	Deduction of VAT is submitted to several conditions. It is not possible to deduct VAT for the following cases as an example: • the amount of the invoice exceeding one hundred thousand dinars (100,000 DA), per taxable transaction, is paid in cash. Only payments by bank check or bank transfer are acceptable • goods and services used for private or non-taxable purposes • VAT on services, spare parts and supplies used to repair goods are excluded from the right to deduct • VAT on passenger vehicles which are not the main operating tool of companies are subject to this tax.

What is the principal indirect tax?

VAT is the principal indirect tax.

It is a general consumption tax that applies to operations of an industrial, commercial, artisanal or liberal nature. As a result, transactions of an agricultural or public non-commercial nature are excluded from the scope of VAT.

VAT is a tax entirely borne by the final user or customer. When businesses are subject to VAT, they can deduct from the VAT they claim from their customers, that which is invoiced to them by their suppliers or that they pay on importation.

Finally, it will only have to pay the tax administration the net amount between the VAT collected from its customers and the VAT paid to its suppliers or on the importation of goods.

Insofar as the amount of the tax paid upstream is higher than that of the VAT due, there is a tax credit that the taxable person can recover. In this respect, it should be noted that if the general principle adopted in the field of VAT, is to admit the deductibility of the tax charged on all elements of the cost price of a taxable transaction, it remains that there are exceptions. Article 41 of the turnover tax code specifies the cases of non-deductibility.

VAT rates are currently set at:

- 9% (reduced rate) for goods and services that are of particular economic, social or cultural interest. The detailed list of goods, services and transactions are mentioned in Article 23 of the Turnover Tax Code
- 19% (normal rate) for transactions, services and goods that are not expressly subject to the reduced rate of 9%
- 0% (Exemption) goods and services destined for some activities including petroleum activities, some cultural and social activities.

Is there a registration limit for the tax?

A 'person' who either makes or intends to make taxable supplies of goods or services in the of a fiscal year must register for VAT if the value of its taxable supplies in Algeria exceeds the annual registration limit (Actually 30,000,000 DA), or is expected to exceed the limit in the near future.

For the purposes of this paragraph, the aggregate turnover, to consider each year is that achieved during the previous year; if business did not carry out his activity during the whole year, the annual amount is determined in proportion to the turnover achieved during the period operating.

A business can register on a voluntary basis even if the registration limit has not been exceeded.

A penalty may be imposed by the tax authority if a business fails to register at the correct time.

Does the same registration limit apply to non-established businesses?

The normal VAT registration limit does not apply to companies that are not established in Algeria.

Companies which do not have a fixed base or do not constitute a permanent establishment in Algeria are not subject to registration.

On the other hand, companies having a fixed base or constituting a permanent establishment are required to register for VAT irrespective of their annual turnover or the amount of the contract for services or works to be carried in Algeria.

Is there any specific legislation to tax non-resident supplies of electronically supplied/digital services to private consumers resident in your country?

No. So far, Algerian tax legislation does not provide for this registration.

But in accordance to article 83 of the Turnover Tax Code, when a sale or service is made by a taxable person established outside Algeria, the tax is self-assessed and paid by the purchaser or the beneficiary of the provision of services.

Does a non-established business need to appoint a fiscal representative in order to register?

Yes. In accordance with Article 63 of the Turnover Tax Code, any person who does not have an establishment in Algeria and carries out VAT-value transactions must appoint a fiscal representative domiciled in Algeria who undertakes to complete the formalities to which the taxable persons are subject and to pay this tax in the place of the said person. The client on behalf of the person who does not have an establishment in Algeria pays failing this, the tax and related penalties.

How often do returns have to be submitted?

Any person carrying out transactions subject to VAT is required to deliver or send within twenty (20) days following the calendar month to the tax collector whose jurisdiction of residence or principal establishment is located, a statement indicating the amount of business done for all of its taxable transactions.

However, the taxpayers not having a centralized accounting management are authorized to deposit a statement of turnover, for each of their units, to the tax collector, according to the deadlines and forms quoted above.

When the filing deadline expires on a statutory holiday, the deadline is extended to the next business day.

If during a month, there has been no transaction giving rise to turnover taxes, the taxpayer must submit to the tax office a statement 'None'.

The payment of all the tax due for a taxable person according to the statement submitted, is made at the time of the delivery or sending of the statement.

Taxpayers under the Large Companies Directorate 'DGE' are required to make their declarations via the website of the Direction des Impôts and this from 01/01/2018.

Are penalties imposed for the late submission of returns/ payment of tax?

Yes. In the case of payments exceeding the required deadlines, penalties for late payment detailed in Article 402 of the Direct Taxes and Related Tax Code apply, taken from the date on which they should have been paid.

Are any other declarations required?

No.

Are penalties imposed in other circumstances?

Yes. When, following an audit, it appears that the annual turnover declared by a taxpayer is insufficient or in the case of deductions wrongly made, the amount of the duties evaded is increased by:

- 10% when the amount of rights evaded per year is less than or equal to 50,000 DA
- 15% when the amount of rights evaded, per year, is greater than 50,000 DA and less than or equal to 200,000 DA
- 25% when the amount of rights evaded per year is greater than 200,000 DA.

In the case of fraudulent manoeuvres, a fine of 100% is applicable.

Can the VAT incurred by overseas businesses be claimed if they are not registered in Algeria?

No.

What information must a VAT invoice show?

A VAT invoice must show:

- mentions relating to the seller:
  - name and first name of the person or corporate name
  - address, telephone and the e-mail address
  - legal form and nature of the activity
  - share capital, if any
  - trade register number
  - Statistical Identification Number
  - method of payment and date of payment of the invoice
  - date of establishment and serial number of the invoice
  - denomination and quantity of goods sold or services provided
  - unit price excluding taxes of goods sold or services provided
  - total price excluding taxes of the goods sold or services provided
  - nature and rate of taxes/rights/contributions due, depending on the nature of the goods sold/services provided
  - total price including all taxes, in numbers and letters.
- mentions relating to the buyer:
  - name and first name or corporate name
  - legal form and nature of the activity
  - address, telephone, fax numbers and the e-mail address
  - trade register number
  - Statistical Identification Number.

If the buyer is a consumer, the invoice must mention his name, first name and address.

The invoice shall be stamped and signed by the seller, except when it is established by telematics.

When the transport costs are not invoiced separately or do not constitute an element of the unit price, they must be listed expressly in the margin of the invoice.

The price supplements, and in particular the interest due on forward sales and the expenses constituting an operating expense for the seller, such as the remuneration of intermediaries, commissions, brokerage and bonuses, are expressly listed on the invoice when paid by the seller and invoiced to the buyer.

Are there any current or anticipated Standard Audit File for Tax (SAF-T) or similar electronic/digital filing requirements eg invoice listing data file/real-time VAT reporting?

No, there is not a current or anticipated Standard Audit File for Tax (SAF-T).

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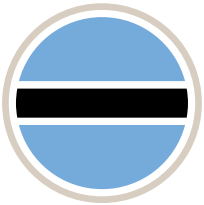

Botswana

Indirect tax snapshot

What are the current rate(s) of indirect tax?	• Standard rate of 12% for most goods and services. • Zero-rated are charged on the following supplies: – export of goods and services – petrol, diesel oil and illuminating paraffin – sorghum or maize for human consumption that is not cooked as a meal or prepared as a food – pesticides and fertilizers – basic food items such as brown bread, fresh vegetables and fruits (in natural state) rice (husked, milled, polished, glazed, parboiled or broken), samp (not further prepared/processed); cattle, sheep or goat milk not concentrated, condensed, evaporated, sweetened, flavored or cultured; bread flour (white, brown or whole wheat) – tractors used for farming business – goods or services for the personal or official use of the President or any dependent of the President's family – going concern. • Supplies of residential accommodation, education services, financial services and prescription drugs are charged as 'exempt supplies'.
Are there any confirmed or anticipated changes to these rates?	No.
What is the principal indirect tax?	In Botswana, Value Added Tax (VAT) is the principal indirect tax and it is charged and collected based on the invoices generated and issued by the business.
Is there a registration limit for the tax?	Yes. The registration limit is based on the taxable annual turnover. Once the threshold is met, a person is required to register. The threshold will be P1,000000 per annum. A person can also register voluntarily if their vatable turnover is above P500,000.
Does the same registration limit apply to non-established businesses?	A non-established business need not register for VAT.
Does a non-established person need to appoint a fiscal representative in order to register?	No. A non-established person is a person or business not situated in Botswana hence there is no need to appoint a representative.
How often do returns have to be submitted?	A registered person is required to submit VAT returns on a monthly or bi-monthly basis based on the annual turnover of the business.
Are penalties imposed for the late submission of returns/payment of tax?	Yes. There are penalties for late submission of VAT returns and interest for the late payment of VAT dues.

Indirect tax snapshot

Are any other declarations required?	Yes. For goods or services entered in Botswana an 'import declaration' needs to be provided to the Commissioner General at the time of import.
Are penalties imposed in other circumstances?	Yes. Penalties can be imposed on false or misleading information or statements.
Can the tax incurred by overseas businesses be claimed if they are not registered in your country?	No. Tax can only be claimed by business registered in Botswana.
Deduction of VAT	• Supply or import of good or services for entertainment purposes or provision of entertainment are not allowed for VAT deduction. • Supply or import of passenger vehicle with seating capacity of nine or few including double cab vehicle.
Is there any specific legislation to tax non-resident supplies of electronically supplied/digital services to private consumers resident in your country?	There is no specific provision to tax non-resident supplying electronic/digital services to private consumers. However the recipient of import services shall be required to declare with the revenue authority import services received and pay the VAT on the value of import.

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Burkina Faso

Indirect tax snapshot

What are the current rate(s) of VAT?	• Single rate of 18% for most goods and services. • Rate of 0% for export transactions.
Are there any confirmed or anticipated changes to these rates?	No.
What is the principal indirect tax?	Value Added Tax (VAT) is the principal indirect tax in Burkina-Faso. It's a tax on business transactions performed in Burkina Faso. It's collected on business transactions, imports, the processing of agricultural products, fish-farming and all profitable activities other than wages activities.
Is there a registration limit for the tax?	Yes, before the beginning of the business, a registration is required.
Does the same registration limit apply to non-established businesses?	No, non-established businesses must appoint a local fiscal representative.
Does a non-established person need to appoint a fiscal representative in order to register?	Yes, there is an obligation for non-established taxpayers to appoint a local fiscal representative accredited by tax authorities to fulfil all formalities incumbent on the taxpayer and to pay the tax. Failing this, the tax and, if applicable, the penalties are required from the recipient/beneficiary of taxable transactions (art. 302 of Tax code).
How often do returns have to be submitted?	Taxpayers are required to submit VAT returns monthly.
Are penalties imposed for the late submission of returns/payment of tax?	Yes. If a VAT return, or the corresponding payment, is submitted late a penalty can be imposed (25% + 1% per month with a minimum of 50,000 CFA francs; €76.22) (art. 777 of tax code).
Are any other declarations required?	Yes. Additional declarations about the statement of the deductions have to be submitted. On imports for the VAT to be deductible it must have been paid and appear on the declaration of release for home use. On local purchases, the deduction is subject to presentation of standardized invoice (art. 562 of Tax code).
Are penalties imposed in other circumstances?	Yes. Penalties can be imposed for a range of errors or omissions (art. 776 and following).
Can the tax incurred by overseas businesses be claimed if they are not registered in your country?	No.
Deduction of VAT	The right to deduct is possible for export transactions of goods and services and assimilated transactions taxable in the domestic regime. This does not include personal expenditure such as reception, restaurant or show expenses, sumptuary expenditures like expenses resulting from the purchase of objects and decorative furniture other than those having the character of commercial or industrial furniture and equipment, or furniture and office equipment; liberal expenditures except advertising material, passenger vehicles, aviation fuel, high-octane fuel, diesel oil and, bio-fuels.

What is the principal indirect tax?

Value Added Tax (VAT) is the main type of indirect taxation in Burkina Faso.

The supply of goods and services provided with a counterpart by a taxable person, excluding wages activities are subject to VAT.

VAT is a tax on consumption which is applied during the production and distribution process to most goods and services. It's also applied to goods and certain services entering the country. Although VAT is ultimately borne by the consumer by being included in the price paid, the responsibility for charging, collecting and paying it to the Burkinabe tax authorities at each stage of the process rests with the business performing the supplies or selling the goods.

The deduction of the tax is operated on its purchases by allocation on the tax collected by the company or established business will charge VAT in conformance with the month during which the right for deduction originated.

The difference between the output VAT and the input VAT in each declarative period will be the amount of VAT payable by the established business to the Burkinabe's tax authorities. Where the input tax exceeds the output tax, a VAT refund cannot be claimed, except for export firm of the taxable goods in tax system, export firm of provisions of services which is taxable in domestic system, companies in extension of activity approved by the code of the investments, companies which lose the quality of person liable for tax in the VAT; companies of leasing; certain non-profit organisations.

Is there a registration limit for the tax?

A person or company before beginning a business must register for VAT. A penalty may be imposed by the tax authority if a business fails to register at the correct time.

Does the same registration limit apply to non-established businesses?

Yes. According article 302 of the tax law, non-established businesses must accredit with a tax department, a representative taken up residence in Burkina Faso which makes a commitment to fill the falling formalities.

Non-established businesses that carry out taxable transactions must designate representative taken up residence in Burkina Faso, which will commit to fill formalities on the responsibility of the non-resident and acquit the tax on its place.

Is there any specific legislation to tax non-resident supplies of electronically supplied/digital services to private consumers resident in your country?

No.

Does a non-established business need to appoint a fiscal representative in order to register?

The principle is that a non-established business has obligation to designate a fiscal representative. If there is no fiscal representative, the tax is paid by the client or the beneficiary of the service or the importer of immaterial goods.

How often do returns have to be submitted?

VAT tax return must be submitted monthly, generally no later than the 20th of each month by using a form corresponding to the model of the tax authorities.

Are penalties imposed for the late submission of returns/ payment of tax?

A default of declaration of the affairs realised in due time generates the taxpayer and his accomplices a penalty equal to 25%, increased by 1% of the due rights a month or month fraction of delay.

This penalty cannot be lower than 50,000 (€76.22).

A default surcharge penalty may be imposed by the tax authority if VAT returns are not submitted on time, or the related tax is not paid by the due date.

For the default, or insufficient payment or the late submission or payment, a late interest rate of 10% on the unpaid VAT. (Article 777).

When the tax base or elements being of use to the liquidation of the tax are insufficient, inaccurate or incomplete, the amount of the rights put chargeable to the taxpayer is accompanied by a 50% increase in case of good faith, 100% when the bad faith is established and 200% in case of corrupt practice.

Are any other declarations required?

Yes, it must be attached to the VAT return, the statement of input VAT deductible (VAT invoiced by suppliers when buying goods or services) imputed by the taxpayer on its output VAT.

Are penalties imposed in other circumstances?

Yes, in case of tax audits or fraud.

Can the VAT incurred by overseas businesses be claimed if they are not registered in Burkina Faso?

No.

What information must a VAT invoice show?

- The number of invoice of a continuous series.
- The date of the invoice.
- The precise object of the operation.
- The amount of the invoice (for the persons liable to the VAT: the amount off VAT; the rate and the amount of the tax due or, where necessary, the mention 'exempted'; the total amount inclusive of all taxes owed by the customer; For the not persons liable to the VAT: the total amount owed by the customer).
- The precise identification of the person who issues the invoice, including company name, address, trade registration number, bank references, taxpayer identification number assigned by the tax authorities, the tax regime and the tax department of the tax authorities which it depends for its professional tax obligations.
- The customer's name, address and taxpayer account number assigned by the administration.
- If it's a company (the legal form of the company, its share capital, the method of administration and management of the company).

VAT taxpayers must use standardised invoices whose publishing, management and security features are determined by order of the Minister of Finance. In addition to list above, these invoices must include the name or the business name and the IFU number of the printer, the year and the month of the invoice's printing by the printer.

Are there any current or anticipated Standard Audit File for Tax (SAF-T) or similar electronic/digital filing requirements eg invoice listing data file/real-time VAT reporting?

No.

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Côte d'Ivoire

Indirect tax snapshot

What are the current rate(s) of VAT?	• Standard rate of 18% for most goods and services. • Reduced rate of 9% for milk, pasta made from wheat semolina and equipment for producing solar energy, oil products. • Rate of 0% for export transactions.
Are there any confirmed or anticipated changes to these rates?	No.
What is the principal indirect tax?	Value Added Tax (VAT) is the principal indirect tax in Côte d'Ivoire. It is a tax on consumer expenditure, and is collected on business transactions and imports.
Is there a registration limit for the tax?	Yes, before a business starts trading, registration is required. A person not liable under art 437 of tax law is unaccountable.
Does the same registration limit apply to non-established businesses?	Yes (article 437 of tax law).
Does a non-established person need to appoint a fiscal representative in order to register?	There is no obligation for such designation. But, if required, the non-established person may be represented by someone or by the customer.
How often do returns have to be submitted?	Most businesses are required to submit VAT returns monthly.
Are penalties imposed for the late submission of returns/payment of tax?	Yes. If a VAT return, or the corresponding payment, is submitted late a penalty can be imposed.
Are any other declarations required?	Yes. Additional declarations about statement of the deductions have to be submitted.
Are penalties imposed in other circumstances?	Yes. Penalties can be imposed for a range of errors or omissions.
Can the tax incurred by overseas businesses be claimed if they are not registered in your country?	No.
Deduction of VAT	The general rules is that VAT on supplies is deductible except for some categories (for example buildings other than industrial, administrative and trade buildings, movable furniture, private car whose tax power exceeds 12 CV, hotel and restaurant expenses, fuel costs for car other than those used for public transportation of people and goods, services related to good excluded from VAT deduction, etc) and some taxpayer (synthetic regime taxpayer).

What is the principal indirect tax?

Value Added Tax (VAT) is the main type of indirect taxation in Côte d'Ivoire and in other French-speaking African countries.

The supply of goods and services provided by a taxable person acting as such, are subject to VAT with the exception of wages and agricultural activities.

VAT is a tax on consumption which is applied during the production and distribution process to most goods and services. It is also applied to goods and certain services entering the country. Although VAT is ultimately borne by the consumer by being included in the price paid, the responsibility for charging, collecting and paying it to the Ivorian tax authorities at each stage of the process rests with the business performing the supplies or selling the goods.

An established business will charge VAT (output VAT) on its sales of goods or services and incur VAT (input VAT) on its purchases. The difference between the output VAT and the input VAT in each declarative period will be the amount of VAT payable by the established business to the Ivorian tax authorities. Where the input tax exceeds the output tax, a VAT refund can be claimed.

Is there a registration limit for the tax?

A person or company setting up a business must register for VAT. A penalty may be imposed by the tax authority if a business fails to register at the correct time.

Does the same registration limit apply to non-established businesses?

No but non-established businesses that carry out taxable transactions should designate a temporary representative which will proceed with VAT reversal instead of them. In general, these non-established businesses are represented by client companies or operators who have transactions with them.

In general, a system of withholding tax for VAT is applicable for all taxable transactions in Ivory Coast done by non-established businesses. The VAT is withheld by the Ivorian client or operator and reversed to the Tax Authorities under the name of the non-established businesses.

Is there any specific legislation to tax non-resident supplies of electronically supplied/digital services to private consumers resident in your country?

No.

Does a non-established business need to appoint a fiscal representative in order to register?

When a person who does not have a permanent establishment or reside in Côte d'Ivoire but carries out or makes taxable transactions, the tax is paid by the person intervening in any capacity whatsoever for the non-resident, or, failing that, by the purchaser or the beneficiary of the provision of services who are jointly and severally liable for his payment.

The principle is that a non-established business has no obligation to designate a fiscal representative. If there is no fiscal representative, the tax is paid by the client or the beneficiary of the service.

How often do returns have to be submitted?

VAT tax return must be submitted on a monthly basis, generally the 15th of each month if the amount of the tax to paid exceed 25,000 FCFA (38,11 €).

Big companies and medium companies must submit their tax return on the following dates:

- no later than the 10th of the following month, for industrial enterprises, oil and mining companies
- no later than 15 months for trade companies
- no later than the 20th of the following month for service providers.

Where the monthly tax is less than 25,000 francs CFA (€38, €11), the tax return may be submitted on a quarterly basis.

Are penalties imposed for the late submission of returns/ payment of tax?

A default surcharge penalty may be imposed by the tax authority if VAT returns are not submitted on time, or the related tax is not paid by the due date.

For the late submission or payment, a late interest rate of 10% on the unpaid VAT. Each month or fraction of a month of additional delay gives rise to the payment of an additional interest of 1%.

In the event of insufficient declaration, the amount of the rights evaded is liable in addition to the interest for late payment, an increase of:

- 30% if the amount of the rights corresponding to the insufficiencies, inaccuracies or omissions does not exceed one quarter of the rights actually due
- 60% if this amount is more than a quarter of the rights actually due
- 150% in case of fraudulent practices.

Are any other declarations required?

Yes, it must be attached to the VAT return, the statement of input VAT deductible (VAT invoiced by suppliers when buying goods or services) imputed by the taxpayer on its output VAT.

If the statement is not produced, contains incorrect information or incomplete mentions resulting in penalties and the reinstatement of the deductions made.

Are penalties imposed in other circumstances?

Yes, in case of tax audits or fraud.

Can the VAT incurred by overseas businesses be claimed if they are not registered in Côte d'Ivoire?

No.

What information must a VAT invoice show?

- The precise identification of the person who issues the invoice, including his/her company name, address, trade registration number, bank references, taxpayer account number assigned by the Tax Authorities, his/her tax regime and the tax department of the Tax Authorities which it depends on for its professional tax obligations.
- The customer's name, address and taxpayer account number assigned by the administration.
- The date of the invoice.
- The price excluding VAT of goods delivered or services rendered.
- The rate of VAT.
- The amount of VAT payable.
- If it's a company it must have: the legal form of the company, its share capital, the method of administration and management of the company.

Are there any current or anticipated Standard Audit File for Tax (SAF-T) or similar electronic/digital filing requirements eg invoice listing data file/real-time VAT reporting?

No.

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Egypt

Indirect tax snapshot

What are the current rate(s) of VAT?	• Standard rate of 14% for most goods and services. • Schedule tax with different tax rates as schedule attached to the value added tax law #67 for year 2016. • 57 types of goods and services are exempted from value added tax.
Are there any confirmed or anticipated changes to these rates?	No.
What is the principal indirect tax?	Value Added Tax (VAT) is the principal indirect tax in Egypt. It's a tax on consumer expenditure and is collected on business transactions and imports goods and services.
Is there a registration limit for the tax?	Yes. Every physical or juridical person who sells a commodity or renders a service subject to the tax and whose total sales of the commodities and services subject to tax and exempted therefrom have reached or exceeded, within the twelve months prior to the date of the enactment of this Law, L.E. 500,000 (five hundred thousand Egyptian pounds). These taxpayers should submit a special application form to the Authority to register their name and other details. Every importer, exporter or distribution agent of a commodity or service subject to the tax, for trading purpose, is required to register with the Authority whatever the size of the transaction.
Does the same registration limit apply to non-established businesses?	Yes. Every person who is non-resident and non-registered with the tax authority and sells commodities or renders services, subject to the tax, to a non-registered person within the country and who does not practice an activity at a stabilised premises in Egypt, shall appoint a representative or an agent in Egypt. This agent is responsible for carrying out all the taxpayer's obligations prescribed by this law including the registration with the authority and paying the tax, additional tax and other taxes due by the provisions of the present law. The resident person shall make sure that the non-resident person has appointed a representative or an agent in Egypt. In the event that the non-resident person has not appointed a representative or an agent in Egypt, the resident shall pay the tax and other taxes due by virtue of the provisions of the present law to the Authority without prejudice to his right to have recourse against the non-resident person.
Does a non-established person need to appoint a fiscal representative in order to register?	Yes, a non-established person shall appoint a representative or an agent in Egypt to be responsible for carrying out all the taxpayer's obligations prescribed by this law.
How often do returns have to be submitted?	Every registered taxpayer shall submit a monthly declaration regarding the tax due and/or scheduled tax. This should be carried out on given form within two months following the end of the tax period. This is providing that the declaration of the month of April is submitted and the tax and scheduled tax be paid no later than the fifteenth of June.
Are penalties imposed for the late submission of returns/payment of tax?	Yes. If a VAT return, or the corresponding payment, is submitted late a penalty can be imposed.

Indirect tax snapshot

Are any other declarations required?	Yes. Additional declarations must be submitted in some cases (form No (111-VAT)).
Are penalties imposed in other circumstances?	Yes. Penalties can be imposed for a range of errors or omissions.
Can the tax incurred by overseas businesses be claimed if they are not registered in your country?	Yes, in certain circumstances and subject to certain conditions.
Deduction of indirect taxes	The deduction stipulated in the Egyptian VAT law shall not apply to the following: • the scheduled tax imposed on commodities or services which themselves are subject to tax or are included as inputs in taxable commodities or services, where no special text is provided for in this law • the input tax comprised within the cost • the exempted commodities and services.

What are the principal indirect taxes?

Value Added Tax (VAT) is the main type of indirect taxation in Egypt.

It is a tax on consumption which is applied during the production and distribution process to most goods and services. It is also applied to goods, and certain services, entering the country.

VAT is a non-cumulative tax levied at each stage of the production and distribution cycle. Suppliers of goods and services must add VAT to their net prices. Where the purchaser is also liable for VAT, input VAT may be offset against output VAT. Although VAT is ultimately borne by the consumer by being included in the price paid, the responsibility for charging, collecting and paying it to the tax authority at each stage of the process rests with the business making the supply.

There are many rates of VAT that are applied to goods and services in Egypt; the general rate 14%, the special regime rates such as the schedule tax and the zero rate for goods and services exported. In addition, some goods and services are exempt from the tax.

Businesses that make exempt supplies are unable to claim all of the input tax that they incur, so the VAT paid to suppliers will be a 'real' cost.

Most goods imported into Egypt are subject to VAT. The tax will have to be paid by the importer at the time of importation. Where the importation is for business purposes and the importer is registered for VAT, it may be possible to deduct the tax (subject to certain rules).

Is there a registration limit for the tax?

Every physical or juridical person who sells a commodity or renders a service subject to the tax and whose total sales of the commodities and services subject to tax and exempted therefrom have reached or exceeded, within the twelve months prior to the date of the enactment of this Law, L.E. 500 000 (Five Hundred Thousand Egyptian Pounds), should submit an application to the Authority to register his name and his details on the Form prepared for such purpose.

Every importer, exporter or distribution agent of a commodity or service subject to the tax, for trading purpose, shall register themselves at the Authority whatever the size of the transaction.

Does the same registration limit apply to non-established businesses?

Every person who is non-resident and non-registered with the Authority and sells commodities or renders services, subject to the tax, to a non-registered person within the country and who does not practice an activity at a stabilised premises in Egypt, shall appoint a representative or an agent thereof in Egypt to be responsible for carrying out all the taxpayer's obligations prescribed by this law including the registration with the Authority and paying the tax, additional tax and other taxes due by virtue of the provisions of the present law.

The resident person shall make sure that the non-resident person has appointed a representative or an agent thereof in Egypt. In the event that the non-resident person has not appointed a representative or an agent in Egypt, the resident shall pay the tax and other taxes due by virtue of the provisions of the present law to the Authority without prejudice to his right to have recourse against the non-resident person.

Is there any specific legislation to tax non-resident supplies of electronically supplied/digital services to private consumers resident in your country?

There is no specific legislation in Egypt.

Does a non-established business need to appoint a fiscal representative in order to register?

The non-resident who sells commodities or renders services, subject to the tax, and who does not practice an activity at a stabilised premises in Egypt, shall appoint a representative or an agent thereof in Egypt to be responsible for carrying out all the taxpayer's obligations prescribed by this law including the registration with the Authority and paying the tax, additional tax and other taxes due by virtue of the provisions of the present law.

How often do returns have to be submitted?

Every registered taxpayer shall submit to the Authority a monthly declaration regarding the due tax and/or scheduled tax. This should be completed on the required form within two months following the end of the tax period. Providing the declaration in the month of April, tax and scheduled tax thereon must be paid no later than the fifteenth of June.

Are penalties imposed for the late submission of returns/ payment of tax?

A default surcharge penalty may be imposed by the tax authority if VAT returns are not submitted on time, or the related tax is not paid by the due date.

Anyone delaying the submission of the declaration and the payment of the tax and schedule tax beyond the period determined in Article (15) of the law 67 for year 2016 within a period not exceeding sixty days, is liable to a fine between five hundred and five thousand Egyptian pounds in addition to the due tax and scheduled tax plus 1.5% of the unpaid amount.

Are any other declarations required?

In addition to the VAT return, a beneficiary of an imported service, who is non-resident and non-registered, and has no tax representative or agent in Egypt, shall calculate the tax due and remit it to the tax authority, or to the authority where his normal place of residence is located using form No (111-VAT). This should happen no later than thirty days from the date the service is rendered.

Are penalties imposed in other circumstances?

Yes. A range of penalties can be imposed where businesses do not comply with the VAT rules as outlined below:

1. Delaying the submission of the declaration and the payment of the tax and schedule tax beyond the period determined in Article (15) of the law within a period not exceeding sixty days.
2. Submitting false data on the sales of commodities or services subject to the tax, in case they reveal an excess over the sales stated in the declaration.
3. Discovery of shortage or excess in the commodities deposited in the free zones and markets in violation to the provisions of the Customs Law.
4. Non-notification of the Authority of the changes occurring in the data detailed in the registration application within the fixed time limit.
5. Non enabling the Authority officials to carry out their duties or practice their powers regarding the supervision, inspection, survey, revision, and demanding the documents or reviewing them.

The penalty will be doubled in cases of recommitting any of the crimes within a three year period.

Can the VAT incurred by overseas businesses be claimed if they are not registered in Egypt?

No.

What information must a VAT invoice show?

Registered people are required to issue a paper-based or electronic tax invoice upon the sale of a taxable commodity or provision of a taxable service, according to the following controls:

1. Invoices should be drawn up in duplicate. The original is to be handed over to the buyer and the copy is to be kept by the registered person.
2. Invoices should be serially numbered based on the dates on which they are drawn up and should be free of errors. A tax invoice should incorporate the following data:
   - Serial number of the invoice and its date of issue
   - Name and address of the registered person and their registration number
   - Name and address of the buyer and their tax registration number or ID number, if they do not have a tax registration number
   - a description of the commodity sold or the service rendered and its value
   - the mandatory tax rate and value
   - the total value of the invoice.

The invoice data should be recorded on the spot in the registered person's register prepared for their purpose.

If the invoice is cancelled, the registered person should keep the original and all copies of the invoice.

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Ethiopia

Indirect tax snapshot

What are the current rate(s) of VAT?	• Standard rate of 15% for most goods and services including importation of goods and services. • Zero-rate for export of goods and services and transportation service. • Exempt goods and services include supply of medicines, humanitarian related supplies, education and financial services.
Are there any confirmed or anticipated changes to these rates?	No anticipation of changes in rates.
What is the principal indirect tax?	Value Added Tax (VAT) is the principal indirect tax in Ethiopia. It is a tax on consumer expenditure and is collected on business transactions and imports.
Is there a registration limit for the tax?	Yes. It relates to the annual turnover of taxable transactions in Ethiopia, and once the limit has (or will be) reached it is mandatory to register for VAT.
Does the same registration limit apply to non-established businesses?	No. There is no registration limit for businesses that are not established in Ethiopia. But for the purposes of the tax, provision of taxable service supplies to Ethiopian registered persons are accounted on a reverse VAT mechanism. The Ethiopian entity ie service recipient will be required to pay reverse VAT on the service invoice amount to the tax authority on the following month.
Does a non-established person need to appoint a fiscal representative in order to register?	No. There is no requirement for a non-established person to appoint a fiscal representative in order to register as there is no requirement for registration of non-established businesses.
How often do returns have to be submitted?	Businesses are required to submit VAT returns on a monthly basis.
Are penalties imposed for the late submission of returns/payment of tax?	Yes. If a VAT return, or the corresponding payment, is submitted late a penalty can be imposed. Late payment will also be subject to interest.
Are any other declarations required?	No. There is no other declaration required.
Are penalties imposed in other circumstances?	Yes. Penalties can be imposed for a non-registration within expected time, failure for issuance of VAT invoices and non-use of a cash register machine.
Can the tax incurred by overseas businesses be claimed if they are not registered in your country?	No. Unregistered businesses cannot claim VAT.
Deduction of VAT	VAT incurred on purchases of food, beverages, tobacco, accommodation, amusement and recreation cannot be deducted. And also, tax paid on transaction to, or import by, a person of a passenger vehicle cannot be deducted: unless the person is in the business of dealing in, or hiring of, such vehicles or the person is engaged in the business of transporting passengers for hire.

What is the principal indirect tax?

Value Added Tax (VAT) is the main type of indirect taxation in Ethiopia.

It is a tax on consumption which is applied during the production and distribution process to most goods and services. It is also applied to goods and services, entering the country. Although VAT is ultimately borne by the consumer by being included in the price paid, the responsibility for charging, collecting and paying it to the tax authority at each stage of the process rests with the business making the supply ie the sale.

A business registered for the tax will charge VAT (output tax) on its sales, and incur VAT (input tax) on its purchases (including any VAT paid at importation). The difference between the output tax and the deductible input tax in each accounting period will be the amount of VAT payable by the business to the tax authority. Where the input tax exceeds the output tax, a refund can be claimed.

A transaction is within the scope of Ethiopia VAT if the following conditions are met:

- it is a supply or import of goods or services
- it takes place in the Ethiopia
- it is made by a taxable person. For these purposes, a taxable person is a person or entity who is registered for VAT in Ethiopia, or has an obligation to be registered
- it is made in the course or furtherance of any business carried on by that person or entity.

There are two rates of VAT that are applied to goods and services in Ethiopia; the standard rate, and the zero rate. In addition, some goods and services are exempted from the tax.

Businesses that make exempt supplies are unable to claim all of the input tax that they incur, so the VAT paid to suppliers will be a 'real' cost.

Most goods imported into Ethiopia are subject to VAT. The tax will have to be paid by the importer at the time of importation. Where the importation is for business purposes and the importer is registered for VAT, it is possible to reclaim the tax.

It is also important to note the interaction between VAT and Customs duty. Customs duty is levied in Ethiopia at the place where goods are imported into the community and VAT is charged on the value of the importation, including any custom duty.

Is there a registration limit for the tax?

A 'person' who either makes or intends to make taxable supplies of goods or services in the course or furtherance of a business must register for VAT if the value of its taxable supplies in the Ethiopia exceeds the annual registration limit of ETB 1,000,000.00 or is expected to exceed the limit in the near future. A business can register on a voluntary basis even if the registration limit has not been exceeded.

For these purposes, a 'person' includes any legal entity. Therefore, once a person is registered for VAT, all of his business activities will be covered by the registration – even if the nature of some of those activities are very different.

A penalty may be imposed by the tax authority if a business fails to register at the correct time.

Does the same registration limit apply to non-established businesses?

No, there is no registration requirement to non-established businesses in Ethiopia.

Is there any specific legislation to tax non-resident supplies of electronically supplied/digital services to private consumers resident in your country?

There is no specific legislation to tax non-resident supplies of electronically supplied/digital services to private consumers resident in Ethiopia and practically there is no tax on supplies of electronically supplied/digital services to private consumers resident.

Does a non-established business need to appoint a fiscal representative in order to register?

No. The non-established business are not required to appoint a fiscal representative in order to register for VAT as there is no registration requirement for non-established businesses.

How often do returns have to be submitted?

VAT returns normally cover an accounting period of one month, ending on the last day of a calendar month.

All VAT returns have to be submitted within 30 days of the end of the relevant accounting period, together with any tax due.

Are penalties imposed for the late submission of returns/ payment of tax?

A default surcharge penalty may be imposed by the tax authority if VAT returns are not submitted on time, or the related tax is not paid by the due date.

Are any other declarations required?

There is no other declaration required in Ethiopia.

Are penalties imposed in other circumstances?

Yes. A range of penalties can be imposed where businesses do not comply with the VAT rules.

Penalties and interest can be applied for errors and omissions made on tax returns, or where the tax is paid late. Penalties can also be applied where the business has failed to maintain adequate records and provide information. A penalty is also imposed for failure to use cash register machine or VAT sales invoice for sells transactions. Criminal proceedings may be brought in the case of more serious issues.

Can the VAT incurred by overseas businesses be claimed if they are not registered in Ethiopia?

No, it is not possible to reclaim a VAT incurred by unregistered business.

What information must a VAT invoice show?

A VAT invoice must show:

- an invoice number which is sequential
- the seller's name and address
- the tax identification number of the seller's and customer's
- the seller's VAT registration number and date of registration
- the issue date of the invoice
- the customer's name and address
- a description sufficient to identify the goods or services supplied to the customer
- the amount of taxable transaction
- the total amount of VAT charged expressed in ETB.

For each different type of item listed on the invoice, the following must be shown:

- the unit price or rate, excluding VAT
- the quantity of goods or the extent of the services
- the rate of VAT that applies to what's being sold
- the total amount payable, excluding VAT.

Where a VAT invoice includes zero-rated or exempt goods or services, it must:

- show clearly that there is no VAT payable on those goods or services
- show the total of those values separately.

VAT invoices should be issued using a cash register machine or manual sells invoice.

Are there any current or anticipated Standard Audit File for Tax (SAF-T) or similar electronic/digital filing requirements eg invoice listing data file/real-time VAT reporting?

No. There is no current or anticipated Standard Audit File for Tax (SAF-T) or similar electronic/digital filing requirements.

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Gabon

Indirect tax snapshot

What are the current rate(s) of indirect taxes?	**Value-added Tax (VAT)** • Standard rate of 18% which applies to all transactions unless otherwise provided for by the law. • Reduced rate of 10% which applies to manufacturing operations and sales of products mentioned in a limitative list provided by Article 221 of the Gabonese Tax Code, including mineral water produced in Gabon, imported meat and chicken, sugar, laptops and desktops, spare replacement parts for cars, etc. • Reduced rate of 5% which applies to sales and services relating to cement. • Zero-rate which applies to exports, international transports, refueling operations and maintenance/repair operations on aircrafts and ships dedicated to international carriage. • Exempt goods and services are mentioned in a limitative list provided by Article 210 of the Gabonese Tax Code. • Specific regimes notably for oil and gas, mining and socio-economic building companies. **Special Solidarity Contribution (CSS)** • Standard rate of 1% which applies on the sale of goods and the provision of services rendered or used in Gabon based on similar principles as VAT. • Exempt goods and services for oil and gas companies and mining companies mentioned in a limitative list.
Are there any confirmed or anticipated changes to these rates?	No.
What are the principal indirect taxes?	Value Added Tax (VAT) and Special Solidarity Contribution (CSS) are the principal indirect taxes in Gabon. These are taxes on consumer expenditure and are collected on business transactions and imports.
Is there a registration limit for these taxes?	For VAT, it relates to the annual turnover out of taxes. As soon as the limit of XAF 60 million or XAF 500 million for lumbering activities has been (or will be) reached, it is necessary to register to VAT. For CSS, it relates to the annual turnover out of taxes. Once the limit of XAF 30 million is reached, it is necessary to invoice CSS. No specific application is needed.
Does the same registration limit apply to non-established businesses?	There is no registration limit for businesses that are not established in Gabon but they will need to appoint a fiscal representative as soon as they start to make taxable transactions.
Does a non-established person need to appoint a fiscal representative in order to register?	In certain circumstances, a non-established person may appoint a fiscal representative which is generally their Gabonese clients.
How often do returns have to be submitted?	The companies are required to submit VAT and CSS returns and payments on a monthly basis, at the latest by the 20th of the following month.
Are penalties imposed for the late submission of returns/payment of tax?	Yes. If a VAT or CSS return, or the corresponding payment is submitted late, a penalty can be imposed.

Indirect tax snapshot

Are any other declarations required?	Yes. Additional declarations have to be submitted in respect of VAT and CSS declared and paid on behalf of foreign service suppliers.
Are penalties imposed in other circumstances?	Yes. Penalties can be imposed for a range of errors or omissions, in case of tax audits, bad faith or fraud.
Can the tax incurred by overseas businesses be claimed if they are not registered in your country?	No.
Deduction of indirect taxes	**Value-added Tax (VAT)** In principle, a taxable person may recover the input VAT incurred on the purchase of goods/services used for business purposes, if this person is fully liable for VAT (Article 226 of the Gabonese Tax Code) on its operations performed. Some items mentioned in a list provided by Article 224 and 225 of the Gabonese Tax Code do not entitle VAT recovery such as (not exhaustive list): • expenses for accommodation, catering/food and transportation of people • oil and petroleum products with the exception of those used by fixed equipment as fuels or manufacturing agents in industrial companies • services available in Gabon but rendered by a foreign service provider, etc. **Special Solidarity Contribution (CSS)** CSS cannot be recovered. It is an expense for the buyer.

What are the principal indirect taxes?

Value Added Tax (VAT) and Special Solidarity Contribution (CSS) are the main type of indirect taxation in Gabon.

Value Added Tax (VAT)

Value Added Tax (VAT) is a cumulative tax levied on the sale of goods and the provision of services rendered or used in Gabon. It is a tax on consumption which is applied during the production and distribution process to most goods and services. It is also applied to goods, and certain services, entering the country. Although VAT is ultimately borne by the consumer by being included in the price paid, the responsibility for charging, collecting and paying it to the tax authority at each stage of the process rests with the business making the supply ie the sale.

A business registered for the tax will charge VAT (output tax) on its sales, and incur VAT (input tax) on its purchases (including any VAT paid at importation). The difference between the output tax and the deductible input tax in each accounting period will be the amount of VAT payable by the business to the tax authority. When the input tax exceeds the output tax, a refund can be claimed under certain conditions.

There are four rates of VAT that are applied to goods and services in Gabon: the standard rate (18%), the reduced rates (10% and 5%), and the zero rate. In addition, some goods and services are exempted from VAT.

Taxable persons who do not exclusively carry out transactions giving entitlement to VAT recovery are allowed to deduct the VAT which has encumbered the goods and services they acquire by application of a deduction pro rata.

Most goods imported into Gabon are subject to VAT. The tax will have to be paid by the importer at the time of importation. Where the importation is for business purposes and the importer is registered for VAT, it may be possible to reclaim the tax (subject to certain rules).

Note that specific regimes for oil and gas companies, mining companies, socio-economic building companies, diplomatic missions, consular posts and representations of international organisations settled in Gabon exist.

Special Solidarity Contribution (CSS)

Special Solidarity Contribution (CSS) is a tax levied on the supply of goods or services rendered or used in Gabon based on similar principles as VAT.

CSS is calculated based on the amount invoiced, out of taxes. The applicable rate is 1%.

Note that some goods and services are exempted from CSS for oil and gas companies and mining companies.

Are there a registration limit for these taxes?

Taxable persons to **Value Added Tax (VAT)** are individuals or legal entities carrying out, usually or occasionally, in an independent manner, taxable operations in the scope of an economic activity and for an onerous consideration.

These persons, whatever their legal status and their position with regard to other taxes (subject to Corporate Income Tax (CIT) or Personal Income Tax (PIT)), the form or the nature of their operations, being registered or not, are liable to VAT since their turnover out of taxes reach XAF 60 million per financial year or XAF 500 million per financial year for lumbering activities.

A specific application for VAT registration needs to be introduced in order to obtain a VAT tax registration number.

New taxpayers likely to achieve a turnover equivalent to this threshold for the first year of their operations are notably allowed to apply for VAT registration.

Taxable persons to **Special Solidarity Contribution (CSS)** are individuals or legal entities carrying out, usually or occasionally, taxable operations in the scope of an economic activity and for an onerous consideration, with a yearly turnover out of taxes which is equal, at least, to XAF 30 million.

No specific CSS application (apart regular tax registration of the company) is needed for CSS.

Does the same registration limit apply to non-established businesses?

Physical and legal entities with no permanent establishment in Gabon, but which engage in taxable transactions there, are subject to VAT in the same manner as residents, through their clients or a fiscal representative.

Is there any specific legislation to tax non-resident supplies of electronically supplied/digital services to private consumers resident in your country?

No.

Does a non-established business need to appoint a fiscal representative in order to register?

Businesses established outside Gabon, with no permanent establishment in Gabon, must, in principle, appoint a Gabonese tax representative which is jointly and severally liable for the VAT and CSS obligations, including their payment. Generally, the Gabonese client is chosen as the fiscal representative.

How often do returns have to be submitted?

VAT and CSS returns normally cover the operations of the previous month, ending on the last day of a calendar month.

All VAT and CSS returns have to be submitted within 20 days of the end of the relevant period, together with any tax due. Even if no business has been carried out during the month, 'NIL' VAT returns needs to be filled.

Are penalties imposed for the late submission of returns/ payment of tax?

A default surcharge penalty may be imposed by the tax authority if returns are not submitted on time or the related tax is not paid by the due date.

Taxpayers that file their returns late are subject to a 5% penalty before receiving a notice, and to a 10% penalty within seven days following a notice from the tax authorities. Those who fail to file their tax returns within seven days following the notice are subject to automatic (estimated) taxation and a 100% penalty (150% for second and future offenses).

Lack of filing of a VAT return giving rise to estimated taxation results in the loss of the right to deduct VAT and of the VAT credit related to the previous period.

If the declaration does not show any VAT due, the penalty for lack or late filling is XAF 100,000 brought to XAF 200,000 by month of delay as from a notice has been issued by the tax authorities, capped at XAF 2,000,000.

Late payments are subject to a 10% penalty for the first month and a 3% penalty thereafter.

Are any other declarations required?

VAT and CSS declared and paid by Gabonese companies on behalf of foreign service suppliers need to be filled in the same timeframe as normal VAT and CSS returns.

Are penalties imposed in other circumstances?

Yes. A range of penalties can be imposed where businesses do not comply with the VAT rules.

Penalties and interest can be applied for errors and omissions on tax returns, or where inaccuracies affect the tax base.

Penalties can also be applied in case of bad faith (100%) and case of fraudulent practices (150%).

Can the VAT incurred by overseas businesses be claimed if they are not registered in Gabon?

No. A company must be registered for VAT before it is entitled to any input tax credits.

What information must a VAT invoice show?

A VAT invoice must show:

- seller's name and corporate details (corporate name, form of the company, amount of the share capital), address, Trade Office Register registration number and VAT identification number
- customer's name, address and, where applicable, tax or VAT identification number
- designation of the good or service invoiced
- applicable VAT rate
- price excluding VAT and corresponding tax expressed in XAF.

For partially taxable entities, transactions subject to Value Added Tax must be distinguished from those not subject to it. For each transaction giving rise to an invoice, the the non-taxable amount, the taxable amount of the operation, the applicable VAT rate and the amount of the VAT must be indicated.

Are there any current or anticipated Standard Audit File for Tax (SAF-T) or similar electronic/digital filing requirements eg invoice listing data file/real-time VAT reporting?

No.

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Indirect tax snapshot

What are the current rate(s) of VAT?	• Standard rate of 17.5% (inclusive of specific levies of 2.5% for National Education Fund and 2.5% for National Health Insurance) on taxable supplies. The levies are however non-deductible as input tax. • There is a 3% flat rate scheme for wholesalers and retailers. • Zero-rated goods and services include approved pharmaceutical products, exports and Free Zone enclave operations. • Exempt supplies include medical equipment and services, specified machinery, non-commercial dwellings, agricultural inputs, domestic transportation, goods designed for the disabled, crude oil and hydrocarbon products, education and financial services.
Are there any confirmed or anticipated changes to these rates?	No.
What is the principal indirect tax?	Value Added Tax (VAT) is the principal indirect tax in Ghana. It's a tax on consumer expenditure and is collected on business transactions and imports. In addition to VAT, other indirect taxes include: • communications services tax payable by users of electronic communication services at 6% • imports duties ranging from 0%-35%, excise duties of between 0% and 175% of the ex-factory price on beer, spirits, tobacco products, etc. • special import levy of 2% applies on the importation of certain goods • African Union (AU) import levy of 0.2% applies on eligible imports of goods from non-AU member states into AU member states for consumption within the member state • statutory administrative charges ranging between 2.5% and 3.45% of the value of imported goods • environmental excise tax of 10% on listed plastic and plastic products • airport tax is levied on local and foreign travels. The tax is Ghs5 for local travels and US$60–US$200 for foreign travels.
Is there a registration limit for the tax?	Yes. There is a general mandatory registration annual turnover threshold of Ghs200,000 for taxable supplies. Certain entities [including promoters of public entertainment and auctioneers] are however not bound by the threshold and are required to apply for registration on commencement of operations.
Does the same registration limit apply to non-established businesses?	No. There is no registration limit for businesses that are not established in Ghana. However, a resident person who is a recipient of any imported services is obliged to declare the value of such services and pay the related VAT which could be deductible as input tax where applicable.
Does a non-established person need to appoint a fiscal representative in order to register?	No. There is no requirement for VAT registration by non-established businesses and therefore no need to appoint a fiscal representative.
How often do returns have to be submitted?	VAT registered persons are required to submit VAT returns on a monthly basis.
Are penalties imposed for the late submission of returns/payment of tax?	Yes. Penalty is imposed on late submission of returns and payment of tax.
Are any other declarations required?	Yes. Additional declarations have to be submitted in respect of any imported service.

Indirect tax snapshot

Are penalties imposed in other circumstances?	Yes. Penalties can be imposed for failure to apply for registration, under declaration of returns, failure to issue approved VAT invoices, issuance of false tax invoice, fraudulent or misrepresentation of a supply, use of false taxpayer identification number, making of a false claim for tax refund and failure to use approved electronic platform.
Can the tax incurred by overseas businesses be claimed if they are not registered in your country?	No. VAT can only be claimed if the business is registered in Ghana.
Deduction of indirect taxes	**Value-added Tax (VAT)** The following items are not deductible: 1. VAT on exempt supplies 2. Deductions shall not be made more than once 3. Deductions are disallowed after expiration of six months from date incurred 4. VAT with respect to entertainment including restaurant, meals and accommodation unless the person is engaged in such business activities 5. VAT paid on importation of motor vehicle or spare parts unless the person is engaged in sale and rental of cars. 6. Deduction is disallowed where goods are applied for personal use 7. VAT paid on membership subscriptions or fees of recreational nature 8. Supplies not covered by appropriate tax invoice.

What are the principal indirect taxes?

Value Added Tax (VAT) is the main type of indirect taxation in Ghana.

It is imposition of tax on supply of goods and services made in the country and import of goods or services. Even though, VAT is ultimately borne by the consumer by its inclusion in the price paid, the responsibility for charging, collecting and paying it to the tax authority rests with the taxable person.

A VAT registered person will charge VAT (output tax) on its sales, and incur VAT (input tax) on its purchases (including VAT paid on certain imports). The difference between the output tax and the deductible input tax in each month will be the amount of VAT payable by the person to the tax authority. Where the input tax exceeds the output tax, a refund can be claimed. Recent conversion of components of VAT into levies, means that up to 12.5% of the 17.5% paid can be claimed as input tax. Persons on the 3% flat rate scheme do not however have the liberty of claiming input tax which therefore becomes cost.

A transaction is within the scope of Ghana VAT if the following conditions are met:

- it is a supply of goods and services made in Ghana
- it takes place in Ghana or partly in Ghana
- it is an import of goods or services
- it is a taxable supply made by a taxable person made in the course or furtherance of any business carried on by that person

A taxable activity means an activity, whether or not for a pecuniary profit, carried on by a person in Ghana or partly in Ghana that involves the supply of goods or services to another person for consideration.

There are three rates of VAT that are applied to goods and services in Ghana; the standard rate, flat rate, and the zero rate. In addition, some goods and services are exempted from the tax.

Businesses that make exempt supplies are unable to claim input tax that they incur, so the VAT paid to suppliers will be a 'real' cost.

Most goods imported into Ghana are subject to VAT. The tax will have to be paid by the importer at the time of importation. Where the importation is for business purposes and the importer is registered for VAT, it may be possible to reclaim the tax (though not under all circumstances).

In addition to VAT other indirect taxes include:

- communications services tax payable by users of electronic communication services at 6%
- imports duties ranging from 0%-35%, excise duties of between 0% and 175% of the ex-factory price on beer, spirits, tobacco products, etc
- special import levy of 2% applies on the importation of certain goods
- African Union (AU) import levy of 0.2% applies on eligible imports of goods from non-AU member states into AU member states for consumption within the member state
- statutory administrative charges ranging between 2.5% and 3.45% of the value of imported goods
- environmental excise tax of 10% on listed plastic and plastic products
- airport tax is levied on local and foreign travels. The tax is Ghs5 for local travels and US$60–US$200 for foreign travels.

Are there a registration limit for these taxes?

A 'person' who either makes or intends to make taxable supplies of goods or services in the course or furtherance of a business must register for VAT if the value of its taxable supplies exceeds the annual registration limit, or is expected to exceed the limit in the near future. A business can register on a voluntary basis even if the registration limit has not been exceeded. However, there are certain categories of businesses that are mandated to register regardless of the registration threshold.

For these purposes, a 'person' includes any legal entity. Therefore, once a person is registered for VAT, all of his business activities will be covered by the registration – even if the nature of some of those activities is very different.

A group of registered businesses, with the approval of the Commissioner General of Ghana Revenue Authority can be designated as one business for tax purposes.

Penalty may be imposed by the tax authority if a business fails to register at the appropriate time.

Does the same registration limit apply to non-established businesses?

There is no registration requirement for non-established businesses in Ghana.

Is there any specific legislation to tax non-resident supplies of electronically supplied/digital services to private consumers resident in your country?

Non-resident supplies of electronically supplied/digital services to private consumers constitute imported service and are taxable. The burden of the tax is on the recipient of the service who must declare and pay the requisite tax under reverse tax arrangements subject to certain conditions.

Does a non-established business need to appoint a fiscal representative in order to register?

No. The non-established business are not required to appoint a fiscal representative to register for VAT as there is no registration requirement for non-established businesses.

How often do returns have to be submitted?

VAT returns are required to be made over one month accounting period. Returns are filed on monthly basis. Normally by the last working day of the month following the month to which the return pertains.

VAT on imported goods is payable on payment of the related duties at the port of clearance. The return and payment of VAT [including specified levies] on imported services are due within 21 days of the month following the month in which the services were imported.

The Commissioner-General may appoint a person as a VAT-withholding agent. This agent will be required to withhold from payments for standard-rated supplies, 7% of the taxable output values and issue a Withholding VAT Credit Certificate at the time of payment. VAT withholding return is filed by the 15th day of the following month to which the return relates and tax withheld is paid by that date.

Are penalties imposed for the late submission of returns/ payment of tax?

Penalty may be imposed by the tax authority if VAT returns are not submitted on time, or the related tax is not paid by the due date.

Are any other declarations required?

Businesses that are registered for VAT in Ghana are required to notify the Commissioner General on imported services and file returns in a prescribed format.

Are penalties imposed in other circumstances?

Yes. A range of penalties can be imposed where businesses do not comply with the VAT rules.

Civil penalties and interest can be applied for failure to maintain proper records, under declaration of returns, or where the tax is paid late.

Criminal proceedings may be brought in cases of fraud or deliberate misrepresentation.

Can the VAT incurred by overseas businesses be claimed if they are not registered in Ghana?

No. VAT incurred by non-registered businesses cannot be claimed in Ghana.

What information must a VAT invoice show?

A VAT invoice must show:

- an invoice number which is unique and sequential
- the supplier's name and address
- the supplier's VAT registration number[TIN]
- the invoice date
- the time of supply (also known as tax point) if this is different from the invoice date
- the customer's name and address
- a description sufficient to identify the goods or services supplied to the customer
- the rate of any cash discount
- the tax rate applied
- the total amount of VAT charged expressed in Ghana Cedi.

For each different type of item listed on the invoice, the following must be shown:

- the unit price or rate, excluding VAT
- the quantity of goods or the extent of the services
- the rate of VAT that applies to what's being sold
- the total amount payable, excluding VAT.

Where a VAT invoice includes zero-rated or exempt goods or services, it must:

- show clearly that there is no VAT payable on those goods or services
- show the total of those values separately.

Electronic invoices are issued in some cases and must contain the same prescribed information as on manual paper invoices. VAT registered persons can as well issue computer generated VAT invoices on application and approval from the Ghana Revenue Authority.

Are there any current or anticipated Standard Audit File for Tax (SAF-T) or similar electronic/digital filing requirements eg invoice listing data file/real-time VAT reporting?

Electronic filing of returns is anticipated in due course.

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Indirect tax snapshot

What are the current rate(s) of VAT?	• Standard rate of 18%. • 0% rate applicable for exports and international transport.
Are there any confirmed or anticipated changes to these rates?	No.
What is the principal indirect tax?	Value Added Tax (VAT) is the principal indirect tax in the Guinea. It is a tax on consumer expenditure, and is collected on business transactions and imports.
Is there a registration limit for the tax?	Yes. It relates to the annual turnover of taxable transactions in the Guinea, and once the limit has (or will be) reached it is necessary to register.
Does the same registration limit apply to non-established businesses?	No. There is no registration limit for businesses that are not established in the Guinea.
Does a non-established person need to appoint a fiscal representative in order to register?	In certain circumstances, a non-established person may be represented by a tax representative for the payment of VAT.
How often do returns have to be submitted?	Companies are required to submit VAT returns every month by the 15th of the month.
Are penalties imposed for the late submission of returns/payment of tax?	Yes. If a VAT return, or the corresponding payment, is submitted late a penalty can be imposed.
Are any other declarations required?	In certain circumstances, for some companies.
Are penalties imposed in other circumstances?	Yes. Penalties can be imposed for a range of errors or omissions.
Can the tax incurred by overseas businesses be claimed if they are not registered in your country?	No.
Deduction of VAT	Housing expenses, accommodation, catering, reception, entertainment, car rental and transport of persons except for professionals in catering and entertainment sectors; telephone and internet expenses except for companies whose purpose is directly related to telephone and internet services.

What is the principal indirect tax?
The Value Added Tax (VAT) is the main indirect tax in Guinea.

Is there a registration limit for the tax?
The limit to be subject VAT in Guinea is GNF 500,000,000.

Does the same registration limit apply to non-established businesses?
For non-established companies there is no limit expressly mentioned by law.

Is there any specific legislation to tax non-resident supplies of electronically supplied/digital services to private consumers resident in your country?
No.

Does a non-established business need to appoint a fiscal representative in order to register?
The Guinean Revenue Authority on international transactions designates the Beneficiary as the representative of the company not established and who has no representative in Guinea.

How often do returns have to be submitted?
The VAT return must be made no later than the 15th of each month, relating to VAT in previous month.

Are penalties imposed for the late submission of returns/ payment of tax?
Late payment of VAT gives rise to late interest which is set at 2% by month late and an increase of 10% of the amounts of the duties chaged to the taxpayer with a minimum of GNF100,000.

Are any other declarations required?
Telephone companies, and Internet access providers, etc., which are registered for VAT in Guinea must provide, non-taxable turnover as an annex to their declaration.

Are penalties imposed in other circumstances?
All companies that do not respect the VAT rules are exposed to sanctions such as:

- where the declaration reveals incomplete and insufficient information, amount of duties charged to the taxpayer is subject to the interest of late payment and an increase penalties
- violation of the VAT rules can give rise to legal proceedings.

Can the VAT incurred by overseas businesses be claimed if they are not registered in Guinea?
No.

What information must a VAT invoice show?
An invoice must have:

- the exact name and address with mention of its tax identification number
- the name, address and tax identification number of the client
- the amount of duty free transactions
- the amount of VAT and the rate applied
- the amount of all taxes included.

Are there any current or anticipated Standard Audit File for Tax (SAF-T) or similar electronic/digital filing requirements eg invoice listing data file/real-time VAT reporting?
No.

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Republic of Kenya

Indirect tax snapshot

What are the current rate(s) of indirect tax?	• Standard rate of 16% for most goods and services including importation of taxable goods and services. • Zero-rated supplies include the exportation of goods and services and local supply of services to public bodies, privileged persons and institutions. • Exempt services include banking, insurance and reinsurance, education, medical, veterinary, dental, nursing, agriculture and supply of residential premises.
Are there any confirmed or anticipated changes to these rates?	No anticipation of changes in rates.
What is the principal indirect tax?	Value Added Tax is the principal indirect tax applied in supply of most goods and services in Kenya.
Is there a registration limit for the tax?	Yes. There is a minimum annual turnover amount that when an entity attains, then it becomes mandatory to register for VAT. Voluntary registration is also allowed for businesses that do not meet the set turnover minimum.
Does the same registration limit apply to non-established businesses?	Yes. The limit is applicable to non-established businesses making taxable supplies in Kenya.
Does a non-established person need to appoint a fiscal representative in order to register?	Yes, non-established entities appoint, in writing, a tax representative to register for VAT on their behalf.
How often do returns have to be submitted?	Returns are submitted monthly.
Are penalties imposed for the late submission of returns/payment of tax?	Yes. There is a fixed penalty for late submission of VAT returns. Late payment of tax attracts interest which is compounded monthly.
Are any other declarations required?	Yes, you declare the total taxable sales made, total exempt sales and total zero rated sales. For purchases, you declare total taxable, exempt and zero rated purchases.
Are penalties imposed in other circumstances?	Yes. Any fraudulent acts for example omission or contravention of the VAT Act is liable to a fine or imprisonment as per the tax procedures Act 2015.
Can the tax incurred by overseas businesses be claimed if they are not registered in your country?	No. To claim refunds in Kenya, one has to be registered for VAT in Kenya.
Deduction of VAT	Goods and services for personal use and not related to the business like meals, personal effects, drinking water, noncommercial motor vehicle expenses.
Filling of tax return	All filing of tax return and payment of indirect taxes must be done on the online platform itax.

What is the principal indirect tax?

Value Added Tax (VAT) is the main type of indirect taxation in Kenya. Value added tax (VAT) shall apply to:

- the taxable supplies of goods and services provided by a registered person in Kenya
- the importation of taxable good
- a supply of imported taxable services.

A VAT taxable event is to be considered at the time and place of supply for goods or service.

VAT in Kenya is taxed at a standard rate of 16%.

The Act provides for zero rating of:

- exportation of taxable goods and services
- supply of taxable good under services to an export processing zone (EPZ)
- shipstores supplied to international sea or air carrier on international voyage
- supply of coffee and tea for export to auction centers
- transportation of passengers by air carriers on international flight
- transfer of business as a going concern to a registered person
- transfer of natural water by National or County Government
- supply of taxable goods and services to public bodies, privileged persons and institutions.

The VAT Act also exempts a number of goods from VAT (list of items is provided in The Act).

Exempt Services include:

- financial services (operation of accounts, issuing card, ATM transactions...)
- insurance and reinsurance services excluding actuarial services, services of assessors and loss adjusters and management of insurance consultancy services
- educational services
- medical, veterinary, dental and nursing services
- agriculture, animal husbandry and horticultural services;
- burial and cremation services
- transportation of passengers excluding international air transport and hired or chattered services
- sale, lease, hire or letting of land or residential premises.

Place of supply

A supply of service is made in Kenya if the place of business of the supplier is in Kenya.

A supply is also considered to be made in Kenya if the recipient of the supply is not a registered person but the services are physically performed in Kenya or the supply relates to immovable property in Kenya or when the supply is the transfer of: right to use, a copyright, patent or trademark.

Time of supply

The time of supply for the purpose of VAT is the earlier of the date on which the supply is made, the date upon which a certificate is issued by a consultant, the date an invoice is issued or when payment for the supply either in part or whole is received.

Treatment of imported services (Reverse Charge VAT)

This is no longer applicable when a registered person receives services from a non-resident supplier.

A non registered person should account for VAT on these imported services.

Is there a registration limit for the tax?

Yes, the VAT regime in Kenya insists that any person making or expecting to make annual taxable supplies of KShs 5,000,000 or more is required to register for VAT.

Penalties and interest on VAT may be incurred in the event that a person making the minimum taxable sales fails to register for VAT.

Does the same registration limit apply to non-established businesses?

Yes, a non-resident person making taxable sales in Kenya amounting to the set minimum is expected to appoint, in writing, an agent who will register and account for VAT on their behalf.

When a non-established person making the minimum taxable supplies fails to appoint a tax representative within the first month after making the supplies, then the commissioner will appoint a tax representative on their behalf.

How often do returns have to be submitted?

All taxpayers are required to file a VAT return electronically every month. The due date for VAT return filing is 20th of the following month.

Are penalties imposed for the late submission of returns/ payment of tax?

Yes, a fixed penalty of KShs 10,000 is applicable on each instance of late filing of the VAT return.

Late payment of VAT attracts 1% interest compounded monthly.

Are any other declarations required?

Yes, upon submitting a VAT return, a person is required to include details of all the supplies made, standard VAT rate supplies, exempt supplies and zero rated supplies during that VAT period.

The person also includes details of the standard rate, exempt and zero rated purchases made during the same period.

Are penalties imposed in other circumstances?

Yes, a fine not exceeding KShs 1,000,000 or imprisonment for a term not exceeding 3 years or both is applicable when one is convicted of the offences below:

- falsification of VAT documents
- failure to do the requirements under the Act
- interfering with other persons or processes so as to contravene the VAT Act
- breach of one's duties as specified in the VAT Act
- failure to prevent or report offences committed under the VAT Act to the relevant authorities.

Can the VAT incurred by overseas businesses be claimed if they are not registered in the Republic of Kenya?

No. An overseas business can only claim VAT in Kenya if they have a tax representative who registered and accounts for VAT on their behalf.

Refund of taxes

The legislation has given more emphasis on refund of VAT. A registered person will only be entitled to a refund arising from zero rated supplies for persons making both taxable at the general rate and zero rate.

Refund of taxes paid erroneously to the KRA will be applied in accordance with the Tax Procedures Act where the commissioner shall apply the overpayment of any other taxes under the tax law in payment of a tax owing to any other tax law. Any remainder shall then be refunded to the tax payer.

On the matter of refund of output tax paid on bad debts, the legislation has given emphasis that, such refunds shall be allowed, however if the the supplier had issued a credit note to the recipient of the supply, such refunds shall not be allowed.

The legislation also states that, any persons who had been refunded output tax paid on bad debts and recovers the amounts hall issue a debit note to the recipient of the taxable supply with a debit note specifying the amount of tax refunded to the Commissioner.

We list below what the tax invoice furnished by the supplier to a purchaser must contain:

i the words 'TAX INVOICE' in a prominent place
ii the name, address, and PIN of the supplier
iii the name, address, and PIN, if any, of the recipient
iv the individualized serial number of the tax invoice
v the date on which the tax invoice is issued and the date on which the supply was made, if different from the date of issue of the tax invoice
vi the description of the goods supplied including quantity or volume or services provided
vii the description of the goods supplied including quantity or volume or services provided
viii the details of any discount allowed at the time of supply
ix the consideration for the supply and the amount of tax charged.

For the suppliers who provide electronically generated receipts, this must contain:

i the name, address, and PIN of the supplier
ii the serial number of the receipt
iii the date and time of issue of the receipt
iv a brief description of the goods supplied (including quantity or volume)
v the tax payable
vi the total amount payable for the supply inclusive of tax.

We list below what a tax invoice for supplies of imported services must contain:

i the name, address, and PIN of the recipient
ii the name and address of the supplier
iii the individualised serial number of the tax invoice and the date on which the tax invoice is prepared
iv a description of the services supplied and the date of the supply
v the extent to which the supply has been applied other than to make taxable supplies
vi the consideration for the supply and the amount of tax charged.

The VAT Act provides for issuance of credit notes and debit notes to reduce value of credit notes and increase value of supply. We discuss below details that should be contained in a credit note raised to a purchaser:

A credit note shall contain:

i the words 'CREDIT NOTE' in a prominent place
ii the name, address, and PIN of the supplier
iii the name, address, and PIN of the recipient
iv the individualised serial number of the credit note and the date on which the credit note is issued of tax that relates to the difference
v a brief description of the circumstances giving rise to the issuing of the credit note, including the invoice details to which the credit note relates
vi the consideration shown on the tax invoice for the supply
vii the correct amount of the consideration, the difference between those two amounts, and the amount.

A debit note shall contain:

i the words 'DEBIT NOTE' in a prominent place
ii the name, address, and PIN of the supplier
iii the name, address, and PIN of the recipient
iv the individualised serial number of the debit note and the date on which the debit note is issued
v a brief description of the circumstances giving rise to the issuing of the debit note, including the invoice details to which the debit note relates
vi the consideration shown on the tax invoice for the supply
vii the correct amount of the consideration, the difference between those two amounts, and the amount of tax that relates to the difference.

Exportation of goods or services

The KRA has in the past raised assessments on taxpayers for failure of charging VAT for services taxpayers feel were exports however, this services according to the KRA were consumed in Kenya and therefore subject to VAT.

The VAT Act 2013 defines export of services to mean services provided for use or consumption outside Kenya. .

The regulations have been put in place to remove any doubts as to the definition of exportation of goods or services.

According the VAT Regulation 2017 the exportation of goods or services has been defined to mean:

i in the case of goods, when the taxable supply involves the goods being entered for export under the East African Community Customs Management Act and delivered to a recipient outside Kenya at an address outside Kenya
ii in the case of services, when the taxable supply involves the services being provided to a recipient outside Kenya for use consumption, or enjoyment outside Kenya.

Export of services shall not include:

i taxable services consumed on exportation of goods unless the services are in relation to transportation of goods which terminates outside Kenya
ii taxable services provided in Kenya but paid for by a person who is not a resident in Kenya.

A supplier must provide the following documents as proof of exportation of goods or service:

i a copy of the invoice showing the recipient of the supply to be a person outside Kenya
ii proof of payment for the supply of services
iii the bill of lading, road manifest, or airway bill, as the case may be
iv the export or transfer entry certified by a proper officer of Customs at the port of exit
v for excisable goods, the documents shall be in accordance with the provisions of the Excise Duty Act 2015
vi documents as the Commissioner may require as proof that the services had been used or consumed outside Kenya.

If, however, the commissioner is not satisfied that a service was not consumed outside Kenya. The Commissioner may by notice in writing require the registered person to produce, a certificate signed and stamped by a competent authority outside Kenya stating that the goods were duly landed and entered for home consumption at a place outside Kenya.

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Indirect tax snapshot

What is the principal indirect tax?	• Standard rate of 18% for most goods and services. • Reducing rate of 17% on the financial transactions and 5% for the computer hardware and for solar energy production equipment. • Rate of 0% for export transactions.
Are there any confirmed or anticipated changes to these rates?	No.
What is the principal indirect tax?	Value Added Tax (VAT) is the principal indirect tax in Mali. It's a tax on consumer expenditure and is collected on business transactions and imports.
Is there a registration limit for the tax?	Yes, before the beginning of the business, the register is required.
Does the same registration limit apply to non-established businesses?	No.
Does a non-established person need to appoint a fiscal representative in order to register?	Yes. The non-established person may be represented by someone located in Mali and accredited to the tax collection service or by the costumer.
How often do returns have to be submitted?	Most businesses are required to submit VAT returns monthly.
Are penalties imposed for the late submission of returns/payment of tax?	Yes. If a VAT return or the corresponding payment is submitted late, a penalty can be imposed.
Are any other declarations required?	Yes. The VAT declaration must be followed, from another regularization covering all the operations of the previous financial year.
Are penalties imposed in other circumstances?	Yes. The omissions and inaccuracies found in the VAT declarations are punished in view of the nature of the offence committed, the good faith of the taxpayer cannot be accepted.
Can the tax incurred by overseas businesses be claimed if they are not registered in your country?	No.
Deduction of VAT	The general rule is that VAT on supplies is deductible except for some categories. As an example: • goods or services acquired for the use of third parties, managers and employees of the enterprise such as accommodation, lodging, reception, restaurant, entertainment expenses or any expenses directly or indirectly related to travel or accommodation • certain type of cars for the carriage of persons or for mixed uses and their removable parts • VAT supported on goods and services rendered for free or at a lower cost price, except for low-value promotional items • building except those used for industrial, trade, craft or professional activities • VAT on some oil product • movable furniture other than those having the nature of commercial equipment or office equipment.

What is the principal indirect tax?

Value Added Tax (VAT) is the main type of indirect taxation in Mali. The supply of goods and services provided with a counterpart by a taxable person in Mali, are subject to VAT.

VAT is a tax on consumption which is applied during the production and distribution process to most goods and services. It is also applied to goods and certain services entering the country. Although VAT is ultimately borne by the consumer by being included in the price paid, the responsibility for charging, collecting and paying it to the tax authorities at each stage of the process rests with the business performing the supplies or selling the goods.

An established business will charge VAT (output VAT) on its sales of goods or services and incur VAT (input VAT) on its purchases. The difference between the output VAT and the input VAT in each declarative period will be the amount of VAT payable by the established business to the tax authorities. Where the input tax exceeds the output tax, a VAT refund can be claimed.

Is there a registration limit for the tax?

A person or company before beginning a business must register for VAT at least ten days after the beginning of the activity. A penalty may be imposed by the tax authority if a business fails to register at the correct time.

Does the same registration limit apply to non-established businesses?

Yes, non-established businesses must designate a representative domiciled in Mali who will be accredited for them to the tax collection service. Otherwise, these non-established businesses will be represented by the beneficiary of the service.

Is there any specific legislation to tax non-resident supplies of electronically supplied/digital services to private consumers resident in your country?

No.

Does a non-established business need to appoint a fiscal representative in order to register?

When a person who does not have a permanent establishment or reside in Mali, carries out or makes taxable transactions in the country, the tax is paid by the person intervening in any capacity for the non-resident, or, failing that, by the purchaser or the beneficiary of the provision of services who are jointly and severally liable for the payment.

The principle is that a non-established business has an obligation to designate a fiscal representative. If there is no fiscal representative, the tax is paid by the client or the beneficiary of the service.

How often do returns have to be submitted?

A VAT tax return must be submitted monthly, generally by the 15th of each month.

Companies must submit their tax return on the following dates:

- **Importers:** before the customs removal of the goods or the product.
- **Companies liable to for normal tax system:** no later than the 15th of the following month.
- **Liable subject to tax according to the simplified real mode:** No later than 15th may of the year following the end of the accounting year.

Are penalties imposed for the late submission of returns/ payment of tax?

A default surcharge penalty may be imposed by the tax authority if VAT returns are not submitted on time, or the related tax is not paid by the due date.

For the late submission or payment made before the formal notice of the tax authorities, a late interest rate of 25% is due on the unpaid VAT. Each month or fraction of a month of additional delay gives rise to the payment of an additional interest of 5%.

For the late submission made after the formal notice of the tax authorities, a late interest rate of 50% is due on the unpaid VAT.

In the event of insufficient declaration, the amount of the rights evaded is liable in addition to the interest for late payment, an increase of:

- 50% if the amount of the rights corresponding to the insufficiencies, inaccuracies or omissions does not exceed one quarter of the rights due
- 100% in case of fraudulent practices.

Are any other declarations required?

Yes, it must be attached to the VAT return, the statement of input VAT deductible (VAT invoiced by suppliers when buying goods or services) imputed by the taxpayer on its output VAT.

The lack of production of this statement and the production of mistaken or incorrect information or incomplete mentions resulting in penalties and reinstatement of the deductions made.

Are penalties imposed in other circumstances?

Yes, in case of tax audits or fraud.

Can the VAT incurred by overseas businesses be claimed if they are not registered in Mali?
No.

What information must a VAT invoice show?
Invoices must show in a separate way the price excluding VAT on a value added, the net price of the goods or services, the tax regime of the supplier and the tax identification number of the seller and the buyer.

Are there any current or anticipated Standard Audit File for Tax (SAF-T) or similar electronic/digital filing requirements eg invoice listing data file/real-time VAT reporting?
No.

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Mauritius

Indirect tax snapshot

What are the current rate(s) of indirect tax?	• Standard rate of 15%. • Some goods and services as specified in the VAT Act are zero rated or exempt.
Are there any confirmed or anticipated changes to these rates?	No.
What is the principal indirect tax?	Value Added Tax (VAT).
Is there a registration limit for the tax?	VAT registration is compulsory for businesses whose annual turnover of taxable supplies exceed or is likely to exceed six million Mauritian Rupees (MUR).
Does the same registration limit apply to non-established businesses?	The provision of services by a non-resident company to VAT registered person in Mauritius will fall under the ambit of reverse charge mechanism and no registration limit shall apply. However, the same registration limit (MUR 6 million) shall apply where a non-resident company is making taxable supplies in Mauritius to both VAT registered and non-VAT registered persons.
Does a non-established person need to appoint a fiscal representative in order to register?	It is not mandatory to appoint a fiscal representative.
How often do returns have to be submitted?	Most registered persons are required to submit quarterly VAT returns. Returns are required to be submitted on a monthly basis if annual turnover of taxable supplies exceed MUR 10m.
Are penalties imposed for the late submission of returns/payment of tax?	Yes. If a VAT return, or the corresponding payment, is submitted late a penalty and interest can be imposed.
Are any other declarations required?	No.
Are penalties imposed in other circumstances?	Yes – penalties can be imposed for a range of errors or omissions.
Can the tax incurred by overseas businesses be claimed if they are not registered in your country?	No.
Deduction of VAT	No input tax shall be allowed as a credit for the following (non-exhaustive lists): • good or services used to make an exempt supply • motor cars and other motor vehicles for the transport of not more than 9 persons • accommodation or lodging, catering services, receptions, entertainment, and the rental or lease of motor cars and other vehicles • maintenance or repairs of motor cars and other vehicles • good and services used by banks holding a banking license under the Banking Act 2004 for providing services other than to non-resident and corporations holding a Global Business Licence under the Financial services Development Act.

What is the principal indirect tax?

Value Added Tax (VAT) is the principal indirect tax in Mauritius.

VAT is a tax on consumer expenditure and not a tax on gains or profits. It is charged on most business transactions and imports. VAT is ultimately borne by the final consumer. The person that is selling the products or services will be responsible for charging, collecting and paying the respective VAT to the tax authority at each stage of the process.

Once a person is registered for VAT, they charge VAT on all taxable supplies made to customers, except where the customer is an exempt body as defined in the legislation. This VAT is then payable to the Mauritius Revenue Authority (MRA) as output tax. The VAT registered person can claim VAT paid as input tax. The difference between the output tax and the deductible input tax in each accounting period will be the amount of VAT payable by the business to the MRA. A tax refund can be claimed, where the input tax exceeds the output tax.

A transaction is within the scope of VAT Act if the following conditions are met:

- in the case of goods, supply is the transfer of consideration of the right to dispose of the goods as the owner; or in the case of services, the performance of services for a consideration
- supply should be made in Mauritius:
  - a in the case of goods, supply is treated as made in Mauritius when the goods are moved from one place in Mauritius to another place in Mauritius
  - b in the case of services – the services are performed or utilised in Mauritius
- supply is made by a taxable person. A taxable person is a person or entity who is registered for VAT in Mauritius, or has a liability to become registered
- supply is made in the course or furtherance of any business carried on by that person or entity.

There are two rates of VAT that are applied to goods and services in Mauritius; the standard rate (15%) and the zero rate. In addition, some goods and services are exempted from tax.

Businesses that make exempt supplies are unable to claim all the input tax that they incur. On the other hand, a business that makes zero-rated supplies will be entitled to claim input tax on all of its purchases and imports. Businesses that makes both exempt supplies and taxable supplies, credit for input tax is allowed in the proportion of the value of the taxable supplies (excluding sale of capital goods) to total turnover.

Most goods imported into Mauritius are subject to VAT. Where the importation is for business purposes and the importer is registered for VAT, it may be possible to reclaim the tax under certain conditions such as: tax was paid in error, goods have been damaged or lost during the voyage and goods have become defective or obsolete.

It is also important to note the interaction between VAT and Customs duty. Customs duty is levied on goods that are imported into the country. Unlike other indirect taxes, such as VAT, once duty has been paid, it cannot be recovered by the importer. VAT is charged on the value of the importation, including any custom duty.

Is there a registration limit for the tax?

A person who either makes or intends to make taxable supplies of goods or services in the course or furtherance of a business must register for VAT if the value of its taxable supplies exceeds or is likely to exceed the annual registration limit of MUR 6m. A person can register on a voluntary basis even if the registration limit has not been exceeded.

As per S 15 (2) of the VAT Act, some professions require compulsory VAT registration even if the annual turnover limit has not been reached. Examples of such professions include accountants, auditors, engineers, architect, attorney, solicitor, land surveyor, notary, opticians, advisers, consultants and project valuers.

Moreover, certain business activities require compulsory registration irrespective of the turnover of their taxable supplies. These businesses include:

- banking by a company holding a Banking Licence in respect of its banking transactions other than with non-residents and corporations holding a Global Business Licence
- management services by a holder of a management Licence in respect of services supplied other than those supplied to corporations holding a Global Business Licence
- services in respect of credit cards issued by companies other than banks to merchants accepting such credit cards as payment for the supply of goods or services
- wholesalers of alcoholic produce.

Does the same registration limit apply to non-established businesses?

Where a person who does not belong in Mauritius makes a taxable supply of services which are performed or utilised in Mauritius, to a registered person, then all the same consequences shall follow under the VAT Act as if the registered person had himself supplied the services in Mauritius and that supply were a taxable supply (reverse charge mechanism). The normal VAT registration limit does not apply in this case.

However, where a non-resident company is providing services which are performed or utilised in Mauritius to both VAT registered and non-VAT registered persons in Mauritius the non-resident company should apply for compulsory registration where the annual turnover exceeds the registration limit of MUR 6 million.

Is there any specific legislation to tax non-resident supplies of electronically supplied/digital services to private consumers resident in your country?

This is not applicable in Mauritius.

Does a non-established business need to appoint a fiscal representative in order to register?

There is no legal requirement to appoint a fiscal representative in Mauritius.

How often do returns have to be submitted?

Under normal circumstance, VAT returns need to be submitted on a quarterly basis. A quarterly VAT return normally covers a period of 3 months and end on the last day of the calendar month; 31 March, 30 June, 30 September and 31 December. A VAT return along with its payment will have to be submitted within 20 days from the end of the quarter to which it relates. In case, a taxable person chooses to file its return electronically, as a manner approved by the tax authority, it will have 30 days from the end of the quarter to submit its return and pay the tax liability.

Where the turnover of taxable supplies exceeds MUR 10m, the taxable person should file their return electronically and on a monthly basis. The deadline to file the return and payment of the tax liability will be 30 days from end of the month that it has been required to submit the return.

Are penalties imposed for the late submission of returns/ payment of tax?

Penalty for non-submission of return by due date

A penalty of MUR 2,000 for every month or part of the month until the return for that taxable period is submitted, provided that the total penalty payable shall not exceed MUR 20,000 (MUR 5,000 in the case of a small enterprise).

Penalty and interest for late payment of tax

Interest of 1% per month or part of the month during the period that the tax remains unpaid and a penalty at 10% (2% in the case of a small enterprise) on the amount of the tax.

Are any other declarations required?

No.

Are penalties imposed in other circumstances?

Yes. A range of penalties can be imposed where businesses do not comply with the VAT rules.

1 Any taxable person who does not apply for compulsory registration shall be liable to pay to the tax authority, a penalty of MUR 5,000 for every month or part of the month from the taxable period in respect of which he is liable to be registered to the month immediately preceding the month in which the application for registration is submitted, provided that the total penalty payable shall not exceed MUR 50,000.

2 Any registered person who is required to submit his return and make any payment of tax due electronically but fails to join the electronic system, after written notice being given to him by the tax authority, shall be liable to pay a penalty of MUR 5,000, for every month or part of the month from the taxable period specified in the notice, up to the taxable period immediately preceding the taxable period in respect of which he submits his return, and to make any payment of tax due electronically, provided that the total penalty payable shall not exceed MUR 100,000. The person will have a period of seven days from the written notice to justify his failure to join the electronic system.

Can the VAT incurred by overseas businesses be claimed if they are not registered in Mauritius?

No.

What information must a VAT invoice show?

A VAT invoice must show:

- the words 'VAT INVOICE' in a prominent place
- name, business address, VAT registration number and business registration number of the supplier
- serial number and date of issue of the invoice
- the quantity and description of the goods or the description of the services
- the value of the supply, indicating whether the value is subject to VAT or not
- where the value of the supply is subject to VAT: the value of the supply and the amount of VAT chargeable and the rate applied
- name, business address, business registration number and the VAT registration number of the purchaser if it is a registered person.

Are there any current or anticipated Standard Audit File for Tax (SAF-T) or similar electronic/digital filing requirements eg invoice listing data file/real-time VAT reporting?

It is anticipated further to enactment of the Finance Act 2018 for the introduction of a penalty of MUR 5,000 for every month or part of the month up to a maximum of MUR 50,000 where a person fail to use an electronic device as required by the Mauritius Revenue Authority.

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Morocco

Indirect tax snapshot

What are the current rate(s) of indirect tax?	• A standard rate of 20% for most goods and services. • A reduced rate of 14%, with the right to credit input VAT, applies to specific items such as butter (with the exclusion of the homemade fabric), electrical energy, passenger and freight operations excluding rail transport operations etc. • The 14% rate applies, without the right to credit input VAT, to services rendered by brokers, commission agents and agents of insurance companies. • A reduced rate of 10% applies to specific items such as banking and credit services, accommodation and catering operations and transactions relating to securities traded on the stock exchange. • A reduced rate of 7% applies to specific items such as the sale and the delivery of water, electricity, pharmaceutical products, school supplies, refined sugar, etc. • A zero rate applies to goods supplied and services rendered for export by the taxpayer.
Are there any confirmed or anticipated changes to these rates?	These are the rates applicable for now. However, each year, the government publishes a financial law which log sometimes some changes to the VAT rates.
What is the principal indirect tax?	The Value Added Tax (VAT) is the principal indirect tax in Morocco. It is a tax on consumer expenditure and is collected on business transactions and imports.
Is there a registration limit for the tax?	Not applicable.
Does the same registration limit apply to non-established businesses?	There is no registration limit for businesses that are not established in Morocco. Individuals and legal entities with no permanent establishment in Morocco, but which engage in taxable transactions there, are subject to VAT in the same manner as residents.
Does a non-established person need to appoint a fiscal representative in order to register?	All non-residents must register, with the Minister of Finance, an accredited representative domiciled in Morocco who will be responsible for the taxpayer's compliance with the VAT regulations. Finance Law 2014 introduced an optional reverse charge mechanism. Under this regime, in case no accredited VAT representative was appointed, the Moroccan resident client becomes the legal taxpayer.
How often do returns have to be submitted?	Businesses with an annual turnover above MAD 1 million are required to submit VAT returns on a monthly basis. Otherwise, the returns can be submitted covering three month accounting periods.
Are penalties imposed for the late submission of returns/payment of tax?	Yes. If a VAT return, or the corresponding payment, is submitted late a penalty can be imposed.
Are any other declarations required?	Yes. Additional declarations have to be submitted in some cases (ie statement of proportional deduction, etc.)
Are penalties imposed in other circumstances?	Yes. Penalties can be imposed for a range of errors or omissions.
Can the tax incurred by overseas businesses be claimed if they are not registered in your country?	VAT only applies to transactions which are deemed to have been carried on in Morocco where: • in the case of a sale of goods, delivery is accomplished in Morocco • in the case of all other activities, the services provided, the item leased or the rights transferred are used in Morocco.
Deduction of VAT	Input tax may not be recovered on purchases of goods and services that are not used for business purposes and that are considered to be non-deductible expenses for corporate tax purposes (for example, goods acquired for private use by an entrepreneur). According to tax legislation in force, VAT on expenses paid in cash is deductible up to MAD 10,000 per day and per supplier, within a monthly limit of MAD 100,000 per supplier.

What is the principal indirect tax?

Value Added Tax (VAT) is the main type of indirect taxation in Morocco. VAT is levied on transactions carried out in Morocco by persons who, either habitually or occasionally, purchase goods for resale or engage in an activity of an industrial, commercial, artisan or professional nature, as well as in importation transactions.

VAT is a non-cumulative tax levied at each stage of the production and distribution cycle. Thus, suppliers of goods and services must add VAT to their net prices. Where the purchaser is also liable for VAT, input VAT may be offset against output VAT. Although VAT is ultimately borne by the consumer by being included in the price paid, the responsibility for charging, collecting and paying it to the tax authority at each stage of the process rests with the business making the supply.

For the moment, four VAT rates are applied in Morocco (one standard and three reduced rate). The Moroccan government's goal is to set only two rates: a standard rate (20%) and a reduced rate (10%). A zero rate applies to goods supplied and services rendered for export by the taxpayer.

Is there a registration limit for the tax?

There is no registration limit for the tax. The following bodies are subject to VAT:

- the legal entities who habitually or occasionally, whether as part of their main business or as an ancillary activity, manufacture, extract or process goods or change their form or handle them (packaging, putting into containers, shipment, storage or display), irrespective of whether these operations involve the use of other materials or the goods are sold under the producer's name or trademark
- the persons who take part in any stage of the above-mentioned activities, either by providing a manufacturer with all or part of the materials or raw materials necessary for the production of goods or with patents, designs, plans, processes, formulas or trademarks to which they have the rights.

Does the same registration limit apply to non-established businesses?

Individuals and legal entities with no permanent establishment in Morocco, but which engage in taxable transactions there, are subject to VAT in the same manner as residents. VAT rules require the submission of monthly declarations of turnover.

Is there any specific legislation to tax non-resident supplies of electronically supplied/digital services to private consumers resident in your country?

There is no specific legislation to tax non-resident supplies of electronically supplied/digital services.

According to the principle of territoriality, the private consumers resident in Morocco should be liable to VAT.

Does a non-established business need to appoint a fiscal representative in order to register?

All non-residents must register, with the Minister of Finance, an accredited representative domiciled in Morocco who will be responsible for the taxpayer's compliance with the VAT regulations. In the event of non-payment, VAT and penalties will become due by the Moroccan representative of the non-resident taxpayer.

Finance Law 2014 introduced an optional reverse charge mechanism. Under this regime, in case no accredited VAT representative was appointed, the Moroccan resident client becomes the legal taxpayer.

How often do returns have to be submitted?

The filing of VAT returns may be on a monthly or quarterly cycle based on certain criteria.

Businesses with an annual turnover above MAD 1 million are required to submit VAT returns on a monthly basis.

Otherwise, the returns can be submitted covering three months accounting periods.

All taxpayers must file VAT returns and make VAT payments within one month after the end of the relevant month or quarter by internet system.

As of 1 January 2017, internet filing and payment system is mandatory for all taxpayers.

Are penalties imposed for the late submission of returns/ payment of tax?

A default surcharge penalty may be imposed by the tax authority if VAT returns are not submitted on time, or the related tax is not paid by the due date.

Are any other declarations required?

Besides the VAT return, taxpayers must file to the tax administration a detailed statement of deductions with the reference of bills, the exact description of the goods, services or works, their value, the amount of tax on the invoice or memory and the mode of payment and references.

Furthermore, taxpayers performing taxable transactions and transactions outside the scope of the VAT or exempt transaction without right of deduction are required to deposit in local tax which they depend a statement of prorata.

Are penalties imposed in other circumstances?

Yes. A range of penalties can be imposed where businesses do not comply with the VAT rules.

Civil penalties and interest can be applied for errors and omissions made on tax returns, or where the tax is paid late. Penalties can also be applied where the business has failed to maintain adequate records or provide information (including additional declarations). Criminal proceedings may be brought in the case of more serious matters.

Can the VAT incurred by overseas businesses be claimed if they are not registered in Morocco?

VAT only applies to transactions which are deemed to have been carried on in Morocco where:

- in the case of a sale of goods, delivery is accomplished in Morocco
- in the case of all other activities, the services provided, the item leased or the rights transferred are used in Morocco.

What information must a VAT invoice show?

A VAT invoice must show for example:

- an invoice date and number which is unique and sequential
- the seller's name, address and VAT registration number and his ICE (Identifiant Commun de l'Entreprise or common identifier of the company)
- the customer's name and address and his ICE
- the quantity of goods or the extent of the services
- the total amount of VAT charged and the references and mode of payment relating to the invoice.

Where a VAT invoice includes zero-rated or exempt goods or services, it must show clearly that there is no VAT payable on those goods or services.

Are there any current or anticipated Standard Audit File for Tax (SAF-T) or similar electronic/digital filing requirements eg invoice listing data file/real-time VAT reporting?

In Morocco taxpayers must only file, at the same time as the VAT return, a detailed statement of deductions with the reference of bills, the exact description of the goods, services or works, their value, the amount of tax on the invoice or memory and the mode of payment and references.

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Mozambique

Indirect tax snapshot

What are the current rate(s) of indirect tax?	• The standard rate is 17% for most goods and services in the national territory and also on the import of goods. However, it is important to note: – for goods or services subject to a fixed price regime (including fuel), there are effective rates which are differentiated by applying the general tax rate to fractions of the respective price – the zero rate regime applies to a limited number of exemptions with exportation activities – a percentage of 5% applies on sales undertaken by taxpayers in the 'simplified scheme'. These taxpayers do not have the right to deduct input VAT. • The following domestic transactions are an indicative example of those exempt from VAT: – the supply of certain goods and provision of services expressly indicated in the VAT Code: • the supply of goods and services in the area of Health • the supply of goods and services related to social assistance and activities undertaken by public or non-profit bodies, whose objectives are of a social, cultural or artistic nature • the supply of goods and services for the collective interest of members of non-profit bodies. The purposes and objectives of these bodies will be of a social, political, associative (labour and trade), religious, philanthropic, recreational, sporting, cultural or civic nature. The members pay a fixed fee established by the statutes • the supply of goods and services in the area of Education • the supply of goods and services in the agricultural, forestry, livestock and fishing industries, as expressly indicated. – banking and financial transactions – leasing of immovable property for dwelling purposes or in rural areas, leasing of property, and for trade, manufacturing and office premises – insurance and reinsurance transactions as well as related services performed by insurance brokers and other insurance agents – transactions subject to Sisa even if exempted from the same – supplies pertaining exclusively to an exempt activity or supplies which did not give rise to a right of deduction. In addition supplies of goods, where on their acquisition the tax did not become deductible. • In relation to the activities of importation, exportation, and international transportation, the following, amongst others, are zero-rated: – the final importation of goods of that would qualify for an objective exemption, or would benefit from the exemption of custom duties – the importation of goods in transit and the temporary importation or drawback of goods that are exempt from custom import duties – transmission of goods sent or transported with a foreign destination by the seller or by a third party on his behalf, and other similar operations – provision of services that are directly related with the transit, exportation or importation of goods exempted from tax because they were declared to be under the temporary regime, drawback or in transit. • Exempted when the turnover is less than 750,000 Meticais (approximately $17,000) • Special rate (simplify regime) of 3% for most goods and services when turnover is between 750,000 to 2,500,000 Meticais annually.
Are there any confirmed or anticipated changes to these rates?	No.

Indirect tax snapshot

What is the principal indirect tax?	Value Added Tax (VAT) is the principal indirect tax in Mozambique. It is a tax on consumer expenditure, and is collected on business transactions and imports.
Is there a registration limit for the tax?	No.
Does the same registration limit apply to non-established businesses?	No.
Does a non-established person need to appoint a fiscal representative in order to register?	No.
How often do returns have to be submitted?	Monthly.
Are penalties imposed for the late submission of returns/payment of tax?	Yes. If a VAT return, or the corresponding payment, is submitted late a penalty can be imposed.
Are any other declarations required?	No.
Are penalties imposed in other circumstances?	Yes. Penalties can be imposed for a range of errors or omissions.
Can the tax incurred by overseas businesses be claimed if they are not registered in your country?	No.

What is the principal indirect tax?

Value Added Tax (VAT) is the main type of indirect taxation in Mozambique.

It is a tax on consumption which is applied during the production and distribution process to most goods and services. It is also applied to goods, and certain services, entering the country. Although VAT is ultimately borne by the consumer by being included in the price paid, the responsibility for charging, collecting and paying it to the tax authority at each stage of the process rests with the business making the supply, ie the sale.

A business registered for the tax will charge VAT (output tax) on its sales, and incur VAT (input tax) on its purchases (including any VAT paid at importation). The difference between the output tax and the deductible input tax in each accounting period will be the amount of VAT payable by the business to the tax authority. Where the input tax exceeds the output tax, a refund can be claimed.

A transaction is within the scope of Mozambique VAT if the following conditions are met:

- it is a supply of goods or services. Although the term 'supply' is not defined in the legislation, it has a broad interpretation
- it takes place in Mozambique
- it is made by a taxable person. For these purposes, a taxable person is a person or entity who is registered for VAT in Mozambique, or has a liability to become registered
- it is made in the course or furtherance of any business carried on by that person or entity.

There are three rates of VAT that are applied to goods and services in Mozambique; the standard rate, the special regime rate and the zero rate. In addition, some goods and services are exempt from the tax.

Businesses that make exempt supplies are unable to claim all of the input tax that they incur, so the VAT paid to suppliers will be a 'real' cost.

Most goods imported into Mozambique are subject to VAT. The tax will have to be paid by the importer at the time of importation. Where the importation is for business purposes and the importer is registered for VAT, it may be possible to reclaim the tax (subject to certain rules).

It is also important to note the interaction between VAT and Customs duty. Customs duty is levied in Mozambique at the place where goods are imported into the community. It is levied in order to bring the cost of goods produced outside Mozambique up to the same level as those produced within it. Once duty (and VAT) has been paid by the importer, the goods are in 'free circulation' and they can then be released for use in the home market. Unlike other indirect taxes, such as VAT, once duty has been paid it is not usually recoverable by the importer. It therefore represents a bottom line cost to the importing business if it cannot be passed on in higher prices.

It is therefore very important to ensure that the correct rate of duty is applied. VAT is charged on the value of the importation, including any custom duty.

Is there a registration limit for the tax?

A 'person' who either makes or intends to make taxable supplies of goods or services in the course or furtherance of a business must register for VAT irrespective of the limit.

For these purposes, a 'person' includes any legal entity. Therefore, once a person is registered for VAT, all of his business activities will be covered by the registration – even if the nature of some of those activities is very different.

A penalty may be imposed by the tax authority if a business fails to register at the correct time.

Does the same registration limit apply to non-established businesses?

Not applicable.

Is there any specific legislation to tax non-resident supplies of electronically supplied/digital services to private consumers resident in your country?

None.

Does a non-established business need to appoint a fiscal representative in order to register?

No this is not necessary.

How often do returns have to be submitted?

VAT returns normally cover an accounting period of one month, ending on the last day of a calendar month, except for special regime where the return is done every quarter ending on the last day of the quarter month. This applies to an annual turnover of between 750,000 to 2,500,000 Meticais.

All VAT returns have to be submitted within 30 days of the end of the relevant accounting period, together with any tax due. As all returns and payments have to be submitted manually.

Are penalties imposed for the late submission of returns/ payment of tax?

A default surcharge penalty may be imposed by the tax authority if VAT returns are not submitted on time, or the related tax is not paid by the due date.

Are any other declarations required?

None.

Are penalties imposed in other circumstances?

Yes. A range of penalties can be imposed where businesses do not comply with the VAT rules.

Criminal proceedings may be brought in the case of more serious matters.

Can the VAT incurred by overseas businesses be claimed if they are not registered in Mozambique?

No.

What information must a VAT invoice show?

A VAT invoice must show:

- an invoice number which is unique and sequential
- the seller's name and address
- the seller's VAT registration number
- the invoice date
- the time of supply (also known as tax point) if this is different from the invoice date
- the customer's name and address
- a description sufficient to identify the goods or services supplied to the customer
- the total amount of VAT charged expressed in Meticais.

For each different type of item listed on the invoice, the following must be shown:

- the unit price or rate, excluding VAT
- the quantity of goods or the extent of the services
- the rate of VAT that applies to what's being sold
- the total amount payable, excluding VAT.

Where a VAT invoice includes zero-rated or exempt goods or services, it must:

- show clearly that there is no VAT payable on those goods or services
- show the total of those values separately.

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Indirect tax snapshot

What are the current rate(s) of VAT?	• Standard rate of 19% for most goods and services. • Reduced rate of 5% for sugar, edible oil, feed for farm animals, manufactured milk, flour maize, millet, sorghum, rice, wheat and fonio, computer equipment for technical and vocational schools excluding consumables. • Rate of 0% for mining products to export.
Are there any confirmed or anticipated changes to these rates?	No.
What is the principal indirect tax?	Value Added Tax (VAT) is the principal indirect tax in Niger. It's a tax on consumer expenditure and is collected on business transactions and imports.
Is there a registration limit for the tax?	Yes, before the beginning of the business.
Does the same registration limit apply to non-established businesses?	Yes, as stated in article 249 of tax law.
Does a non-established person need to appoint a fiscal representative in order to register?	The non-established person is obliged to require a local tax representative to submit VAT in his name.
How often do returns have to be submitted?	Most businesses are required to submit VAT returns monthly.
Are penalties imposed for the late submission of returns/payment of tax?	Yes. If a VAT return or the corresponding payment is submitted late, a penalty can be imposed.
Are any other declarations required?	No. But, the taxpayer must provide details of taxable transactions and in the case of imported products, documents proving the payment of customs excise duties have to be submitted.
Are penalties imposed in other circumstances?	Yes. Penalties can be imposed for a range of errors or omissions.
Can the tax incurred by overseas businesses be claimed if they are not registered in your country?	No.
Deduction of VAT	The general rule is that VAT on supplies is deductible except for some categories: • goods or services acquired for the use of third parties, managers and employees of the enterprise such as accommodation, lodging, reception, restaurant, entertainment expenses or any expenses directly or indirectly related to travel or accommodation • cars for the carriage of persons or for mixed uses and their removable parts • VAT supported on goods and services rendered for free or at a lower cost price, except for low-value promotional items • movable furniture other than those having the nature of commercial equipment or office equipment • export of goods exempted from tax • transaction amount up to three million (3,000,000) CFA francs and paid in cash.

What is the principal indirect tax?

Value Added Tax (VAT) is the main type of indirect taxation in Niger and in other French-speaking African countries.

Are subject to VAT, business realized in Niger by persons who, usually or occasionally and independently, perform acts relating to an industrial, commercial or craft activities or provide services of any kind.

Taxable transactions are:

- imports
- sales, any transaction having the effect of transferring the ownership of a property to a third party
- sales inside of used goods
- real estate works
- the supply of goods or services that a taxable person makes to himself for his own needs or those of his exploitation.

Is there a registration limit for the tax?

A person or company before beginning a business must register for VAT. A penalty may be imposed by the tax authority if a business fails to register at the correct time.

Does the same registration limit apply to non-established businesses?

No but when a taxpayer is established or domiciled outside Niger, they must designate to the Tax Administration a representative domiciled in Niger who undertakes to fulfil the formalities incumbent on the taxpayer and to pay the tax on its behalf.

The Nigerian customer is required to register the non residents company it deals with using its address for the purpose of corresponding with the tax authority. This can also be done through a representative.

Is there any specific legislation to tax non-resident supplies of electronically supplied/digital services to private consumers resident in your country?

No.

Does a non-established business need to appoint a fiscal representative in order to register?

Yes. But if there is no fiscal representative, value added tax and, if applicable, penalties related thereto, are due by the beneficiary of the services.

How often do returns have to be submitted?

VAT tax return must be submitted monthly, usually on the 15th of the following month.

For taxpayers under the simplified real tax regime, returns must be filed by 15 April, 15 July, 15 October and 15 January.

Are penalties imposed for the late submission of returns/ payment of tax?

A default surcharge penalty may be imposed by the tax authority if VAT returns are not submitted on time, or the related tax is not paid by the due date.

For late payment, a late interest rate of 10% is due on the unpaid VAT. Each month or part of a month of additional delay gives rise to the payment of additional interest at 1%. The total of the principal and the additional interest delay cannot exceed 50%.

When the late submission does not lead the payment of any tax, there is a flat penalty of 25,000 CFA francs for monthly and quarterly tax return. This flat penalty is increased by a late fee of 5,000 CFA francs by day of late submission. But, before claiming the late fee, the tax authority must send a notification to the taxpayer. The late fee begins at the time of this notification.

Are any other declarations required?

Yes, in the case of imported products, documents proving the payment of customs excise duties have to be submitted.

Are penalties imposed in other circumstances?

Yes, in case of tax audits or fraud.

Can the VAT incurred by overseas businesses be claimed if they are not registered in Niger?

No.

What information must a VAT invoice show?

- The price excluding value-added tax of the goods delivered or the services rendered
- the rate and the amount of the value added tax
- the identification of the person who issues the invoice, especially the company name, name, address, trade registration number, bank references and tax identification number (TIN)
- the identification of the customer, especially the name, address and tax identification number.

Are there any current or anticipated Standard Audit File for Tax (SAF-T) or similar electronic/digital filing requirements eg invoice listing data file/real-time VAT reporting?

No.

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Indirect tax snapshot

What are the current rate(s) of VAT?	• Standard rate of 5% for Vat-able goods and services. • Nil VAT for exempted goods and services. • Zero-rated goods and services include: – non-oil exports – goods and services purchased by diplomats – goods purchased for humanitarian donor-funded projects.
Are there any confirmed or anticipated changes to these rates?	No. (However, there are expectations that the VAT Act may be reviewed.)
What is the principal indirect tax?	Value Added Tax (VAT) is the principal indirect tax in Nigeria. It is a consumption tax and it is levied on all Vat-able goods and services.
Is there a registration limit for the tax?	No. An individual or a corporate body is required to register within six months of the commencement of business.
Does the same registration limit apply to non-established businesses?	No. Registration is required for both residents and non residents carry on businesses in Nigeria within six months of commencement of business.
Does a non-established person need to appoint a fiscal representative in order to register?	Yes. The position of the tax law in Nigeria is that the Nigerian customer is statutorily required to register the non residents company for VAT purpose. However, a representative may also be appointed for this purpose.
How often do returns have to be submitted?	Returns are required to be submitted on a monthly basis.
Are penalties imposed for the late submission of returns/payment of tax?	Yes. Failure to submit VAT return attracts a penalty of N5,000 for every month in which failure continues.
Are any other declarations required?	Yes. • Schedule of Turnover • Schedule of Allowable Input VAT • Schedule of VAT Returns
Are penalties imposed in other circumstances?	Yes. Penalties can be imposed for a range of other offences. • Failure to register for VAT: N10, 000 for the first month and N5,000 for every subsequent month • Failure to remit VAT: 5% per annum of the amount of tax not remitted plus interest at bank lending rate. • Failure to issue tax invoice: Fine of 50% of the cost of the goods or services for which tax invoice was not issued. • Failure to register is an offence liable upon conviction to a fine of N5, 000 and sealing of the business premises if no registration is done after one month. • Failure to keep proper records: Fine of N2, 000 for every month in which failure continues. • Failure to collect VAT: penalty of 150% of the amount not collected plus 5% interest above the CBN Monetary Policy Rate.
Can the tax incurred by overseas businesses be claimed if they are not registered in your country?	Not claimable, However, non residents companies/overseas businesses are required to register for VAT in Nigeria.
Deduction of VAT	• VAT on overhead, service and general administration •expenses are not allowed as deduction from output VAT. • VAT on fixed assets (capital items) which is to be capitalized along with the cost of the capital item is not allowed as deduction from output VAT.

What is the principal indirect tax?

Value Added Tax (VAT) is the main type of indirect taxation in Nigeria

Value Added Tax (VAT) is a tax levied on goods and services consumed in Nigeria. It is an indirect tax wherein the burden of the payment is borne by the final consumer of the goods and services.

The tax was created by the VAT Act No. 102 of 1993 which became effective from January, 1994. The tax is collected only by Federal Inland Revenue Service at the rate of 5% of the value of the goods and services supplied.

Business owners are made compulsory agents (non-commission-earning agents) to the Federal government in the collection and rendition of the returns.

VAT is invoiced-based. That is, the computation and payment of VAT is not done on cash receipt but rather on the total invoices raised.

Nigeria operates a VAT exclusive system. This system requires that the VAT element of transaction is openly stated on the face of the invoice.

The VAT Act (VATA) requires all taxable persons to register for VAT within six months of the commencement of the Act (in 1993) or within six months of the commencement of business, whichever is earlier, with the Federal Inland Revenue Service for the purpose of the collection of the tax.

All taxable persons are required to register for VAT notwithstanding that they may be dealing in exempt items. In this connection, it should be pointed out that exemption status as contained in the VAT law is conferred on goods and services and not on persons or institutions.

'Taxable person' includes an individual or body of individuals, family, corporations sole, trustee or executor or a person who carries out in a place an economic activity, a person exploiting tangible or intangible property for the purpose of obtaining income there from by way of trade or business or a person or agency of government acting in that capacity.

Vat-able goods imported into Nigeria through the custom area are subject to VAT at the rate of 5%.

The VAT is payable by the importer at the port of importation, where the imports are goods for sale or form the stock-in-trade used for the production of any new product on which output tax is chargeable, such VAT paid on import is an allowable input tax to be deducted by the importers registered for VAT purpose in Nigeria on its output VAT.

The 5% of the value of goods and services sold is called the Output VAT while 5% of the goods bought for resale is called the Input VAT. The following principles must be observed in arriving at the VAT payable:

The input VAT to be allowed as deduction from the output tax shall be limited to the tax on goods purchased or imported directly for resale and goods which form the stock-in-trade used for the production of any new product on which output tax is charged.

VAT incurred on administrative expenses or overheads does not qualify as allowable input VAT. Such VAT are expensed in the profit or loss account with the appropriate expense heads.

VAT paid on purchases of capital items or assets does not qualify as input VAT; rather they are capitalized (taken as part of the capital expenses of the business and capital allowances claimed).

There is no provision in the VAT Act for input tax claims on supplies of services.

VAT on inputs for the production of exempt goods is written off to profit or loss accounts.

VAT on input for the production of zero-rated products is reclaimed from FIRS through refund claims application.

Where allowable input tax exceeds the output tax, a refund can be claimed from the FIRS upon application.

Reimbursable expenses (where applicable) not forming part of the fees should be clearly and separately disclosed on the invoice and VAT would not be applicable to it.

VAT rendition and payment is monthly and this has to be done not later than the 21st day of the month following the month in which the transaction occurred.

In any month where there is no transaction, the law requires that a nil return is rendered.

Is there a registration limit for the tax?

No.

An individual or a corporate body intends to or carry on business in Nigeria is required to register within six months of the commencement of business.

A penalty shall be imposed if a business fails to register for VAT at the stipulated time frame provided by the tax law. A penalty of N10, 000 for the first month and N5,000 for every subsequent month the failure continues.

Does the same registration limit apply to non-established businesses?

No.

The Nigerian customer is required to register the non residents company it deals with using its address for the purpose of corresponding with the tax authority. This can also be done through a representative.

Is there any specific legislation to tax non-resident supplies of electronically supplied/digital services to private consumers resident in your country?

No.

Does a non-established business need to appoint a fiscal representative in order to register?

A non residents or non established business may appoint a VAT representative/Tax Consultant to act on his behalf for VAT purpose with the tax authority:

How often do returns have to be submitted?

VAT rendition and payment is monthly and this has to be done not later than the 21st day of the month following the month in which the transaction occurred.

Are penalties imposed for the late submission of returns/payment of tax?

Yes. Failure to submit VAT return attracts a penalty of N5,000 for every month in which failure continues.

Are any other declarations required?

Yes.

- Schedule of Turnover.
- Schedule of Allowable Input VAT.
- Schedule of VAT Returns.

Are penalties imposed in other circumstances?

Yes. A range of penalties can be imposed where businesses do not comply with the VAT rules.

- Failure to register for VAT: N10, 000 for the first month and N5,000 for every subsequent month.
- Failure to remit VAT: 5% per annum of the amount of tax not remitted plus interest at bank lending rate.
- Failure to issue tax invoice: Fine of 50% of the cost of the goods or services for which tax invoice was not issued.
- Failure to register is an offence liable upon conviction to a fine of N5, 000 and sealing of the business premises if no registration is done after one month.
- Failure to keep proper records: Fine of N2, 000 for every month in which failure continues.
- Failure to collect VAT: penalty of 150% of the amount not collected plus 5% interest above the CBN Monetary Policy Rate.

Can the VAT incurred by overseas businesses be claimed if they are not registered in Nigeria?

No.

What information must a VAT invoice show?

A VAT invoice must show:

- A Taxable person who makes a taxable supply shall in respect of that supply, furnish the purchaser with a tax invoice containing the following:
  - taxpayer Identification Number (TIN)
  - name and address
  - VAT Registration Number (VRN)
  - date of the supply
  - name of the purchaser or client
  - gross amount of the transaction
  - tax charged and rate applied.

Are there any current or anticipated Standard Audit File for Tax (SAF-T) or similar electronic/digital filing requirements eg invoice listing data file/real-time VAT reporting?

Nigeria – Yes. VAT returns are now done through e-filing on monthly basis.

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Rwanda

Indirect tax snapshot

What are the current rate(s) of VAT?	• The standard rate of 18% for goods and services including importation of goods and services. • Zero rates for Export of goods and services. • VAT is Exempted for certain goods and services.
Are there any confirmed or anticipated changes to these rates?	No.
What is the principal indirect tax?	Value Added Tax (VAT) is the principal indirect tax in Rwanda. It is a tax on consumer expenditure and is collected on business transactions and imports.
Is there a registration limit for the tax?	Yes. It relates to the annual turnover of taxable transactions in Rwanda, and once the turnover has exceeded Frw.20,000,000 (Twenty Million Rwandese Francs), it is necessary to register for VAT.
Does the same registration limit apply to non-established businesses?	No. There is no registration limit for businesses that are not established in Rwanda. The Rwandan Entity, ie the service recipient, will be required to pay the Reverse Vat on the service invoiced amount to the tax authority on the following month.
Does a non-established person need to appoint a fiscal representative in order to register?	No. There is no requirement for a non-established person to appoint a fiscal representative in order to register, as there is no requirement for registration of non-established business.
How often do returns have to be submitted?	Most businesses are required to submit VAT returns on a monthly basis. Returns can also be submitted on a Quarterly Basis if the yearly turnover is less than Frw.200,000,000 (Two hundred Million Rwandese Francs).
Are penalties imposed for the late submission of returns/payment of tax?	Yes. If a VAT return, or the corresponding payment, is submitted late a penalty will be imposed. Late payment will also be subject to interest.
Are any other declarations required?	No. There are no other declarations required.
Are penalties imposed in other circumstances?	Yes. Penalties can be imposed for non-registration within the expected time, failure for the issuance of VAT invoices and non-use of Electronic Billing Machine.
Can the tax incurred by overseas businesses be claimed if they are not registered in your country?	No. Unregistered business cannot claim VAT.
Deduction of VAT	Goods purchased for personal purposes, Passenger Vehicle, Spare parts/Repairs and Maintenance passenger Vehicle, Goods acquired or imported for entertainment purposes.

What is the principal indirect tax?

Other than exempt goods and services, value-added tax (VAT) is charged on the following:

- every taxable supply in Rwanda
- every taxable import of goods or services.

A person must register for VAT if they carry out business in Rwanda that deals in taxable supplies and have, or is likely to have a turnover of more than Rwf20 million in any tax year or Rwf 5 million in a calendar quarter.

The tax is paid by:

- the taxable person making the supply, in the case of taxable supply
- the importer, in the case of imported goods
- the receiver of the service, in the case of imported services.

If a supplier is deemed to have a place of supply in Rwanda and makes supplies in the course of their business in Rwanda, then they are liable to register and account for VAT in Rwanda.

VAT rates

Once it is established that a supplier falls within the scope of VAT in Rwanda, it is necessary to determine whether the supplier makes taxable or non-taxable (exempt) supplies. Taxable supplies are supplies which are subject to VAT at a rate of 0% (zero-rated) or 18% (standard rated).

The VAT Act specifies those supplies that are classified as exempt or zero-rated supplies. Exempt supplies are not subject to output VAT.

In the case of zero-rated supplies, VAT is chargeable, but at 0%. Suppliers who provide services or goods which are zero-rated are entitled to recover the input VAT they have incurred. For exempt supplies, input VAT recovery is restricted.

Any supplies which are not specifically included in the exempt and zero-rated schedules under the VAT Act will be subject to VAT at the standard rate of 18%.

VAT is also payable on the importation of goods and services into Rwanda. VAT paid on the importation of goods is treated in the same way as input VAT on local supplies, that is, it can be recovered unless there are restrictions. On the other hand, a VAT reverse charge payable on the importation of services cannot be automatically reclaimed.

VAT on Acquisition of foreign services

A local recipient of services from a foreign supplier will be required to account for a VAT reverse charge at 18% of the value of the services procured. The VAT Act further provides that the recipient may not reclaim the corresponding input VAT unless the services so procured are not available in the local market. Services are considered not to be available in Rwanda if there is no person in the local market that can deliver identical or similar services. That means that when the service is deemed not to be available, the cost of any services procured from outside Rwanda will increase by 18% since the VAT reverse charge is not recoverable. The Rwanda Revenue Authority may deem services to be available in Rwanda even when the actual services procured are of a different specification or standard to those available locally. However, consumers of imported transport services are allowed a deduction of VAT reverse charge even if the services are available in Rwanda.

Compliance obligations

When suppliers make a taxable supply or procure services from abroad for the purposes of their business, they must charge VAT (output VAT for supplies or VAT reverse charge for imported services) at the appropriate rate (0% to 18%) and account for it to the Rwanda Revenue Authority.

A supplier who is registered for VAT and incurs input VAT on business purchases may, subject to specific statutory exclusions, reclaim the input VAT by offsetting it against the output VAT liability.

The net liability to the VAT, including the VAT, reverse charge, must be accounted for in the prescribed VAT declaration, and relevant, supporting schedules must be included.

The VAT return must be filed with the Rwanda Revenue Authority and any payment due made to the Rwanda Revenue Authority within 15 days of the end of the month for which the VAT is accounted.

VAT taxpayers with an annual turnover of Rwf200 million or below may choose to make declarations or payments quarterly or monthly.

Failure to register as a taxable supplier, to submit the VAT return on time, to pay VAT due on time, or the submission of an incorrect return, will render the taxpayer liable for interest and penalties.

VAT refund

If a person registered for VAT is in a position to claim a VAT refund because of input tax exceeding output tax, the Commissioner-General may order the claim to be verified, and the taxpayer and Rwanda Revenue Authority must respond within three months of the date the claim was lodged. All outstanding tax declarations should be filed.

If a person registered for VAT is in a position to claim a VAT refund because of input tax exceeding output tax, the Commissioner-General may order the claim to be verified. In the event of an audit, the Rwanda Revenue Authority must respond within three months from the date the claim was lodged. All taxpayer's outstanding tax declarations should have been filed.

Withholding VAT

As set out in the international agreements, foreign diplomatic missions, foreign governments and international government organisations are eligible for VAT refunds on goods and services. The Commissioner General sets procedures for claiming these refunds.

Government and public institutions must withhold VAT on taxable supplies when making payment to suppliers. The VAT withheld is remitted to Rwanda Revenue Authority by the fifteenth day of the following month. The supplier must account for output VAT and show the VAT declared as a credit, thus resulting in a nil effect.

Electronic billing machines (EBMs)

Persons registered for VAT must use a certified electronic billing machine which generates invoices or receipts indicating the tax charged. The procedures for installing EBMs are set out in the law.

Is there a registration limit for the tax?

Any person who carries out taxable activities exceeding twenty million Rwanda Francs (20,000,000 RWF) of in the previous fiscal year, or five million Rwanda Francs (5,000,000 RWF) in the preceding calendar quarter is required to register for VAT with the tax administration within a period of seven days from the end of the year or from the end of the quarter mentioned above.

Are penalties imposed for the late submission of returns/ payment of tax?

Offence	Category of taxpayer	Interest and fines
Interest for late payment of tax	All taxpayers	1.5% per month simple interest
Fixed fines for failure to: • File a tax declaration on time	• If the taxpayer's annual turnover is less than or equal to Rwf20 000 000: • If the taxpayer's annual turnover is more than Rwf20 000 000: • If the taxpayer was informed by the tax administration that he or she is in a large-taxpayer category:	Rwf100 000 Rwf300 000 Rwf500 000
Late payment fines If the amount of tax shown on a tax declaration or the amount of tax which is the result of an adjusted assessment by the tax administration is not paid in time.	All taxpayers	10% of the tax payable
Administrative penalties	A taxpayer who has declared due taxes on time but did not pay the taxes on time: A taxpayer who has not declared taxes on time:	50% of due taxes Due taxes plus 60% of due taxes

Any person who is not required to register for VAT may voluntarily register with the tax administration for VAT.

Any changes, whether related to the taxpayer or his or her activities shall be notified in writing to the tax administration within seven days from the day of the notice of the change.

Does the same registration limit apply to non-established businesses?

No. There is no registration limit for businesses that are not established in Rwanda. The Rwandan Entity, ie the service recipient, will be required to pay the Reverse Vat on the service invoiced amount to the tax authority on the following month.

Is there any specific legislation to tax non-resident supplies of electronically supplied/digital services to private consumers resident in your country?

No. There is no specific legislation in Rwanda to tax non-resident suppliers.

Does a non-established business need to appoint a fiscal representative in order to register?

No. There is no requirement for a non-established person to appoint a fiscal representative in order to register, as there is no requirement for registration of non-established business.

How often do returns have to be submitted?

The VAT return must be filed with the Rwanda Revenue Authority and any payment due made to the Rwanda Revenue Authority within 15 days of the end of the month for which the VAT is accounted. VAT taxpayers with an annual turnover of Rwf200 million or below may choose to make declarations or payments quarterly or monthly.

Are penalties imposed in other circumstances?

Administrative penalties	All taxpayers	
	A taxpayer who has declared due taxes on time but did not pay the taxes on time:	50% of due taxes
	A taxpayer who has not declared taxes on time:	Due taxes plus 60% of due taxes.
Value-added tax violations (administrative fines)	All taxpayers	
	Operation without VAT registration where VAT registration is required:	50% of tax payable
	Incorrect issuance of a VAT invoice resulting in a decrease VAT for the invoice or on in the amount of VAT payable the transaction or an increase of the VAT input credit, or failure to issue a VAT invoice:	100% of the amount of VAT
	Issuing of a VAT invoice by a 100% of tax payable person who is not registered for VAT:	100% of the amount of VAT
Tax fraud	All taxpayers	
	A taxpayer who commits fraud is subject to an administrative fine of 100% of the evaded tax amount. Also, the taxpayer may be prosecuted under criminal law. If convicted, the taxpayer can be imprisoned for six months to two years:	100% of the evaded tax amount

Are any other declarations required?

Along with the VAT submission, the taxpayer must submit an annexure with details of sales, VAT on local purchases, and VAT on import.

Can the VAT incurred by overseas businesses be claimed if they are not registered in Rwanda?

No, it is not possible to reclaim a VAT incurred by the unregistered business.

What information must a VAT invoice show?

A VAT invoice must show:

All suppliers registered for VAT must raise a tax invoice which includes the following:

- the word 'tax invoice', in a prominent place
- the name of the supplier
- the address of the supplier
- the VAT registration number of the supplier
- the serial number of the invoice
- the and date the invoice was issued
- the quantity or volume of the goods or services supplied
- a description of the goods or services supplied
- the selling price, excluding VAT
- the total amount of VAT charged
- the selling price, including VAT
- attached to EBM receipt.

Invoices that do not include this information may be admissible if they contain:

- the selling price including VAT
- a statement that the price includes VAT, with the rate of VAT provided
- simplified tax invoice – EBM receipt.

Are there any current or anticipated Standard Audit File for Tax (SAF-T) or similar electronic/digital filing requirements eg invoice listing data file/real-time VAT reporting?

No. There is no current or Anticipated standard Audit File for Tax or similar electronic/digital filing requirements.

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Senegal

Indirect tax snapshot

What are the current rate(s) of VAT?	• Standard rate of 18% for most goods and services. • Reduced rate of 10% for services provided by an accredit tourist establishment. • Zero-rated for salaries activity, agricultural.
Are there any confirmed or anticipated changes to these rates?	No.
What is the principal indirect tax?	Value Added Tax (VAT) is the principal indirect in Senegal. It is a tax on consumer expenditure, and is collected on business transactions and imports.
Is there a registration limit for the tax?	No. Registration depends on the performance of an entity in Senegal.
Does the same registration limit apply to non-established businesses?	Not applicable.
Does a non-established person need to appoint a fiscal representative in order to register?	Yes. If a non-established makes a taxable transaction in Senegal they have to appoint a representative unless its Senegalese client is consider as the liable representative.
How often do returns have to be submitted?	Returns have to be submitted on a monthly basis.
Are penalties imposed for the late submission of returns/payment of tax?	Yes. If a VAT return, or the corresponding payment, is submitted late a penalty for the delay and interest can be imposed.
Are any other declarations required?	No.
Are penalties imposed in other circumstances?	Yes. Penalties can be imposed for a range of errors or omissions.
Can the tax incurred by overseas businesses be claimed if they are not registered in your country?	No. Unless the taxable transaction is registered to a local permanent establishment.
Deduction of VAT	• VAT incurred on personal vehicles. • VAT incurred on furniture other than office furniture. • VAT on food.

What is the principal indirect tax?

Value Added Tax (VAT) is the main type of indirect taxation in Senegal.

It is a tax on consumption which is applied during the production and distribution process to most goods and services. It is also applied to goods, and certain services, entering the country. Although VAT is ultimately borne by the consumer by being included in the price paid, the responsibility for charging, collecting and paying it to the tax authority at each stage of the process rests with the business making the supply ie the sale.

A business registered for the tax will charge VAT (output tax) on its sales, and incur VAT (input tax) on its purchases (including any VAT paid at importation). The difference between the output tax and the deductible input tax in each accounting period will be the amount of VAT payable by the business to the tax authority. Where the input tax exceeds the output tax, a credit of VAT is registered and refund can be claimed.

A transaction is within the scope of Senegal VAT if the following conditions are met:

- it is a supply of goods or services. Although the term 'supply' is not defined in the legislation, it has a broad interpretation
- it takes place in the Senegal(territory)
- it is made by a taxable person. For these purposes, a taxable person is a person or entity who is registered for VAT in the, or has a liability to become registered
- it is made in the course or furtherance of any business carried on by that person or entity
- service provided and taxable is used or exploited in Senegal
- service provided and taxable is done in order or in benefit of a Senegalese tax payer.

There are three rates of VAT that are applied to goods and services in Senegal; the standard rate, the reduced rate, and the zero rate. In addition, some goods and services are exempted from the tax.

Businesses that make exempt supplies are unable to claim all of the input tax that they incur, so the VAT paid to suppliers will be a 'real' cost.

Most goods imported into Senegal from outside are subject to VAT. The tax will have to be paid by the importer at the time of importation. VAT is collected by custom duty officers. Where the importation is for business purposes and the importer is registered for VAT, it may be possible to reclaim the tax (subject to certain rules).

VAT is collected at the same time than Customs duty. Once the duty (and VAT) has been paid by the importer, the goods are in 'free circulation' and they can then be released for use in the home market. Unlike other indirect taxes, such as VAT, once the duty has been paid it is not usually recoverable by the importer. It therefore represents a bottom line cost to the importing business if it cannot be passed on in higher prices. It is therefore very important to ensure that the correct rate of duty is applied. VAT is charged on the value of the importation, including any custom duty.

Is there a registration limit for the tax?

Not applicable.

Does the same registration limit apply to non-established businesses?

Not applicable.

Is there any specific legislation to tax non-resident supplies of electronically supplied/digital services to private consumers resident in your country?

Not applicable.

Does a non-established business need to appoint a fiscal representative in order to register?

Yes they do. They have to appoint a VAT representative to act on his behalf for VAT purposes where the person:

i is a taxable person or makes taxable supplies in Senegal
ii is not established, and does not have a 'fixed establishment' in Senegal.

If the fiscal representative is not appointed, the Senegalese partner (client) is liable for payment of VAT as they are considered as the default representative.

How often do returns have to be submitted?

VAT returns have to be submitted each month and the latest on 15th of the following month

For some tax payers, returns and payments have to be submitted electronically.

Electronic submission system is not yet general.

Are penalties imposed for the late submission of returns/ payment of tax?

A default surcharge penalty may be imposed by the tax authority if VAT returns are not submitted on time, or the related tax is not paid by the due date.

For the late submission or payment, the tax authority will issue a notification to the taxpayer confirming that a fixed percentage penalty may be imposed considering the lack of compliance.

If there is no VAT return for the taxable period (month) a lump sum fee penalty is applicable in case of a delayed declaration.

Are any other declarations required?

Not applicable.

Are penalties imposed in other circumstances?

Yes. A range of penalties can be imposed where businesses do not comply with the VAT rules.

Civil penalties and interest can be applied for errors and omissions made on tax returns, or where the tax is paid late. Penalties can also be applied where the business has failed to maintain adequate records, provide information (including additional declarations), or makes repeated mistakes.

Criminal sanctions can also be applied to VAT collected hijacking attempts, the action is considered a misappropriation of public funds.

Can the VAT incurred by overseas businesses be claimed if they are not registered in Senegal?

No.

What information must a VAT invoice show?

A VAT invoice must show:

- an invoice number which is unique and sequential
- the seller's name and address
- the seller's VAT registration number
- the invoice date
- the time of supply (also known as tax point) if this is different from the invoice date
- the customer's name and address
- a description sufficient to identify the goods or services supplied to the customer
- the rate of any cash discount
- the total amount of VAT charged expressed in XOF.

For each different type of item listed on the invoice, the following must be shown:

- the unit price or rate, excluding VAT
- the quantity of goods or the extent of the services
- the rate of VAT that applies to what's being sold
- the total amount payable, excluding VAT.

Where a VAT invoice includes zero-rated or exempt goods or services, it must:

- show clearly that there is no VAT payable on those goods or services
- show the total of those values separately
- show an official stamp of exoneration (only in case of conventional exoneration).

Are there any current or anticipated Standard Audit File for Tax (SAF-T) or similar electronic/digital filing requirements eg invoice listing data file/real-time VAT reporting?

Not applicable.

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Indirect tax snapshot

What are the current rate(s) of VAT?	• Standard rate of 15% (effective 1 April 2018. Previously 14%) for all goods and services, unless the transaction is specifically zero-rated or exempt. • Zero-rated goods and services which includes but not limited to certain basic foodstuffs, fuel levy goods, farming goods, exports, certain services to non-residents, services physically performed outside South Africa, etc. • Exempt goods and services, which includes, but not limited to financial services, donated goods or services sold by non-profit bodies, residential accommodation in a dwelling, passenger transport in South Africa by road or rail, educational services provided by recognised educational institutions and childcare services provided at crèches and after-school care centres.
Are there any confirmed or anticipated changes to these rates?	Not for the short term as the VAT rate increased on 1 April 2018.
What is the principal indirect tax?	Value Added Tax (VAT) is the principal indirect tax in the South Africa. It is a tax on consumer expenditure and is collected on business transactions and imports.
Is there a registration limit for the tax?	Yes. Businesses are obliged to register for VAT when the total value of the taxable supply of goods and services exceeds, or will in terms of a contractual obligation in writing exceed, R1 million within any 12 month period. Suppliers of electronic services are liable to register if the total value of its taxable supplies exceed R50,000. Voluntary registration is generally allowed where the total value of taxable supplies will exceed R50,000, but is less than R1 million for any 12 month period.
Does the same registration limit apply to non-established businesses?	Yes, currently the same registration limit applies to all businesses.
Does a non-established person need to appoint a fiscal representative in order to register?	Yes. A non-resident (established) person is required to appoint a fiscal (VAT) representative who is a resident of South Africa. It is also a requirement to have a bank account with one of the major registered banks in South Africa.
How often do returns have to be submitted?	• Two-monthly tax period – standard tax period generally allocated for VAT registration where turnover is less than R30 million in any 12-month consecutive period. • Monthly tax period – Where turnover exceeds or is likely to exceed R30 million in any 12-month consecutive period. • Six-monthly tax period ending February and August – For farming businesses with turnover that is less than R1.5 million in any 12-month consecutive period. • Twelve-monthly tax period – For inter-group letting or administration companies or trust funds.
Are penalties imposed for the late submission of returns/payment of tax?	Yes. If a VAT payment is submitted late a 10% administrative penalty is imposed in addition to interest calculated at the prescribed interest rate applicable at the time.
Are any other declarations required?	No.
Are penalties imposed in other circumstances?	Yes. Penalties can be imposed for a range of errors, omissions or incorrect declarations. Understatement penalties can be as high as 200%.
Can the tax incurred by overseas businesses be claimed if they are not registered in your country?	Generally no. VAT can only be claimed back to the extent that goods are exported from South Africa, the VAT incurred can, based on certain requirements, be claimed back from the VAT Refund Administrator at the designated border posts.

What is the principal indirect tax?

Value Added Tax (VAT) is the main type of indirect taxation in South Africa.

The generally accepted essential characteristics of a VAT-type tax are as follows:

- the tax applies generally to transactions related to goods and services
- it is proportional to the price charged for the goods and services
- it is charged at each stage of the production and distribution process where there is a supply between parties
- the taxable person (vendor) may deduct the tax paid during the preceding stages as input credit against output VAT collected from customers. The burden of the tax is ultimately on the final consumer.

VAT is only charged on taxable supplies made by a vendor. Taxable supplies include supplies for which VAT is charged at either the standard rate or zero rate, but does not include:

- salaries and wages
- hobbies or any private recreational pursuits (not conducted in the form of a business)
- occasional private sale of personal or domestic items
- exempt supplies.

The mechanics of the VAT system are based on a subtractive or credit input method, which allows the vendor to deduct the tax incurred on enterprise inputs (input tax) from the tax collected on the supplies made by the enterprise (output tax). There are, however, some expenses upon which input tax is specifically denied, such as the acquisition of motor cars and entertainment related expenses.

The vendor reports to the South African Revenue Service (SARS) at the end of every tax period on a VAT 201 return, where the input tax incurred for the tax period is offset against the output tax collected for the tax period and the balance is paid to the SARS, normally by no later than the 25th day after the end of the tax period concerned. However, a vendor registered on SARS' efiling system may submit and pay their VAT liability up to the last business day of the month (excluding public holidays, Saturdays and Sundays). A person who is registered, or who is obliged to register is referred to as a 'vendor'.

A person must carry on an enterprise to be liable to register as a VAT vendor in South Africa.

An enterprise is inter alia defined as:

- any enterprise or activity
- which is carried on continuously or regularly
- by any person
- in, or partly in, South Africa
- in the course or furtherance of which goods or services are supplied
- to any other person for a consideration (payment for the supply)
- whether or not for profit.

VAT at the standard rate of 15% is only charged on taxable supplies made by a vendor, unless it is zero rated, (ie 0% VAT is levied), or it is exempt. Taxable supplies include supplies where VAT is charged at either the standard rate or zero rate. Vendors can claim VAT only to the extent that taxable supplies are made and where all the requirements of a tax invoice are complied with.

Businesses that only make exempt supplies are unable to register for VAT and cannot claim the VAT that they incur. It follows that the VAT paid to suppliers will be a 'real' cost.

Most goods imported into the South Africa are subject to VAT. The VAT has to be paid by the importer at the time of importation of the goods into South Africa when the goods are cleared for home consumption. Where the importation is for business purposes and the importer is registered for VAT and for customs purposes, it may be possible to reclaim the VAT on importation subject to the general input tax rules.

It is also important to note the interaction between VAT and customs duty. Customs duty is levied where goods are imported into South Africa or the Southern African Customs Union (SACU). It is levied in order to bring the cost of goods produced outside South Africa or SACU up to the same level as those produced within it. Once duty (and VAT) has been paid by the importer, the goods are in 'free circulation' and they can then be released for use in the home market. Unlike other indirect taxes, such as VAT, once duty has been paid it is not usually recoverable by the importer. It therefore represents a cost to business. It is therefore very important to ensure that the correct rate of duty is applied. VAT is charged on the value of the goods on importation, including any custom duty and where the goods originate outside SACU an upliftment of 10% is added to the customs value.

Is there a registration limit for the tax?

Every person who carries on an enterprise is liable to register for VAT when the total value of taxable supplies of goods and services exceeds, or will in terms of a contractual obligation in writing exceed, R1 million within any 12 month period. Suppliers of e-commerce services are liable to register if the total value of its taxable supplies exceed R50,000. Voluntary registration is generally allowed where the total value of taxable supplies will exceed R50,000, but is less than R1 million for any 12 month period.

For these purposes, a 'person' includes any public authority, any company, a body of persons (corporate or unincorporated), the estate of any deceased or insolvent person, any trust fund and any foreign donor funded project. Therefore, once a person is registered for VAT, all of his business activities will be covered by the registration.

Separate registration for separate enterprises, branches and divisions is allowed where separate independent systems of accounting are maintained, and the enterprises/branches/divisions are separately identifiable. This means that it is possible for a vendor to have more than one VAT registration number if the enterprise is carried on in separate branches or divisions.

A penalty may be imposed by the tax authority if a business fails to register at the correct time.

Does the same registration limit apply to non-established businesses?

The normal VAT registration limit also applies to businesses that are not established in South Africa, but conduct business in South Africa.

From 1 June 2014, non-established businesses that supply e-commerce services to South African customers should register compulsory for VAT if their turnover from such supplies exceeds R50,000. It is proposed to amend the threshold to apply to any consecutive 12-month period. SARS has also issued draft legislation to expend the ambit of electronic services. Suppliers of electronic services to South African recipients should obtain guidance on whether their supplies will fall within the ambit of the electronic services regime.

Does a non-established business need to appoint a fiscal representative in order to register?

A non-established business is required to appoint a VAT representative, who is a resident of South Africa, to act on their behalf for VAT purposes and to assume the duties and obligations prescribed by VAT legislation.

Furthermore, a non-established business must open a South African bank account.

How often do returns have to be submitted?

- Bi-monthly tax period – this is the default tax period generally allocated for VAT registration where turnover is less that R30 million in any consecutive 12-month period.
- Monthly tax period – where turnover exceeds or is likely to exceed R30 million in any consecutive 12-month period.
- Six-monthly tax period – for farming businesses with turnover that is less than R1.5 million in any 12-month consecutive period.
- Twelve-monthly tax period – for inter-group letting or administration companies or trust funds.

Are penalties imposed for the late submission of returns/payment of tax?

Late payments of VAT attract an administrative penalty of 10% of the outstanding tax. An understatement penalty ranging from 5-200% depending on the behavioural levels may also be imposed. Interest is also charged at the prescribed rate (currently 10.25% per annum) on any late payments.

Are any other declarations required?

Where goods are imported, but not entered through Customs Controlled Areas (CCAs), for example electronic goods, and users are required to pay VAT on a reverse-charge mechanism and to complete and submit a special return. Vendors that will be entitled to claim input VAT on goods or services imported for application in course of carrying on their enterprise are exempt from the reverse-charge declarations.

Are penalties imposed in other circumstances?

Yes. Over and above the administrative 10% penalties, understatement penalties of between 5%-200% can be imposed where businesses do not comply with the VAT rules.

Administrative penalties

An administrative 10% late payment penalty is levied where a vendor pays its VAT liability after the due date.

Understatement penalties

SARS may also impose these penalties, having regard to nature and seriousness of the non-compliance and/or the period of non-compliance and/or any repeat of the non-compliance.

The understatement penalty is normally imposed (but not limited to) when SARS makes adjustments to vendors VAT declarations as a result of an audit or investigation.

The understatement penalty percentage table is as follows:

Behaviour	Standard case	If obstructive, or if it is a 'repeat case'	Voluntary disclosure after notification of audit	Voluntary disclosure before notification of audit
'Substantial understatement'	10%	20%	5%	0%
Reasonable care not taken in completing return	25%	50%	15%	0%
No reasonable grounds for 'tax position' taken	50%	75%	25%	0%
Gross negligence	100%	125%	50%	5%
Intentional tax evasion	150%	200%	75%	10%

Criminal proceedings may be brought in the case of more serious matters.

Can the VAT incurred by overseas businesses be claimed if they are not registered in South Africa?

The default position is that overseas businesses cannot claim VAT that they incur on goods and services that are acquired and consumed in South Africa.

An exception exists where goods are purchased in South Africa and subsequently removed from South Africa by the overseas business. The VAT incurred can, based on certain requirements, be claimed back from the VAT Refund

Administrator at the designated border posts.

What information must a tax invoice show?

A tax invoice must contain the following information:

Consideration of R5,000 or more (full tax invoice)

- The words 'tax invoice', 'VAT invoice' or 'invoice' in a prominent place on the invoice.
- Name, address and VAT registration number of the supplier.
- Name, address and VAT registration number of the recipient.
- Serial number and date of issue.
- Full description of the goods and/or services.
- Price and VAT (according to any of the three approved methods).

Consideration less than R5,000 (abridged tax invoice)

- The words 'Tax invoice' in a prominent place.
- Name, address and VAT registration number of the supplier.
- Serial number and date of issue.
- A description of the goods and/or services.
- Quantity or volume of goods or services supplied.
- Price and VAT (according to any of the three approved methods):
  - Method 1 – All individual amounts reflected Price (excl. VAT) R500
    VAT charged R70
    Total including VAT R570
  - Method 2 – Total consideration only and the VAT rate charged
    The total consideration R570
    VAT included @ 14%
  - Method 3 – Total consideration and the VAT charged
    The total consideration R570
    VAT included R70

Where a tax invoice includes zero-rated or exempt goods or services, it must:

- clearly show that there is no VAT payable on the relevant goods or services
- show the total of those values separately.

Tax invoices relating to standard rated transactions must be issued in South African currency (ZAR). With regards to zero rated transaction, tax invoices may be issued in foreign currency.

The document retention period is five years. The information should be retained as prescribed by SARS. Authorisation must be obtained from SARS where a vendor wants to retain the documentation in electronic or any other format and elsewhere than in South Africa.

Are there any current or anticipated Standard Audit File for Tax (SAF-T) or similar electronic/digital filing requirements eg invoice listing data file/real-time VAT reporting?

Vendor registered on SARS' efiling platform have to submit their VAT returns via efiling based on the prescribed format and tax fields. In the instance where SARS selects the VAT return for verification audit, the vendor is required to submit certain accounts/schedules as well as documentation supporting the relevant transactions included in the VAT return. Although not in a specified format, these accounts/schedules should contain sufficient information relating to the transactions for SARS to verify whether the VAT treatment appears appropriate.

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Indirect tax snapshot

What are the current rate(s) of indirect tax?	• Standard rate of 18% for goods and services.
Are there any confirmed or anticipated changes to these rates?	No.
What is the principal indirect tax?	Value Added Tax (VAT) is the principal indirect tax in Uganda. It is a tax on consumer expenditure, and is collected on business transactions and imports.
Is there a registration limit for the tax?	Yes. It relates to the annual turnover of taxable transactions, and once the limit is reached it becomes mandatory to register for VAT.
Does the same registration limit apply to non-established businesses?	Yes, whether a business is established in Uganda or not, registration is based on taxable turnover made in Uganda.
Does a non-established person need to appoint a fiscal representative in order to register?	No, a non-established person is not able to appoint a representative in Uganda in order to register and fulfil other compliance requirements.
How often do returns have to be submitted?	On monthly basis.
Are penalties imposed for the late submission of returns/payment of tax?	Yes. Penalties may be imposed due to late filling of returns and interest can also be added to the late payment.
Are any other declarations required?	Yes – depending on the nature of the transaction. Taxpayers will need to specify details in the returns such as the invoice date, invoice number, nature of supply etc.
Are penalties imposed in other circumstances?	Yes. Penalties can be imposed for a range of errors or omissions for example, false declaration of sales or purchases in VAT returns.
Can the tax incurred by overseas businesses be claimed if they are not registered in your country?	No, tax incurred by overseas businesses can't be claimed if your business is not registered in Uganda.
Deduction of VAT	Below is a shortlist of what is not deductible as input VAT: • input tax relating to passenger motor vehicles unless the taxpayer is in the business of providing passenger motor vehicles • input tax related to entertainment and accommodation, unless the taxpayer is the business of providing such services • input tax over and above 90% of the telephone expense in a month.

What is the principal indirect tax?

Value Added Tax (VAT) is the main indirect tax in Uganda. It's a tax on consumer expenditure, and is collected on business transactions and imports.

This tax on consumption is applied during the production and distribution process to most goods and services. It's also applied to goods, and certain services, entering the country. Although VAT is ultimately borne by the consumer by being included in the price paid, the responsibility for charging, collecting and paying it to the tax authority at each stage of the process rests with the business making the supply, ie the sale.

A business registered for the tax will charge VAT (output tax) on its sales and incur VAT (input tax) on its purchases (including any VAT paid at importation). The difference between the output tax and the deductible input tax in each accounting period will be the amount of VAT payable by the business to the tax authority. Where the input tax exceeds the output tax, a refund can be claimed.

A transaction is within the scope of Uganda VAT if it:

- is a taxable supply made by a taxable person in Uganda
- is an import of goods other than an exempt import
- is an import of service other than exempt service.

For these purposes, a taxable person is a person or entity who is registered for VAT in Uganda, or who is required to have been registered in Uganda.

There are two rates of VAT in Uganda. The standard rate – 18% and the zero rate. In addition, some goods and services are exempted from the tax.

Input tax credit is allowed if the VAT is incurred in the course or furtherance of the business. Input tax credit incurred on taxpayers who solely deal in the supply of exempt items is not allowed.

Importers of services in the country will incur VAT at import on the services being imported (if such services are not exempt). The importer of such services is required to self-charge and account for the VAT to the tax authority. The VAT incurred on importation of services into Uganda is not allowed as credit to the importer (except in a few categories). It is therefore a real cost to the importer.

Is there a registration limit for the tax?

A 'person' who either makes or intends to make taxable supplies of goods or services in the course or furtherance of a business must register for VAT if the value of its taxable supplies in Uganda exceeds the annual registration limit or is expected to exceed the limit in the near future. A business can register on a voluntary basis even if the registration limit has not been exceeded.

There is no group registration in Uganda.

A penalty may be imposed by the tax authority if a business fails to register at the correct time.

Does the same registration limit apply to non-established businesses?

Yes, whether a business is established in Uganda or not, registration is based on taxable turnover made in Uganda.

Is there any specific legislation to tax non-resident supplies of electronically supplied/digital services to private consumers resident in your country?

The VAT Act denotes that a supply of services shall take place in Uganda if the recipient of the supply is not a taxable person and the services are electronic services delivered to a person in Uganda at the time of supply.

The definition of electronic services includes:

- websites, web-hosting or remote maintenance of programs and equipment
- software and the updating of software
- images, text and information
- access to databases
- self-education packages
- music, films and games including games of chance
- political, cultural, artistic, sporting, scientific and other broadcasts and events including television.

This essentially makes sure that electronic services provided from outside Uganda and consumed in Uganda are considered as an imported service and subject to imported services VAT.

Does a non-established business need to appoint a fiscal representative in order to register?

No, a non-established business is not under obligation to appoint a representative in Uganda to register.

How often do returns have to be submitted?

VAT returns normally cover a tax period of one calendar month. All VAT returns must be submitted within 15 days after the end of the tax period (month). All returns are required to be submitted electronically. The taxable person may apply for an extension of time to file the return and the tax authority may approve the extension where good cause for the delay is shown.

Are penalties imposed for the late submission of returns/ payment of tax?

A late VAT return submission will see a penalty of 2% per month compounded or US$55, whichever is higher. Late payment of tax will also see interest at 2% per month compounded.

Are any other declarations required?

There may be a request from the tax authority for a return of information, as and when the tax authority deems it necessary.

Are penalties imposed in other circumstances?

Yes. There are penalties when a return of information is not provided within the timelines prescribed by the tax authority.

Can the VAT incurred by overseas businesses be claimed if they are not registered in Uganda?

No, VAT incurred outside Uganda cannot be claimed in Uganda.

What information must a VAT invoice show?

A VAT invoice must show:

- an invoice number which is unique and sequential
- the seller's name and address
- the seller's VAT registration number
- the invoice date
- the customer's name and address
- a description sufficient to identify the goods or services supplied to the customer
- the quantity of goods or the extent of services
- the total amount of VAT charged.

Are there any current or anticipated Standard Audit File for Tax (SAF-T) or similar electronic/digital filing requirements eg invoice listing data file/real-time VAT reporting?

No.

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Zambia

Indirect tax snapshot

What are the current rate(s) of indirect tax?	• Standard rate of 16% for most goods and services. • Zero-rated goods and services include most food and health.
Are there any confirmed or anticipated changes to these rates?	No.
What is the principal indirect tax?	Value Added Tax (VAT) is the principal indirect tax in Zambia. It is a tax on consumer expenditure collected on business transactions and imports.
Is there a registration limit for the tax?	Yes, Registration threshold for VAT is K 800,000 It relates to the annual turnover of taxable transactions in Zambia, and once the limit has (or will be) reached it is necessary to register. A supplier may also register voluntarily upon satisfying certain condition even if turnover is below the threshold.
Does the same registration limit apply to non-established businesses?	Non established businesses will need to register as soon as they become aware that their taxable supplies will exceed the annual turnover threshold for VAT purposes.
Does a non-established person need to appoint a fiscal representative in order to register?	In certain circumstances, a non-established person may be directed by the tax authority to appoint a fiscal representative.
How often do returns have to be submitted?	Most businesses are required to submit VAT returns every month, 18th of every month. Returns can also be submitted on a quarterly basis upon application to the Commissioner General.
Are penalties imposed for the late submission of returns/payment of tax?	Yes. A penalty can be imposed if a VAT return, or the corresponding payment, is submitted late.
Are any other declarations required?	No.
Are penalties imposed in other circumstances?	Yes. Penalties can be imposed for a range of errors or omissions, whether willfully made or not.
Can the tax incurred by overseas businesses be claimed if they are not registered in your country?	Not applicable – only registered businesses can recover VAT. However if the overseas business makes a supply to a registered business in Zambia, VAT may be recoverable if they appoint a local agent for VAT purposes.

What is the principal indirect tax?

Value Added Tax (VAT) is the main type of indirect taxation in Zambia.

It is a tax on consumption applied during the production and distribution process to most goods and services. It is also applied to goods and certain services entering the country.

Although VAT is ultimately borne by the consumer by being included in the price paid, the responsibility for charging, collecting and paying it to the tax authority at each stage of the process rests with the business making the supply, ie the sale.

A business registered for the tax will charge VAT (output tax) on its sales, and incur VAT (input tax) on its purchases (including any VAT paid at importation). The difference between the output tax and the deductible input tax in each accounting period will be the amount of VAT payable by the business to the tax authority. Where the input tax exceeds the output tax, a refund can be claimed.

A transaction is within the scope of Zambian VAT if the following conditions are met:

- it is a taxable supply of goods or services. The term 'supply' is defined as 'the sale or disposal of goods, or the rendering of services':
  - it takes place in Zambia
  - it is made by a taxable person. For these purposes, a taxable person is a person or entity who is registered for VAT in Zambia, or has a liability to become registered
  - it is made in the course or furtherance of any business carried on by that person or entity.

There are two rates of VAT that are applied to goods and services in Zambia; the standard rate, and the zero rate. In addition, some goods and services are exempt from tax.

Businesses that make wholly exempt supplies are not entitled to register for VAT, whereas a business making both exempt and taxable supplies may reclaim input tax on a partial basis, only to the extent that the input tax relates to taxable supplies.

Most goods imported into Zambia from outside are subject to VAT, whether or not the importer is registered for VAT. The tax will have to be paid by the importer at the time of importation. Where the importation is for business purposes and the importer is registered for VAT, it may be possible to reclaim the tax (subject to certain rules).

It is also important to note the interaction between VAT and Customs duty. Customs duty is levied where goods are imported into the country. VAT is charged on the value of the importation, including any custom duty.

Is there a registration limit for the tax?

A 'person' who either makes or intends to make taxable supplies of goods or services in the course or furtherance of a business must register for VAT if the value of its taxable supplies in Zambia exceeds the annual registration limit, or is expected to exceed the limit in the near future.

A business can register on a voluntary basis even if the registration limit has not been exceeded.

For these purposes, a 'person' includes any legal entity. Therefore, once a person is registered for VAT, all of his business activities will be covered by the registration – even if the nature of some of those activities are very different.

A penalty may be imposed by the tax authority if a business fails to register at the correct time.

Does the same registration limit apply to non-established businesses?

The normal VAT registration limit does not apply to businesses who are not established in Zambia.

Is there any specific legislation to tax non-resident supplies of electronically supplied/digital services to private consumers resident in your country?

Not specified in current legislation.

Does a non-established business need to appoint a fiscal representative in order to register?

Not required to register under current legislation.

How often do returns have to be submitted?

VAT returns normally cover an accounting period of one month, ending on the last day of a calendar month. Businesses can request a specific accounting cycle to coincide with its financial or management reporting (quarterly or six monthly).

All VAT returns have to be submitted within 18 days of the end of the relevant accounting period, together with any tax due. All returns and payments have to be submitted Electronically.

Non-standard periods may apply, subject to permission or direction by the Commissioner General:

- if the tax payer's turnover does not exceed the threshold (three monthly period may apply)
- in other qualifying instances, one six monthly period and either six additional monthly returns or two additional three monthly tax periods.

Are penalties imposed for the late submission of returns/ payment of tax?

A default surcharge penalty may be imposed by the tax authority if VAT returns are not submitted on time, or the related tax is not paid by the due date. Penalties are automatically computed.

For the late submission of a return and late payment of liability, the penalty fee is charged for each day the return is late. Interest is chargeable for each month or part of a month that a payment is overdue at the prescribed interest rate.

Are any other declarations required?

No other declarations are required.

Are penalties imposed in other circumstances?

Yes, penalties and interest can be applied for errors and omissions made on tax returns, or where the tax is paid late. Penalties can also be applied where the business has failed to maintain adequate records, provide information (including additional declarations), or makes repeated mistakes.

Criminal proceedings may be brought in the case of false returns, documents and fraudulent evasion (up to three years imprisonment).

Can the VAT incurred by overseas businesses be claimed if they are not registered in Zambia?

Not applicable. VAT may not be claimable if a business is not registered in Zambia.

What information must a VAT invoice show?

A VAT invoice must show:

- an invoice number which is unique and sequential
- the words 'tax invoice' in a prominent place
- the supplier's name and address and Taxpayer Identification Number (TPIN)
- the name or business name and address of the recipient (purchaser)
- date of issue of invoice
- a description of the goods or services supplied
- the selling price, excluding VAT and any discount
- the quantity or volume of the goods or services supplied to the customer
- the total amount of VAT charged
- the selling price including VAT
- the total charge on the invoice inclusive of VAT, any discount and the rate of VAT.

Where a VAT invoice includes zero-rated or exempt goods or services, it must:

- show clearly that there is no VAT payable on those goods or services
- show the total of those values separately.

VAT invoices can be issued, received and stored in electronic format or manually.

It is mandatory that manual invoices issued be taken from a serially numbered pre-printed invoice book.

Computer generated tax invoices

Suppliers with computerised accounting systems may apply to the Commissioner General for approval to issue computer generated tax invoices. Eligible accounting packages must have the following features:

- printed invoices bearing all the mandatory features of a tax invoice
- automatic and consecutive document numbering with inbuilt safeguards against reallocation and resetting of numbers
- transactions once posted and a tax invoice printed become read only
- periodic transaction reports showing invoice details.

Tax invoices must be retained for a minimum period of six years.

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Zimbabwe

Indirect tax snapshot

What are the current rate(s) of indirect tax?	• Standard rate of 15% for most goods and services. • Zero-rated goods and services including most basic food stuffs.
Are there any confirmed or anticipated changes to these rates?	No, the rates have not changed. However, with effect from 1 April 2017 withholding tax on VAT was introduced whereby registered VAT operators who are appointed by revenue authority are required to deduct withholding tax on VAT, which is two-thirds(2/3) of the output tax(10% of output tax) from any amount to be paid to another VAT registered operator who has been specified by the revenue authority to be liable to VAT WHT. The specified VAT operator will then claim the withholding tax on the VAT return for the respective tax period.
What is the principal indirect tax?	Value Added Tax (VAT) is the principal indirect tax in Zimbabwe. It is a tax on consumer expenditure, and is collected on goods and services consumed in Zimbabwe. It is also charged on imports into Zimbabwe.
Is there a registration limit for the tax?	Yes. It relates to the annual turnover of taxable transactions, and once the limit has (or will be) reached it is necessary to register. The current registration threshold is US$60,000.per annum.
Does the same registration limit apply to non-established businesses?	Yes. All businesses operating in Zimbabwe are required to reach that threshold to qualify for tax registration.
Does a non-established person need to appoint a fiscal representative in order to register?	Whether the business is an established business or not, a representative or a public officer is required when a company applies for VAT registration.
How often do returns have to be submitted?	Most businesses are required to submit VAT returns covering two month accounting periods. Returns can also be submitted on a monthly basis for large corporates.
Are penalties imposed for the late submission of returns/payment of tax?	Yes. If a VAT return, or the corresponding payment, is submitted late a penalty can be imposed. Presently the penalty for late submission of a return is $30 per day delayed.
Are any other declarations required?	Yes. Additional declarations have to be submitted in respect of all expenses on which a VAT input claim is being made.
Are penalties imposed in other circumstances?	Yes. Penalties can be imposed for a range of errors or omissions.
Can the tax incurred by overseas businesses be claimed if they are not registered in your country?	No, only VAT that has been incurred in Zimbabwe is claimable in Zimbabwe.
Deduction of VAT	Input tax claims are not permissible in the following cases: On entertainment expenses unless the registered operator is in the entertainment business: i On cost of acquisition of a passenger motor vehicle ii On supply of exempt services.

What is the principal indirect tax?

Value Added Tax (VAT) is the main type of indirect taxation in Zimbabwe.

It is a tax on consumption which is applied during the production and distribution process to most goods and services. It is also applied to goods, and certain services, entering the country. Although VAT is ultimately borne by the consumer by being included in the price paid, the responsibility for charging, collecting and paying it to the tax authority at each stage of the process rests with the business making the supply, ie the sale.

A business registered for the tax will charge VAT (output tax) on its sales, and incur VAT (input tax) on its purchases (including any VAT paid at importation). The difference between the output tax and the deductible input tax in each accounting period will be the amount of VAT payable by the business to the tax authority. Where the input tax exceeds the output tax, a refund can be claimed.

A transaction is within the scope of Zimbabwean VAT if the following conditions are met:

- it is a supply of goods or services. The term 'supply' is defined in the legislation, and includes all forms of supply irrespective of where the supply is effected, (even including things that happen by law, eg expropriation) and any derivative of supply is construed accordingly
- it takes place in Zimbabwe
- it is made by a registered operator. For these purposes, a registered operator is a person or an entity that is registered for VAT in Zimbabwe, or has a liability to become registered under the VAT Act
- it is made in the course or furtherance of any business carried on by that person or entity.

There are two rates of VAT that are applied to goods and services in Zimbabwe; the standard rate of 15% and the zero rate. In addition, some goods and services are exempt from VAT.

Businesses that make exempt supplies are unable to claim all of the input tax that they incur, so the VAT paid to suppliers will be a cost to entity.

VAT on imports

Most goods imported into Zimbabwe are subject to VAT at the standard rate. The tax is paid by the importer at the time of importation. Where the importation is for business purposes and the importer is registered for VAT, it is possible to reclaim the input tax using the bill of entry as the supporting document.

Time of supply

The time of supply for goods imported into Zimbabwe is the date on which the goods are deemed to have been imported in terms of the customs and excise legislation. Where the goods are entered for home consumption in terms of the customs and excise act, they are deemed to have been imported on the date on which they are so entered. In the case of goods that are imported and are entered into a bonded warehouse; no VAT is chargeable until they are released for home consumption.

Value of supply of imported goods

The value of supply for goods imported into Zimbabwe is the value for duty purposes. The value for duty purposes will include insurance charges and transport charges.

VAT on imported services

VAT is also charged on imported services. An imported service is a supply of services by a non-resident to a resident of Zimbabwe to the extent that such services are used for making non-taxable supplies.

The time of supply for imported services is the earlier of an invoice being issued or any payment being made for the supply of the service. The responsibility to pay VAT on imported services lies with the recipient of the imported service. This must be declared and paid for within 30 days from the time of importation.

Deemed sales

The act provides for both actual and deemed supplies of goods or services. The deeming provisions widen the range of transactions subject to VAT and clarify the fact that certain transactions are indeed taxable. Some of the deemed transactions that are deemed to be taxable supplies include: sales in execution of a debt deregistration, door-to-door credit sales, subsidies by the local or public authority, sale of a going concern, receipt of an insurance indemnity and repossession of goods.

Is there a registration limit for the tax?

A 'person' who makes or intends to make taxable supplies of goods or services in the course or furtherance of a business must register for VAT if the value of its taxable supplies in Zimbabwe meets or exceeds the annual registration threshold, or is expected to exceed the limit in the near future.

However, a business can register on a voluntary basis even if the registration limit has not been exceeded under certain conditions. A penalty may be imposed by the tax authority if a business fails to register at the correct time.

In terms of the VAT Act a 'person' includes:

- a sole proprietor, ie an individual carrying on business in his own name or under a trade name
- a company
- a partnership or joint venture
- a deceased estate or insolvent estate
- trusts
- an incorporated body of persons, eg an entity established under its own enabling act of parliament
- an unincorporated body of persons, eg club, society or association with its own constitution
- local and public authorities.

Requirements for voluntary registration

The following are the requirements for voluntary registration:

- the person should be carrying on any trade
- the person should have a fixed place of residence or business
- the person should have a bank account
- the person should maintain proper books of accounts.

Does the same registration limit apply to non-established businesses?

All businesses making taxable supplies in the course of furtherance of a business are eligible for VAT registration on attaining the registration limit. There is no differentiation between an established business and a non-established business.

Is there any specific legislation to tax non-resident supplies of electronically supplied/digital services to private consumers resident in your country?

No. There is no specific legislation on digital supplies.

Does a non-established business need to appoint a fiscal representative in order to register?

The tax authority in Zimbabwe requires that every company applying for VAT registration appoints a person to represent the company on VAT and all other tax affairs.

How often do returns have to be submitted?

The general rule is that all registered operators will account for VAT on the invoice basis, unless the commissioner, on written application by the registered operator, has directed otherwise. Returns together with the payments are submitted on the 25th of the following month after the end of the tax period.

A tax period is two calendar months for most registered operators, while for large registered operators it is a monthly tax period.

This implies that a registered operator is required to account for VAT at the earlier of:

- the time an invoice is issued
- the time any payment is received by the supplier.

Therefore a registered operator accounts for both cash and credit transactions.

Payments basis

The Act also provides for an alternative accounting basis namely the payment basis. Registered operators in this category will account for VAT only to the extent they have received payment from such sales and claim input tax to the extent of payments made on purchases and expenses. The payment basis is only limited to public authorities, local authorities and not-for-profit associations. These registered operators, who wish to account for VAT on the payments basis, must apply to the commissioner in writing.

Are penalties imposed for the late submission of returns/payment of tax?

A default penalty may be imposed by the tax authority if VAT returns are not submitted on time, or the related tax is not paid by the due date.

For the first late submission or payment, the tax authority will issue a notification to the taxpayer confirming that a penalty may be imposed in the future. If another submission or payment, a fixed percentage penalty is imposed on that occasion. The percentage penalty is increased for subsequent defaults (up to a specified maximum), unless returns and the related payments are made on time.

Are any other declarations required?

Businesses that are registered for VAT in Zimbabwe are required to submit input tax schedules to accompany each VAT return submitted. The input tax schedule must show:

- the name of supplier
- a description of goods/services supplied
- amount excluding VAT
- amount of VAT charged
- invoice number/bill of entry number in the case of a bill of entry being used
- date of supply of the goods or services.

Are penalties imposed in other circumstances?

Yes. A range of penalties can be imposed where businesses do not comply with the VAT rules.

Civil penalties and interest can be applied for errors and omissions made on tax returns, or where the tax is paid late. Penalties can also be applied where the business has failed to maintain adequate records, provide information (including additional declarations), or makes repeated mistakes.

Criminal proceedings may be brought in the case of more serious matters.

Can the VAT incurred by overseas businesses be claimed if they are not registered in Zambia?

No, VAT can only be claimed if it has been incurred in Zimbabwe. The tax authority will not refund VAT that has been incurred in other tax jurisdiction even where the goods are eventually consumed in Zimbabwe.

What information must a VAT invoice show?

A VAT invoice must show:

- the words 'Tax invoice' in a prominent place
- an invoice number which is unique and sequential
- the seller's name and address
- the seller's VAT registration number
- the invoice date
- the customer's name and address
- a description of goods or services supplied to the customer
- the customer's VAT number
- amount excluding VAT
- the total amount of VAT charged.

For each different type of item listed on the invoice, the following must be shown:

- the unit price or rate, excluding VAT
- the quantity of goods or the extent of the services
- the rate of VAT that applies to what's being sold
- the total amount payable, excluding VAT.

Where a VAT invoice includes zero-rated or exempt goods or services, it must:

- show clearly that there is no VAT payable on those goods or services
- show the total of those values separately.

Where a business makes retail sales, a simplified VAT invoice can be issued.

VAT invoices can be issued, received and stored in electronic format. Electronic invoices must contain the same information as paper invoices. The method used to ensure the authenticity of origin, the integrity of content and legibility of the invoices is a business choice and can be achieved by any business controls which create a reliable audit trail between an invoice and a supply of goods or services.

Are there any current or anticipated Standard Audit File for Tax (SAF-T) or similar electronic/digital filing requirements eg invoice listing data file/real-time VAT reporting?

There are no SAF-T requirements. However, registered operators are required to file their VAT returns online.

For further information on indirect tax in Zimbabwe please contact:

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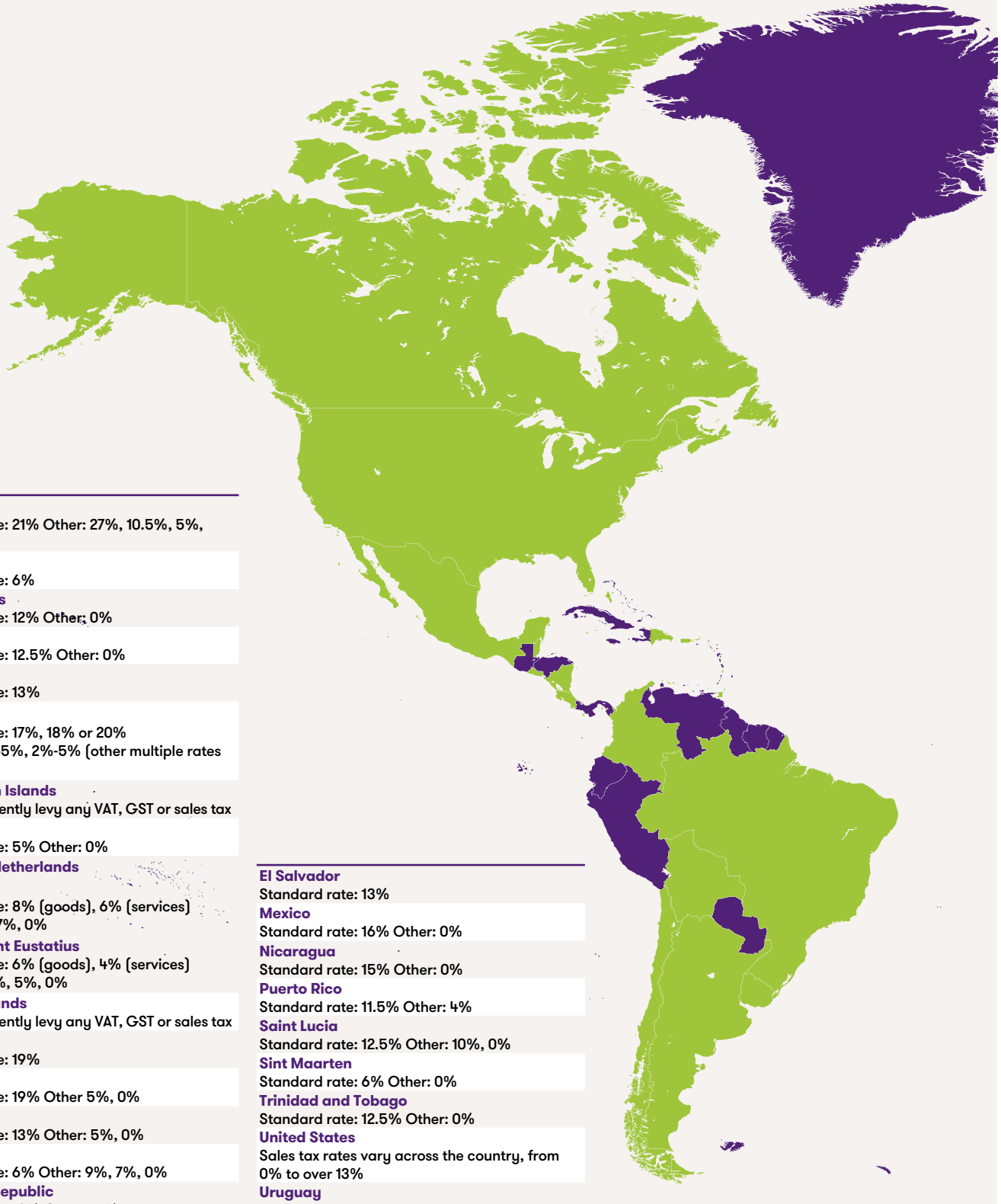
Indirect tax overview – Americas



Americas

Argentina
Standard rate: 21% Other: 27%, 10.5%, 5%, 2.5%

Aruba
Standard rate: 6%

The Bahamas
Standard rate: 12% Other: 0%

Belize
Standard rate: 12.5% Other: 0%

Bolivia
Standard rate: 13%

Brazil
Standard rate: 17%, 18% or 20%
Other: 0%-365%, 2%-5% (other multiple rates also apply)

British Virgin Islands
Does not currently levy any VAT, GST or sales tax

Canada
Standard rate: 5% Other: 0%

Caribbean Netherlands

Bonaire
Standard rate: 8% (goods), 6% (services)
Other: 25%, 7%, 0%

Saba and Sint Eustatius
Standard rate: 6% (goods), 4% (services)
Other: 18-30%, 5%, 0%

Cayman Islands
Does not currently levy any VAT, GST or sales tax

Chile
Standard rate: 19%

Colombia
Standard rate: 19% Other 5%, 0%

Costa Rica
Standard rate: 13% Other: 5%, 0%

Curaçao
Standard rate: 6% Other: 9%, 7%, 0%

Dominican Republic
Standard rate: 18% Other: 16%

El Salvador
Standard rate: 13%

Mexico
Standard rate: 16% Other: 0%

Nicaragua
Standard rate: 15% Other: 0%

Puerto Rico
Standard rate: 11.5% Other: 4%

Saint Lucia
Standard rate: 12.5% Other: 10%, 0%

Sint Maarten
Standard rate: 6% Other: 0%

Trinidad and Tobago
Standard rate: 12.5% Other: 0%

United States
Sales tax rates vary across the country, from 0% to over 13%

Uruguay
Standard rate: 22% Other: 10%, 0%

Key highlights: Americas

The landmark 'Wayfair' decision in the US Supreme Court is redefining state sales and use tax nexus standards in the United States of America.

The standard VAT rate in the Bahamas increased from 7.5% to 12% with effect 1 July 2018.

Costa Rica is considering replacing its General Sales Tax with a VAT.

The Canadian province of Québec will introduce a requirement for non-resident e-commerce suppliers to register for and charge QST on supplies to Québec consumers with effect 1 January 2019.

Customs and trade: North America

The North America Free Trade Agreement (NAFTA) was the first important agreement signed by Mexico, on 17 December 1992 by the President Carlos Salinas de Gortari and published in the Mexican Official Gazette on 8 December 1993. It is important to mention that Canada and the United States of America (USA) had a bilateral Free Trade Agreement (FTA) since 1 January 1989.

Since its entry into force, on 1 January 1994, it had five stages of duties relief, which ended on 31 December 2007. Such stages were divided in five, ten and 15 years, with the sensitive sectors having a longer phase-out period.

The sensitive industries/sectors, for each country are:

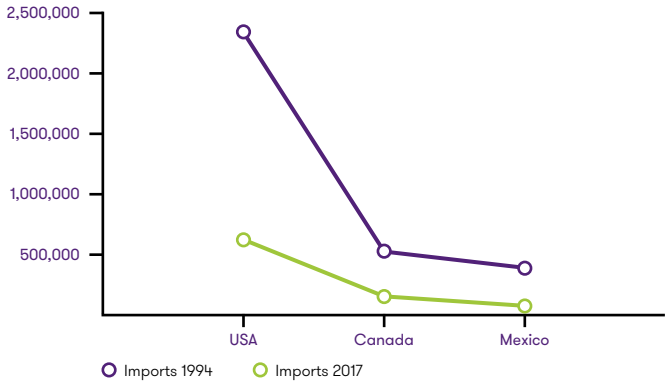
- **USA:** Steel
- **Canada:** Agricultural products, firearms, textiles, clothing and steel
- **Mexico:** Sugar, textiles, steel, footwear, aluminum, wastes of gold, copper, nickel, lead, zinc and tin, tobacco.

Notwithstanding the above, the sectors with the longest duty relief timing where the agricultural and automotive.

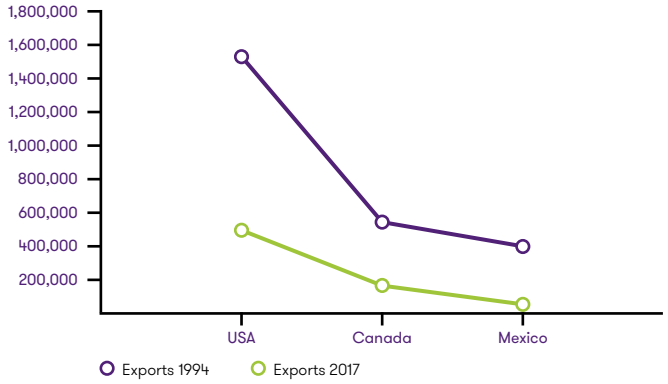
NAFTA involves the trade of goods, services, intellectual property among others, and it was the background for the next FTAs that were signed by Mexico.

To describe the relevance of NAFTA for its country members, it's interesting to look at the imports and exports comparison from 1994 to 2017:

Imports



Exports



In 2017, with the Donald J. Trump administration, the modernisation of NAFTA started, which aims to protect the USA's economy by increasing the duties for several goods originating from Mexico and Canada. However, these US government measures triggered these countries to suspend the preferential duties for goods originated in the USA.

An important fact to mention is that the biggest US trade deficit is actually with China.

For further information on customs and trade in NAFTA from a Mexican perspective please contact:

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Argentina

Indirect tax snapshot

What are the current rate(s) of indirect tax?	• Standard rate of 21% for most goods and services. • Reduced rate of 10.5% for some goods and services that are specifically detailed. • Increased rate of 27% for energy, telecommunications, water, natural gas, electric power and regulated running water. • Reduced rates of 2.5%, 5% or 10.5% for newspapers, magazines, journals and advertising spaces. • Some goods and services are exempted from the tax. • Exports of goods and services are exempted with the possibility to claim the refund of the linked input credit.
Are there any confirmed or anticipated changes to these rates?	No.
What is the principal indirect tax?	Value Added Tax (VAT) is the principal Federal indirect tax in the Argentina. It is a tax on consumer expenditure and is collected on business transactions and imports.
Is there a registration limit for the tax?	No, but depending on the annual turnover of taxable transactions in Argentina, there is a simplified regime in which the small taxpayers pay a monthly fixed quote. Once the limit has (or will be) reached it's mandatory to register as a taxpayer under the general regime, determining the tax and paying the difference between output tax invoiced to clients and input tax invoiced by suppliers.
Does the same registration limit apply to non-established businesses?	No. There is no registration limit for businesses that are not established in Argentina and they will need to register as soon as they start to make taxable transactions. However, foreign entities working on short term assignments in Argentina do not need to comply.
Does a non-established person need to appoint a fiscal representative in order to register?	Yes, a non-established person has to appoint a fiscal representative in the tax authority in order to register.
How often do returns have to be submitted?	In general, the VAT must be submitted on a monthly basis. Taxpayers who exclusively develop agricultural activities may submit their tax return on a monthly basis and pay annually.
Are penalties imposed for the late submission of returns/payment of tax?	Yes. If a VAT return is submitted late a penalty can be imposed, and if the corresponding payment is done after the due date, the taxpayer must pay the added interest.
Are any other declarations required?	Yes. Additional declarations have to be submitted in respect of information on the monthly purchases and services received as well as sales and services provided.
Are penalties imposed in other circumstances?	Yes. Penalties can be imposed for a range of errors or omissions and tax fraud.
Can the tax incurred by overseas businesses be claimed if they are not registered in your country?	No.

What is the principal indirect tax?

VAT is the main type of indirect taxation in Argentina.

It is a tax on consumption which is applied during the production and distribution process to most goods and services. It is also applied to goods and services, entering the country.

Although VAT is ultimately borne by the consumer by being included in the price paid, the responsibility for charging, collecting and paying it to the tax authority at each stage of the process rests with the business making the supply ie the sale.

A registered business will charge VAT (output tax) on its sales, and incur VAT (input tax) on its purchases (including any VAT paid at importation). The difference between the output tax and the deductible input tax and the withholding VAT (if it is applicable) in each accounting period will be the amount of VAT payable by the business to the tax authority. Where the input tax exceeds the output tax, a refund cannot be claimed and can only be used against future output tax, except the input credit which is directly linked with exports, for which it is possible to claim a refund. If the excess of VAT credit comes from withholding VAT tax, it is possible to claim the refund.

The VAT will be applied to:

- sales of movable goods – a sale is considered to be any transfer for consideration, among people of visible or ideal existence, which amount to transfer ownership of personal property (sale, barter, payment in kind, award for dissolution of companies, social contributions and judicial sales and auctions any other act that would lead to the same end, except expropriation). It does not include sales or transfers made as a result of corporate reorganisations tax free
- contracts for the construction of movable assets
- works on property belonging to third parties
- construction and sale of property (real estate)
- obtaining goods of nature on behalf of a third party
- definitive imports of movable assets
- renderings of financial services performed abroad, the use of which is carried out in Argentina, as long as the renders are taxpayers for other taxable events. Thus they are levied on by tax, the interest from loans granted abroad, fees for technical assistance, etc. The renderers will be responsible of entering the tax.

Digital services provided from outside the country but used within the Country will be considered as service imported and thus taxable with VAT.

The tax should be paid by the recipient Argentina client and could be offset against VT for local sales on the following month from payment.

- For such purposes a broad concept of digital service is applied including but not limited to remote Access, on-line technical support, databases, software services provided through internet, use of platforms, Access or download of images, videos, information, music and games.

The standard rate of this tax is 21%, there also exist special rates:

- 27% – applicable to the sale of natural gas, electric power and regulated running water and telecommunications
- 10.5% – applied to certain taxable activities related to the construction of property (houses), renderings and sales related to certain products of animal and plant origin, health insurance services, long range and mid-range public transportation, and interests and commissions for loans granted by financial entities in Argentina or abroad. In this last case, when the entity complies with international standards of banking supervision established by the regulations. This special rate also applies to the acquisition and importation of certain durable goods to be used in productive activities
- 2.5%, 5% or 10.5%, depending on the annual invoicing – applied to newspapers, magazines, journals and advertising spaces.

In addition, some goods and services are exempt from tax.

Businesses that make exempt supplies are unable to claim all of the input tax that they incur, so the VAT paid to suppliers will be a 'real' cost, except the exports of goods and services that are exempted with the right to ask for the refund of the tax linked with the exports. The exports of services are the services provided in the country where the effective use is carried abroad.

Most goods imported into Argentina are subject to VAT. The tax will have to be paid by the importer at the time of importation. In addition, customs will collect VAT on this importation. Where the importation is for business purposes and the importer is registered for VAT, this tax is considered an input tax credit.

Is there a registration limit for the tax?

A 'person' who either makes or intends to make taxable supplies of goods or services must register for VAT.

When the person has a small business, they can register in a simplified regime paying a monthly quote of tax which includes direct tax, indirect tax and social security tax. This regime is only for individuals, not for companies. When the amount of the operations exceeds the annual simplified regime limit, the person must register with the tax authorities in the general regime.

A penalty may be imposed by the tax authority if a business fails to register at the correct time.

Does the same registration limit apply to non-established businesses?

Non applicable.

When a non-resident wants to do business in Argentina, it is necessary to register with the tax authorities, but when the non-resident does non-recurring activities, this registration is not necessary and Argentina has no withholding tax rules to avoid this omission.

Is there any specific legislation to tax non-resident supplies of electronically supplied/digital services to private consumers resident in your country?
No.

Does a non-established business need to appoint a fiscal representative in order to register?
Yes, a non-established person has to appoint a fiscal representative in the tax authority in order to register.

How often do returns have to be submitted?
VAT returns normally cover a monthly accounting period, ending on the last day of a calendar month.

All VAT returns have to be submitted electronically within 20 days of the end of the relevant monthly accounting period, together with any tax due.

Are penalties imposed for the late submission of returns/ payment of tax?
The tax rules establish different kinds of penalties that the tax authorities may impose on the taxpayers:

- a formal fine when the VAT returns are not submitted on time
- if the corresponding payment is done after the due date, the taxpayer must to pay interest.

Are any other declarations required?
There are two monthly informative regimes, one for sales and another for purchases that must be filed by taxpayers who meet certain conditions and requirements.

Are penalties imposed in other circumstances?
Yes, the tax rules establish different kinds of penalties that the tax authorities may impose to the taxpayers:

- a fine when a taxpayer omits to declare the tax. It is graduated from 50% to 100% of the omitted tax
- a fine when the taxpayers commit a tax fraud. It is graduated from two to ten times the omitted tax. If the amount exceeds the limit established, the 'Penal Tax Regime' would be applied.

Can the VAT incurred by overseas businesses be claimed if they are not registered in Argentina?
No.

What information must a VAT invoice show?
A VAT invoice must show:

- the seller's name and business address
- the legal address and its registration with the Competent Authority in Corporate Law
- the seller's identification number (CUIT)
- the seller's turnover tax registration number
- the seller's VAT status (registered, exempt, simplified regime)
- an invoice number which is unique and sequential
- the start date of activities
- the printer's name and identification number
- first and last number of the invoices printed
- printing authorisation code and due date of these invoices
- a letter which identifies the different kind of invoices, depending on the fiscal status of the seller and purchaser
- original or duplicate
- the invoice date
- the customer's name and address
- the customer's Identification number (CUIT)
- the customer's VAT status (registered, exempt, simplified regime)
- the quantity and description of the goods or services supplied to the customer
- unit prices and total, excluding the VAT
- if the seller invoices in foreign exchange, the invoice will include the exchange rate used
- the rate of any cash discount
- the total amount payable, excluding VAT
- the rate and the total amount of VAT charged
- the rate and the total amount of collections if applicable
- the total amount of the invoice.

Where a VAT invoice includes zero-rated or exempt goods or services, it must:

- show clearly that there is no VAT payable on those goods or services
- show the total of those values separately.

VAT invoices can be issued, received and stored in an electronic format and in the near future all tax payers will have to issue electronic invoices. The tax authorities established the obligation for taxpayers who met specific conditions, but it is possible for other taxpayers to use this regime after requiring authorisation. Electronic invoices must contain the same information as paper invoices. To ensure the authenticity of origin, the integrity of content and legibility of the invoices, these invoices must contain an electronic authorisation code (CAE) provides by the tax authorities.

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Aruba

Indirect tax snapshot

What are the current rate(s) of VAT?	• Standard rate of 6% for most goods and services. • Exempt goods and services include certain kinds and types of financial transactions, medicine, residential rent, education, international transports, domestically produced primary agricultural products, interest and dividends.
Are there any confirmed or anticipated changes to these rates?	A fundamental reform of the Aruban tax system is expected in the near future.
What is the principal indirect tax?	Aruba has three principal indirect taxes (BBO, health levy and BAVP). The levy system of the three principal indirect taxes are, however, virtually identical. Therefore, for sake of simplicity, hereafter we refer to these three principal indirect taxes as one tax on business turnover (TOT). TOT is generally levied on the delivery of goods, services rendered and the exploitation of assets in Aruba.
Is there a registration limit for the tax?	No threshold exists for taxable persons. However, natural persons having an annual turnover up to Afl. 12,000 may be exempted from TOT.
Does the same registration limit apply to non-established businesses?	No threshold exists for taxable persons. Natural persons that do not reside in Aruba cannot be exempted from TOT.
Does a non-established person need to appoint a fiscal representative in order to register?	No.
How often do returns have to be submitted?	TOT returns need to be filed monthly.
Are penalties imposed for the late submission of returns/payment of tax?	Yes. If a TOT return, or the corresponding payment, is submitted late a penalty can be imposed.
Are any other declarations required?	No.
Are penalties imposed in other circumstances?	Yes. Penalties can be imposed for a range of errors or omissions.
Can the tax incurred by overseas businesses be claimed if they are not registered in your country?	No.
Deduction of VAT	No.

What is the principal indirect tax?

Aruba has three principal indirect taxes (BBO, health levy and BAVP). The levy system of the three principal indirect taxes are, however, virtually identical. Therefore, for sake of simplicity, hereafter we refer to these three principal indirect taxes as one tax on business turnover (TOT).

TOT is generally levied on the delivery of goods and services rendered in Aruba (output tax). Although businesses often elect to pass through the TOT to customers, the responsibility for paying it to the tax authority rests with the business making the sale.

TOT that is passed through by other business cannot be deducted. Neither can TOT passed through by other business be claimed as a refund. As a result, TOT has a cumulative effect.

The TOT rate is 6%. Several goods and services, however, including certain kinds and types of financial transactions, medicine, residential rent, education, international transports, domestically produced primary agricultural products, interest and dividends are exempted from TOT.

Goods imported into Aruba are not subject to TOT. Import duties, however, are due.

Is there a registration limit for the tax?

Generally, anyone who either makes or intends to deliver goods or render services in Aruba in the course or furtherance of a business must register for TOT. Generally, the same applies to anyone that exploits an asset in order to obtain permanent revenue from it.

If the value of the annual turnover of a natural person who lives on Aruba does not exceed the threshold of Afl. 12,000, that natural person can request to apply the small business regulation. A request to apply the small business regulation is only granted if it is demonstrated that the business turnover of that natural person in any year will not likely exceed Afl. 12,000 a year. If granted, no TOT is due. That is, as long as the business turnover is less than Afl. 12,000 a year. In the case that the business turnover exceeds Afl. 12,000 a year TOT is due on the part of the business turnover that exceeds the Afl. 12,000 a year. Furthermore, the right to apply the small business regulation will be lost, at least for the following year. Legal entities cannot request to apply the small business reguluation.

A parent company can be registered together with one or more subsidiaries as a TOT group provided they are all established on Aruba and the parent company economically and legally owns 100% of the shares in the subsidiaries. The main advantage of TOT group registration is that any goods delivered, or services rendered by a member of the group to another member of the group is disregarded for TOT purposes.

A penalty may be imposed by the tax authority if a business fails to register at the correct time.

Does the same registration limit apply to non-established businesses?

Non-established businesses are generally not taxed with TOT. Be that as it may, non-established businesses can in certain circumstance considered to be delivering goods, rendering services or exploiting assets in Aruba. A non-established business that delivers goods, renders services or exploits assets in Aruba must register for TOT.

Non-established businesses cannot request to apply the small business regulation.

Is there any specific legislation to tax non-resident supplies of electronically supplied/digital services to private consumers resident in your country?

No.

Does a non-established business need to appoint a fiscal representative in order to register?

No.

How often do returns have to be submitted?

TOT returns cover an accounting period of one calendar month, ending on the last day of a calendar month.

All TOT returns must be submitted within 15 days of the end of the relevant accounting period, together with any TOT due. If the last day of the filing and payment obligation falls on a weekend or a national holiday, the filing/paying period is extended to the next workday.

Are penalties imposed for the late submission of returns/ payment of tax?

A default surcharge penalty may be imposed by the tax authority if TOT returns are not submitted on time, or the related tax is not paid by the due date.

Are any other declarations required?

No.

Are penalties imposed in other circumstances?

Yes. A range of penalties can be imposed where businesses do not comply with the TOT rules.

Civil penalties and interest can be applied for errors and omissions made on tax returns, or where the tax is paid late. Penalties can also be applied where the business has failed to maintain adequate records, provide information (including additional declarations), or makes repeated mistakes.

Criminal proceedings may be brought in the case of more serious matters.

Can the VAT incurred by overseas businesses be claimed if they are not registered in Aruba?

No.

What information must a VAT invoice show?

A TOT invoice must show:

- an invoice number which is unique and sequential
- the invoice date
- the time of delivery of goods or the time the services are rendered
- the seller's name and address
- the seller's tax registration number
- the customer's name and address
- a description sufficient to identify the goods or services supplied to the customer
- the total amount of the invoice (including any cash discounts)
- the total amount of TOT due (by the seller).

For each different type of item listed on the invoice, the following must be shown:

- the unit price or rate
- the quantity of goods or the extent of the services.

TOT invoices can be issued, received and stored in electronic format and there is no need to tell the tax authority. Electronic invoices must contain the same information as paper invoices. The method used to ensure the authenticity of origin, the integrity of content and legibility of the invoices is a business choice and can be achieved by any business controls which create a reliable audit trail between an invoice and a supply of goods or services.

Are there any current or anticipated Standard Audit File for Tax (SAF-T) or similar electronic/digital filing requirements eg invoice listing data file/real-time TOT reporting?

There is no specific electronic/digital filing requirement in Aruba for TOT purposes.

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The Bahamas

Indirect tax snapshot

What are the current rate(s) of VAT?	• Standard rate of 12% for most goods and services. • Zero-rated goods and services include most food and children's clothes. • There is an exempt category for entities that meet the requirements.
Are there any confirmed or anticipated changes to these rates?	No.
What is the principal indirect tax?	Value Added Tax (VAT) is the principal indirect tax in the Bahamas. VAT is a consumption tax that is charged on the value added to goods and services.
Is there a registration limit for the tax?	Yes. It relates to the annual turnover of taxable transactions of $100,000.00 respectively. Once the VAT threshold has been (or will be) reached it is necessary to register.
Does the same registration limit apply to non-established businesses?	No. There is no registration limit for businesses that are not established in the Bahamas. All businesses not established in the Bahamas will abide by the rules and regulations of the respective country.
Does a non-established person need to appoint a fiscal representative in order to register?	Not applicable.
How often do returns have to be submitted?	Business with annual revenues of: • $5 million or more must file monthly • less than $5 million but greater than $0.4 million annually files quarterly • less than $0.4 million annually files semi-annually.
Are penalties imposed for the late submission of returns/payment of tax?	Yes. If a VAT return, or the corresponding payment, is submitted late a penalty of $100.00 and an interest rate of 10% of total returns per month is imposed.
Are any other declarations required?	No. There are no other declarations required.
Are penalties imposed in other circumstances?	Yes. Penalties can be imposed for a range of errors or omissions. Penalties range from late filing fees, imposed interest rates, fines and imprisonment.
Can the tax incurred by overseas businesses be claimed if they are not registered in your country?	No.
Deduction of VAT	• Goods and services supplied to you in the Bahamas. • Import VAT you paid on goods you import from outside the Bahamas. • Import VAT you paid on any services supplied from outside the Bahamas.

What is the principal indirect tax?

Value Added Tax (VAT) is the primary type of indirect taxation in the Bahamas.

VAT is a tax that is charged on all goods and most services that VAT-registered businesses provide in the Bahamas. It is also charged on goods and some services that are imported from outside the Bahamas. It is a consumption tax ultimately paid by the final customer but collected and remitted to the Comptroller of VAT (Comptroller) by businesses. VAT is collected in a staged process. Each VAT-registered business will charge and collect VAT on the goods and services it supplies to its customers. The VAT charged is referred to as a business' output tax. A business will also pay VAT on goods and services it buys from its suppliers. This is referred to as a business' input tax. Most businesses will be able to offset the input taxes they have paid to suppliers against the output taxes they have collected from their customers. The difference between output taxes and input taxes is remitted to the Comptroller.

Is there a registration limit for the tax?

The VAT threshold

If you are operating a business in The Bahamas and the goods or services you sell or provide are considered 'taxable supplies', you must register for VAT if you either: make taxable supplies and the total sales value of the taxable supplies for the previous 12 months has exceeded the VAT threshold of $100,000.00 or the beginning of any 365 day period, you consider that the total value of your taxable supplies will exceed the VAT threshold in the next 365 days.

The VAT threshold is currently $100,000 of taxable supplies and applies even if you only intend to operate a business for a limited period of time. If you make any sales that are exempt, under the schedules to the VAT Act, you should not include, when determining if the $100,000 threshold has been met.

If you are in business and you do not meet the mandatory threshold you can voluntarily register.

VAT grouping permits a group of entities (eg. companies, branches where the branch is a Port Licensee) to apply to be treated as a single taxable person for VAT purposes. The VAT registration is made in the name of the 'representative member' under whose Tax Identification Number (TIN) the VAT return for the Group will be filed. Any entity within the VAT group can be elected to be the 'representative member'. The registration is made in the name of the representative member, who is responsible for completing and rendering the single return on behalf of the group. Whilst the representative member is responsible for paying the VAT or receiving any repayment due, all the entities are jointly and severally liable for any VAT debts. Supplies between group members are normally disregarded for VAT. If any member of the VAT group makes supplies that are exempt for VAT then the input tax for the whole VAT group would need to be apportioned.

Does the same registration limit apply to non-established businesses?

The normal VAT registration limit does not apply to businesses who are not established in the Bahamas, but for the purposes of the tax are making taxable supplies there. Those businesses will need to register for VAT as soon as they commence trading in the Bahamas, irrespective of the level of turnover.

Non-established business will be solely compliant with the rules and regulations of the country in which they are operating in.

How often do returns have to be submitted?

Businesses whose annual turnover exceeds $5 million are required to submit a monthly VAT Return and shall be required to file by electronic means and in such form and manner at specified times particulars of VAT invoices, credit and debit notes that were issued or received by the registrant.

Businesses with an annual turnover of less than $5 million will be required to file a Quarterly VAT Return.

Businesses with an annual turnover of less than $0.4 million can apply to submit a Semi-Annual VAT Return.

VAT Returns need to be filed within 21 days of the end of the VAT period.

Are penalties imposed for the late submission of returns/ payment of tax?

A default surcharge penalty may be imposed by the tax authority if VAT returns are not submitted on time, or the related tax is not paid by the due date.

For the first late submission of payment, there is a standard late fee of $100.00. There is also an interest rate of 10% per month on the vatable returns.

Are any other declarations required?

There are no other formal declarations required by the Tax Authority in the Bahamas.

Are penalties imposed in other circumstances?

Yes. A range of penalties can be imposed where businesses do not comply with the VAT rules.

Civil penalties and interest can be applied for errors and omissions made on tax returns, or where the tax is paid late. Penalties can also be applied where the business has failed to maintain adequate records, provide information, or makes repeated mistakes.

Criminal proceedings may be brought in the case of more serious matters.

Can the VAT incurred by overseas businesses be claimed if they are not registered in The Bahamas?

No.

What information must a VAT invoice show?

A VAT invoice can be either paper or electronic and must show:

- the word 'VAT Invoice' in a prominent place
- the seller's name and address
- the registrant supplier's tax identification number
- the invoice date
- the time of supply (also known as tax point) if this is different from the invoice date
- the customer's name and address
- a description sufficient to identify the goods or services supplied to the customer
- the rate of any cash discount
- the unit price excluding
- total VAT charged
- total price inclusive of VAT.

For each different type of item listed on the invoice, the following must be shown:

- the unit price or rate, excluding VAT
- the quantity of goods or the extent of the services
- the rate of VAT that applies to items being sold
- the total amount payable, excluding VAT.

Where a VAT invoice includes zero-rated or exempt goods or services, it must:

- show clearly that there is no VAT payable on those goods or services
- show the total of those values separately.

Where a business makes retail sales and makes a sale of goods you can issue a simplified VAT Sales Receipt whereby items subject to VAT can be identified on the receipt with a symbol such as an asterisk, provided the total amount of VAT is clearly shown on the receipt.

Are there any current or anticipated Standard Audit File for Tax (SAF-T) or similar electronic/digital filing requirements eg invoice listing data file/real-time VAT reporting?

There is no SAF-T requirement in the Bahamas.

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Belize

Indirect tax snapshot

What are the current rate(s) of VAT?	• Standard rate of 12.5% for most goods and services. • Zero-rated goods and services include certain foods.
Are there any confirmed or anticipated changes to these rates?	No.
What is the principal indirect tax?	General Sales Tax (GST) is the principal indirect tax in Belize. It is a tax on consumer expenditure, and is collected on business transactions and imports.
Is there a registration limit for the tax?	Yes. It relates to the annual turnover of taxable transactions in the Belize – annual threshold of US$37,500 , and once the limit has (or will be) reached it is necessary to register.
Does the same registration limit apply to non-established businesses?	Yes. Once established in the Belize and they will need to register as soon as they start to make taxable transactions.
Does a non-established person need to appoint a fiscal representative in order to register?	Not a requirement in Belize.
How often do returns have to be submitted?	Businesses are required to submit VAT (GST) returns on a monthly basis.
Are penalties imposed for the late submission of returns/payment of tax?	Yes. If a VAT return, or the corresponding payment, is submitted late interest is added and a penalty imposed.
Are any other declarations required?	No.
Are penalties imposed in other circumstances?	No.
Can the tax incurred by overseas businesses be claimed if they are not registered in your country?	No.
Deduction of VAT	Not applicable.

What is the principal indirect tax?

General Sales Tax (GST) is effectively a value added tax with tax becoming payable on consumer spending that is collected in stages, at the point of importation and on business transactions, when goods change hands or services are performed in Belize. The rate of General Sales Tax on goods and services is 12.5% and only registered persons can charge GST on their supplies as output tax and claim credit on their purchases of supplies as input tax.

GST is chargeable on the taxable supply of goods and services within Belize, by a registered person. This is a supply in the course of, or furtherance of the Business. For GST purposes, 'business' has a very wide meaning and can include activities on which no profit is made.

The GST Act Section 3 defines what constitute a business and the following are examples of business transactions:

- the facilities of a club, organization or association
- admission to premises
- provision of goods or services made for a consideration.

Business transactions, which are liable to GST, are called taxable supplies. Those that are not liable to GST are called exempt supplies. The term 'Supply' is widely defined in the ACT and refers to the goods and services provided which include the transfer, sale, lease, or other disposition of goods or the provision of services.

The term 'Services' Is anything that is not a supply of goods or money including without limitation:

i the grant, assignment, termination, or surrender of a right
ii the making available of a facility, opportunity, or advantage
iii refraining from or tolerating an activity, a situation, or the doing of an act
iv the issue of a license, permit, certificate, concession, authorization, or similar document
v the lease, hire, or rental of goods, or any other supply of a right to use goods
vi the production of goods by applying a treatment or process to goods belonging to another person, which shall be regarded as a supply of services to another person
vii the supply of water, other than water in a container, or the supply of natural gas or any form of power, refrigeration, or air conditioning
viii anything that is deemed to be a supply of services by this Act or by Regulations.

In addition, certain transactions are deemed to be taxable supplies where:

i the stock in trade is being disposed of in the course of a business being transferred as a going concern
ii goods of a business are seized and sold to satisfy a debt
iii goods of a business taken for private purposes
iv a person ceases to be registered but continues to carry on business, the stock in trade is deemed to have been supplied
v an indemnity payment is made under a contract of insurance in respect of a loss incurred in the course of business, the payee is deemed to have made a taxable supply.

Is there a registration limit for the tax?

Businesses who makes or expects to make taxable supplies of goods and/or services of BZ$75,000.00(US$37,500) or more must register for GST. Any person carrying on business for less than 12 months and the average monthly value of taxable supplies is BZ$6,200.00 (US$3,100) or more is required to register for GST.

Businesses below the turnover limit may apply for voluntary registration if they:

1 make more than 80% of their taxable supplies to registered persons
2 keep adequate books and records.

Does the same registration limit apply to non-established businesses?

General Sales Tax registration limit does not apply to businesses who are not established in the Belize.

Is there any specific legislation to tax non-resident supplies of electronically supplied/digital services to private consumers' resident in your country?

There is no specific legislation to tax non-resident supplies of electronically supplied/digital services to private consumers resident in Belize.

Does a non-established business need to appoint a fiscal representative in order to register?

A non-established business cannot register without being registered under the Companies Act of Belize to do business in or from within Belize.

How often do returns have to be submitted?

A GST Return Form must be completed at the end of each tax period (one month), and submitted to the Department of GST, with any tax due, by the fifteenth day following the end of the tax period.

If no taxable supplies were made during the entire month a 'NIL' return must be submitted.

The registered person is held responsible for the payment and submission of returns if away from the place of business.

Are penalties imposed for the late submission of returns/payment of tax?

Where an offence is committed under the GST Act and results in an assessment being made or amended, the Commissioner may charge the offender penalty of up to three times the amount of the tax assessed.

Other examples of offenses that may lead to the imposition of penalty are:

1 failure to file a return
2 wrongfully seeking to recover GST.

Are any other declarations required?

Not applicable.

Are penalties imposed in other circumstances?

Any business, who fails to register, will be liable to a penalty where the business makes or expects to make taxable supplies of $75,000 or more per year.

Can the VAT incurred by overseas businesses be claimed if they are not registered in Belize?

No.

What information must a VAT invoice show?

A tax invoice is a document that shows certain information about what is being transacted, whenever goods or services are supplied by a registered person to another registered person. A tax invoice, which should be pre-numbered, must show the:

i the words 'TAX INVOICE'
ii an identifying serial number and the date
iii the name, address and tax identification number of the supplier and the recipient
iv the description of the items supplied and the quantity
v the consideration for the supply, not including tax
vi the rate of GST charged and GST payable
vii the total value of the supply including GST.

The tax invoice should be in three copies (one for the purchaser, one for the supplier, and one to be made available to the Department of the GST when requested).

Are there any current or anticipated Standard Audit File for Tax (SAF-T) or similar electronic/digital filing requirements eg invoice listing data file/real-time VAT reporting?

No.

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Bolivia

Indirect tax snapshot

What are the current rate(s) of indirect tax?	• The tax is taxed by 13% on sales and purchases.
Are there any confirmed or anticipated changes to these rates?	No.
What is the principal indirect tax?	• The withholdings for the purchases of Goods that are taxed by the IUE 5% and the IT 3%. • Withholdings for service provision, IUE 12.5% and IT 3%. • The retentions to directors and receivers of the VAT RR to third parties 13% and the IT 3%. • Retentions for remittances abroad IUE 12.5%. • The ICE imposed on specific consumption taxes on luxury consumer goods, this consumption is taxed with specific and percentage rates, the percentages of this tax are defined at the beginning of each year by the tax administration.
Is there a registration limit for the tax?	When registering the company in the Tax Administration, is directly bound to these tax obligations, it would be a single inscription.
Does the same registration limit apply to non-established businesses?	Not applicable.
Does a non-established person need to appoint a fiscal representative in order to register?	At the moment of registering the Company in the Tax Service, a legal representative is registered in these offices, to assume fiscal and tax responsibilities.
How often do returns have to be submitted?	All these taxes are monthly.
Are penalties imposed for the late submission of returns/payment of tax?	Yes, the lack of monthly statement for these taxes is punished, with fines, maintenance of value and interest.
Are any other declarations required?	Not applicable.
Are penalties imposed in other circumstances?	Yes. They did not appear in the month, they can be reviewed by the Tax Administration and collected in the time before the prescription of tax obligations within 8 years.
Can the tax incurred by overseas businesses be claimed if they are not registered in your country?	Not applicable.
Deduction of VAT	VAT in Bolivia is classified as VAT Tax Credit and VAT Tax Debit. At the time of issuing an invoice VAT is generated Tax Debit 13%, this 13% is tax that issues the sales invoice. However, Bolivia regulations state that this 13% VAT Tax Debit can be deducted with VAT 13% Tax Credit, with invoices that are related to the business activity.

What is the principal indirect tax?

Retention of purchase of IUE 5% and IT 3%. and provision of IUE services 12.5%.

It is a tax levied or retained to third parties for all goods purchases that do not have an invoice or fiscal note. It is for the purchase of goods in which the good that has to be purchased is the result of a raw material being turned into a good, for example a carpenter who buys wood to make a chair or a desk. In the case of services, this tax is levied or withheld from any provision of service that does not have an invoice or fiscal note for the provision of a service.

Is there a registration limit for the tax?

At the time of registration of the company with the Tax offices (made in order to comply with the tax obligations in the transactions), it's not necessary to register them, as it's a tax on third parties the company acts as an agent of retention and carries out the retentions of law by the third party.

Does the same registration limit apply to non-established businesses?

This fiscal obligation is only for companies established in Bolivia.

Does a non-established business need to appoint a fiscal representative in order to register?

Not applicable.

How often do returns have to be submitted?

Once a year. For commercial companies, the deadline is December 31, industrial and oil companies March 31, rubber companies, chestnut, agricultural, livestock and agroindustrial June 30, mining companies September 30.

Are penalties imposed for the late submission of returns/ payment of tax?

Failure to submit the monthly sworn statement can generate fines, maintenance of value and interest.

Are any other declarations required?

Not applicable.

Are penalties imposed in other circumstances?

If, in the event that the company does not voluntarily regulate this omission, the tax administration can review and determine taxes omitted the fines, maintenance of value and interest, within the time of prescriptions for 8 years.

Can the VAT incurred by overseas businesses be claimed if they are not registered in Bolivia?

Not applicable.

What information must a VAT invoice show?

A VAT invoice must include:

- invoice number
- name and address of the seller
- the date of the invoice
- authorisation number
- customer name
- control code
- numeral and literal amount
- quantity, detail, unit price and total
- validity date of the invoice.

Are there any current or anticipated Standard Audit File for Tax (SAF-T) or similar electronic/digital filing requirements eg invoice listing data file/real-time VAT reporting?

If within the tax obligations, it's necessary to keep copies of the invoices issued in magnetic or printed form.

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Brazil

Indirect tax snapshot

What are the current rate(s) of indirect tax?	• ICMS – 17%, 18% or 20% (general internal rates, which may vary from each State), or 4%, 7% or 12% (interstate rates). • IPI – 0% to 365% (based on HS Code). • ISS – 2% to 5% (general rates, which varies from service's type and Municipallity). • PIS – 0.65% (cumulative system), 1.65% (non-cumulative) or 2,1% (customs clearance). • COFINS – 3% (cumulative system), 7.6% (non-cumulative) or 9,65% (customs clearance). Note: ICMS, PIS and COFINS rates may vary depending on the product, as well as some products are taxed by ICMS and IPI considering a defined amount and not a percentage rate.
Are there any confirmed or anticipated changes to these rates?	No.
What is the principal indirect tax?	Indirect taxes in Brazil are levied at a federal, state and municipal level, as demonstrate below: **Federal** • IPI (Federal Excise Tax) • COFINS/PIS (Social Contributions). **State** • ICMS (State Value Added Tax). **Municipal** • ISS (Municipal Service Tax).
Is there a registration limit for the tax?	No. Registration is mandatory upon commencement of legal entity activity.
Does the same registration limit apply to non-established businesses?	Only legal entities regularly enrolled in Brazil may register for ICMS, IPI, ISS, PIS and COFINS.
Does a non-established person need to appoint a fiscal representative in order to register?	Not applicable.
How often do returns have to be submitted?	• IPI/ICMS returns are generally due on a monthly basis, through electronic file named EFD. • ISS returns are generally due on a monthly basis, but its layout and presentation are determined by each Municipality). • PIS and COFINS returns are due on a monthly basis, through electronic file named EFD-Contribuições.
Are penalties imposed for the late submission of returns/payment of tax?	Yes. Penalties can be imposed for errors, omissions and delay to submit tax returns.
Are any other declarations required?	Brazilian Tax System adopted Public Digital Bookkeeping System (SPED), which includes IPI/ICMS (EFD file) and PIS/COFINS (EFD-Contributions). Tax invoices also are issue electronically (NF-e), including those related to services rendering (NFS-e) (NF-e).
Are penalties imposed in other circumstances?	Yes. A range of penalties can be imposed where businesses do not comply with the indirect tax rules.
Can the tax incurred by overseas businesses be claimed if they are not registered in your country?	No, there is no mechanism to refund any form of indirect tax incurred by businesses that are neither established nor registered in Brazil.

What is the principal indirect tax?

Indirect taxes in Brazil are levied at a federal, state and municipal level. The principal indirect taxes levied are:

Federal

IPI (Federal Excise Tax)

IPI is a federal tax on transactions involving manufactured goods. It must be paid either when manufactured products leave the industrial establishment or in the importation of goods. Export transactions with goods are exempt from IPI.

When manufactured products are sold between producers, IPI is imposed. Nevertheless, the subsequent manufacturer is entitled to input a tax credit derived from acquisition of goods to be submitted to industrialization process. The credit is normally indicated in the tax invoice of the goods acquired.

The tax rates vary depending on the type of product manufactured or imported and are levied ad valorem based on the Table of Excise Tax Levy (TIPI). Certain exemptions exist for goods considered to be a basic necessity for the country's economy. For example, the IPI rate levied on cigarettes is 300%, while the rate levied on soap is zero. It must be noted that rates can be modified at any time by an Act of the Chief of the Brazilian Executive Government. The act is effective from the moment of its publication.

PIS and COFINS (social contributions)

PIS and COFINS are social contributions charged on the monthly gross revenues of Brazilian companies calculated through a 'cumulative regime' and a 'non-cumulative regime':

- non-cumulative regime: COFINS is charged at 7.6% and PIS is charged at 1.65% (therefore a combined rate of 9.25%). Companies are granted a tax credit calculated on the acquisition of inputs and on certain expenses such as raw materials of goods and services. This system ensures that the tax is applied only once on the final value of each transaction. There are also different rates for specific activities determined by law. However, please note that the concept of 'input' is a grey area and the Brazilian Tax Authorities have been known to challenge companies for utilizing certain credits
- cumulative regime: COFINS is charged at 3% and PIS is charged at 0.65% (therefore a combined rate of 3.65%). Credits are not permitted which makes the taxes cumulative throughout the supply chain (financial entities are subject to a different cumulative system). Companies who elect the Estimated Profit Method are subject to the cumulative regime
- importation of goods: PIS and COFINS are also due on the customs clearance of goods at the rates of 2.10% (PIS) and 9.65% (COFINS). It is allowing to the company register credits related to these social contributions due on import process. And addition rate of 1% could be apply to COFINS with regard some specific products.

PIS and COFINS are also due upon the payment, credit, delivery or remittance of the amounts related to the importation of services. In general, PIS and COFINS are not levied on export transactions.

State

ICMS (State Value Added Tax)

ICMS is a type of value added state tax generally levied on imports (customs clearance), sales, transfers and other transactions involving goods, inter-municipal and inter-state transportation services and communication services (including electricity).

For imports of goods and transactions within the same State, the regular ICMS rates are from 17% to 19%. However, for some specific goods, the applicable rate on import operations and sales within the State may be different from the regular ones. When transactions involve two different States, the rates are 7% or 12% depending on the States involved. The applicable rate is 4% on interstate transactions with imported goods, irrespective of the States involved, with some minor exceptions.

ICMS is also due either when a product is resold in the domestic market or when it is physically moved from a manufacturing facility.

ICMS taxpayers are entitled to a tax credit at the amount of the tax paid in the previous transaction with the same goods (inputs), provided the purchaser is an ICMS taxpayer with respect to that product. The tax credit may be offset against future ICMS payables.

Municipal

ISS (Municipal Services Tax)

ISS is a municipal tax on certain services listed by the federal government, specifically those informed on the Complementary Law (116/2003). The taxable basis of ISS is the price or value of the service rendered. The rates vary from 2% to 5%, depending on the municipality where the service provider or importer is located, and the type of service. In some cases, ISS is due on the place of the service is provided.

Imported services are also subject to ISS taxation regardless of whether the service is performed abroad, if its results are observed in Brazilian territory. Exported services are tax exempt, since certain conditions are met.

ISS is a single stage tax with no right of credit for ISS previously paid. Please note that there are more than 5,000 municipalities in Brazil, each one with its specific rates and regulations about ISS calculation, but always observing the rates from 2% to 5%.

Is there a registration limit for the tax?

No. Registration is mandatory upon commencement of legal entity activity.

Is there any specific legislation to tax non-resident supplies of electronically supplied/digital services to private consumers resident in your country?

No, there is currently no specific legislation to tax non-resident supplies of electronically supplied services to private consumers in Brazil.

Does a non-established business need to appoint a fiscal representative in order to register?

Only legal entity regularly established in Brazil may register for ICMS, IPI, ISS, PIS and COFINS. Therefore, a business will need to create a permanent establishment in Brazil in order to register for indirect taxes.

How often do returns have to be submitted?

IPI and ICMS returns are submitted monthly basis through electronic file named EFD, which is part of Public Digital Bookkeeping System (SPED)

Also, ICMS tax payers are also demanded to submit a State return on a monthly basis, and whose named could vary from one State to another (GIA, DAPI, among others).

- ISS returns are generally due on a monthly basis (but frequency may differ between municipalities). ISS returns are generally due on a monthly basis, but its layout and presentation are determined by each Municipality. In some cases, the Municipality System used to issue the Services Electronic Invoices (NFS-e) already has all the information related to tax invoices issued in the period and none specific return is demanded to be submitted.

PIS and COFINS taxpayers must submit the EFD – Contributions on a monthly basis, which is also part of Public Digital Bookkeeping System (SPED).

Are penalties imposed for the late submission of returns/ payment of tax?

Yes. Penalties can be imposed for errors,omissions and delay in the submission of indirect taxes returns.

Are any other declarations required?

Public Digital Bookkeeping System (SPED) was created to standardize and digitize the presentation oof information from the taxpayers to tax authorities. Businesses must generally file, monthly or annually, all account and tax information available based on a standard uniform electronic format.

SPED is composed of five major areas, including the Nota Fiscal Eletrônica (NF-e). NF-e is a digital fiscal document issued and stored electronically, allowing real-time tracking and monitoring of business transactions by the Brazilian Tax Authorities.

Are penalties imposed in other circumstances?

Yes. A range of penalties can be imposed where businesses do not comply with the indirect tax rules.

Can the VAT incurred by overseas businesses be claimed if they are not registered in Brazil?

No, there is no mechanism to refund any form of indirect tax incurred by businesses that are neither established nor registered in Brazil.

What information must a VAT invoice show?

Electronic invoicing in the format of the Nota Fiscal Eletrônica (NF-e) is mandatory for most Brazilian legal entities, which issue an XML file that contains the information required, and this must be digitally signed with a digital certificate in order to guarantee the integrity of the data and the issuer's identity. The tax authority makes an initial evaluation of the NF-e and sends an authorization for definitive issuance.

Please note that the invoicing requirements may vary from city to city and from state to state.

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The British Virgin Islands

The British Virgin Islands currently do not have an indirect tax system.

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Canada

Indirect tax snapshot

What are the current rate(s) of indirect tax?	• The Goods and Services Tax (GST) applies federally at 5% to all goods and services unless specifically exempt or zero-rated under the legislation. • The Harmonized Sales Tax (HST) is made up of the federal GST plus a provincial component. The HST applies to supplies made in the Harmonized provinces of Newfoundland and Labrador, New Brunswick, Ontario, Nova Scotia and Prince Edward Island. The HST rate is between 13% and 15%. • Quebec Sales Tax (QST) currently applies at the rate of 9.975% – this is a provincial value added tax that applies on the consideration for the supply of all goods and services in the province of Quebec, unless the supplies are exempt or zero-rated.
Are there any confirmed or anticipated changes to these rates?	No. However, the province of Manitoba has announced a 1% rate decrease to 7% for 2021.
What is the principal indirect tax?	GST/HST and QST are value added taxes that represent the principal indirect tax in Canada. Three provinces continue to administer their own retail sales tax. Provincial retail sales taxes apply in British Columbia, Saskatchewan and Manitoba. The provincial sales tax (PST) rate varies from 5% to 8%.
Is there a registration limit for the tax?	Yes. Any person carrying out business in Canada, including a non-resident, is required to become registered for GST/HST if their worldwide taxable sales exceed the registration threshold of $30,000 annually ($50,000 annually if the person is a public service body).
Does the same registration limit apply to non-established businesses?	Yes.
Does a non-established person need to appoint a fiscal representative in order to register?	No. Non-residents without a permanent establishment in Canada are required to post security with the taxing authority. The security is equal to 50% of the estimated net tax of the person with a minimum of $5,000 and a maximum of $1,000,000.
How often do returns have to be submitted?	Once registered, GST/HST and QST registrants are required to file returns on a monthly, quarterly or annual basis depending on their annual sales made in Canada. Special returns may be required for financial institutions.
Are penalties imposed for the late submission of returns/payment of tax?	Yes. If a GST/HST and QST return, or the corresponding payment, is submitted late a penalty can be imposed.
Are any other declarations required?	Yes. Provincial sales tax returns may be required, as well as other returns for specific tax purposes such as insurance tax.
Are penalties imposed in other circumstances?	Yes. Penalties can be imposed for a range of errors or omissions.
Can the tax incurred by overseas businesses be claimed if they are not registered in your country?	For the most part no, only registered organizations may recover the GST/HST or QST. However in limited circumstances the tax paid on goods imported into Canada may be claimed by another party but it should be reviewed first and there are some very limited rebates available to qualifying non-residents.

What is the principal indirect tax?

Canadian sales taxes are levied at both the federal and provincial level. The federal government administers the value-added GST and HST. Federal audits and administration is undertaken by the Canada Revenue Agency (CRA), except in Quebec where Revenue Quebec administers both GST/HST and QST for most registrants except certain financial institutions. The other provinces administer their own provincial sales tax.

GST/HST

The GST applies to taxable supplies made in Canada at the rate of 5%, unless HST is applicable as described below.

GST is a value added tax that applies to the value of the consideration charged on most goods and services supplied or imported into Canada. Most GST registrants are entitled to recover the GST/HST paid on expenditures by claiming an input tax credit (ITC) if the expenditures are used in commercial activities, or rebates in limited circumstances may be available.

The provinces of Newfoundland and Labrador, New Brunswick, Nova Scotia, Ontario and Prince Edward Island have repealed their provincial sales taxes and have adopted the HST (combined rate of the 5% GST and a provincial component). When a supply is made within these participating provinces, HST applies instead of GST. The tax base for GST and HST is the same. The HST rate is currently 13% in Ontario, 15% in Nova Scotia, Newfoundland and Labrador, New Brunswick and Prince Edward Island.

Specific place of supply rules determine in which province the supply is deemed to have occurred and which rate of GST or HST will apply. These rules have been in place since 1 May 2010.

Certain goods and services, such as exports, basic groceries and prescription drugs are generally zero-rated, ie taxed at 0%. GST/HST is not collected on zero-rated supplies but the supplier is entitled to claim ITCs for the GST or HST paid on related inputs.

Goods and services such as financial services, health and educational services are exempt. No GST or HST is charged on exempt supplies. However, unlike zero-rated supplies, ITCs cannot be claimed by the supplier for expenditures related to making exempt supplies. Certain public sector bodies such as charities may be entitled to prescribed rebates.

QST

The Quebec Sales Tax (QST) is also a value added tax and applies only to taxable supplies made in the province of Quebec. Generally, both GST and QST apply on the same goods and services. These taxes are stated separately on the invoice. The rules governing the application of QST have generally been harmonized with those for GST. Most QST registrants are entitled to recover QST paid on expenditures by claiming an input tax refund (ITR) if the expenditures are used in commercial activities, or in certain circumstances rebates.

QST currently applies at the rate of 9.975% on the consideration for the supply.

Although Quebec essentially harmonized the QST with the GST effective 1 January 2013, they continue to maintain a separate tax regime with separate registration and reporting. Revenue Quebec also administers the GST/HST for businesses located in Quebec except for certain financial institutions.

Large businesses

Large businesses in Ontario and Prince Edward Island with revenues in excess of $10 million for the associated group are subject to reporting and recapture of the provincial component of the HST on certain expenses. These recapture rules effectively restrict refunds in respect of the provincial component of the tax five categories of expenses: meals and entertainment, motor vehicles, fuel for motor vehicles (other than diesel), telecommunications and energy not used in manufacturing. The recaptured input tax credits (RITCs) will be at the rate of 100% of the provincial component of the tax for the first five years and will then gradually be phased out over a three year period. Once eliminated, there will be a full recovery of the tax on these expenses in Ontario effective 1 July 2018 and in Prince Edward Island effective 1 April 2021.

The same restrictions apply in Quebec although the compliance requirements differ. For QST purposes, large businesses with revenues in excess of $10 million for the associated group are restricted from claiming refunds of ITRs on the same categories of expenses. Quebec has announced that they will also phase out the ITR restrictions over a three year period for large businesses starting 1 January 2018 with restrictions being fully eliminated effective 1 January 2021.

Is there a registration limit for the tax?

Any person carrying on business in Canada, including a non-resident, is required to become registered for GST/HST if their worldwide taxable sales, and that of the associated group, exceeds the registration threshold of $30,000 annually. A non-resident does not need to have a permanent establishment to be required to register. Once a person is considered to be carrying on business in Canada and makes a taxable supply in Canada, they are required to register provided their worldwide revenue has exceeded $30,000. A slightly higher threshold of $50,000 is available for public sector bodies such as charities and not-for-profit organizations.

In certain cases, voluntary registration may be permitted for residents or non-residents who are not required to become registered but wish to collect tax and recover the tax they pay.

QST registration is similar to the GST/HST registration requirements for a business being carried on in the province of Quebec; however, there are certain restrictions for non-residents of Canada voluntarily registering for QST and Quebec imposes a registration obligation on Canadian organizations that sell goods to consumers in Quebec.

Registration in the other provinces depends on a number of factors. The revenue threshold is $10,000. Most provinces look to the presence and activities being carried on in the particular province to determine registration. Manitoba and British Columbia specifically require non-residents of the province to register if taxable sales are made and there is direct marketing in their province.

Does the same registration limit apply to non-established businesses?

Yes. The key test though for a non-established business is if they are considered to be carrying on business in Canada. The CRA will look to a number of factors to make this determination.

Does a non-established business need to appoint a fiscal representative in order to register?

No. Non-residents without a permanent establishment in Canada are required to post security with the taxing authority.

The security is equal to 50% of the estimated net tax of the person with a minimum of $5,000 and a maximum of $1,000,000. Non-residents also have to agree to make their books and records available in Canada for review, or agree to pay the cost for the CRA to travel to complete an audit.

How often do returns have to be submitted?

Once registered, GST/HST and QST registrants are required to file returns on a monthly, quarterly or annual basis depending on their annual sales made in Canada. The GST and HST are filed on the same return with no requirement to account or report the two taxes separately. The QST is typically a separate filing in the province of Quebec, but in limited cases a joint GST/HST and QST return is permitted to be filed.

Monthly returns are required if the Canadian taxable revenue of the person and the associated group is over $6 million. Quarterly returns are required if the taxable revenue of the person and the associated group is over $1,500,000 and is $6 million or below. Annual filing is required where the revenue is $1,500,000 or below. A person can elect to file more frequently if so desired and would do so if refunds are anticipated. Electronic filing may also be mandatory.

Returns are due within one month after the reporting period for monthly and quarterly filers and within three months for annual filers. Any net payable for a reporting period must be paid at the time of filing. Annual filers are required to make quarterly instalments after their first year.

If the return is in a net refund (credit) position, the refunds will be paid out to the registrant. The registrant must have the required documentary support on hand prior to making an ITC or ITR claim on the return.

Group or consolidated filing is generally not permitted federally. Each entity must file on its own. Certain exceptions may occur with an election for eligible investment plans. Where tax is remitted by the wrong person, CRA may still assess the other entity for failure to remit tax.

Returns are prepared on an accrual basis at the time the supply is made and not on a cash basis. If a customer fails to pay for the taxable goods or services purchased and the supplier has remitted the respective federal and provincial sales taxes on the supply, the supplier may claim partial bad debt relief from the respective taxing authorities. However, the supplier must have exhausted all other means to collect the debt and the debt must be written off from the supplier's books and records in order to be eligible for the relief and

The relief itself does not necessarily equal the tax; the amount is prorated depending on the amount of consideration already received.

The federal government and the respective provincial governments have instituted systems of penalties in their tax legislation to discourage failure to comply with their respective sales tax system. In addition, interest is charged on amounts outstanding. These interest and penalty amounts are generally not deductible for income tax purposes.

Are penalties imposed for the late submission of returns/ payment of tax?

A penalty may be imposed by the tax authority if GST/HST and QST returns are not submitted on time, or the related tax is not paid by the due date.

Are any other declarations required?

Certain information returns may also be required for financial institutions including pension plans.

Are penalties imposed in other circumstances?

Yes. A range of penalties can be imposed where businesses do not comply with the GST/HST and QST rules.

Penalties and interest can be applied for errors and omissions made on tax returns or where the tax is paid late. Penalties can also be applied where the business has failed to maintain adequate records, provide information (including additional declarations), or makes repeated mistakes.

Criminal proceedings may be brought in the case of more serious matters.

Can the VAT incurred by overseas businesses be claimed if they are not registered in Canada?

Generally, only GST/HST registered organizations may recover the VAT incurred. Non-registered business may not usually recover the tax unless the tax was paid in error (for example on qualifying zero-rated exports); there are limited rebates and some instances where tax on import may be claimed by another party.

To help minimize the instance of unrecoverable tax incurred by non-resident businesses, the Canadian GST/HST system has numerous zero-rating provisions related to services and supplies made to non-residents. These provisions should be reviewed carefully by any non-resident person acquiring supplies from Canadian suppliers.

What information must a VAT invoice show?

An invoice must show:

- an invoice number which is unique and sequential
- the supplier's name or business name, or the name of an intermediary
- the invoice date
- total amount of invoice
- amount of applicable tax
- supplier's GST/HST and QST registration numbers
- purchaser's name or business name
- terms of payment
- a description sufficient to identify the goods or services supplied to the customer.

It is important to note that the tax authorities are very strict in regards to a person obtaining the required supporting documentation for ITC and ITR purposes.

Other taxes

Provincial sales taxes

Most other provinces impose their own retail sales tax (RST). Unlike the GST/HST and the QST, the RST is not a value added tax and is not recoverable. The provincial RST is generally applicable on most tangible personal property and services for the repair, maintenance, installation, and other services related to such taxable property. Real estate, royalties and intangible personal property are not generally taxable for RST purposes with the exception of software. Most software and related services, other than specifically defined custom software, are subject to the provincial RST.

The rules vary by province and organizations are cautioned to carefully review the respective provisions, as what is exempt in one RST province may not be exempt in an another.

RST is administered in each of the provinces of Manitoba, Saskatchewan, and British Columbia. The tax application and registration requirements can vary by province. Generally, the RST rates vary from 6% to 8%. Special rates can apply to the sale of alcohol, insurance and admissions and luxury vehicles.

All RST provinces have unconditional exemptions for certain supplies such as basic groceries, health supplies and books. Conditional exemptions also apply to goods purchased for the purpose of resale and in some provinces, certain machinery and equipment used directly in manufacturing goods for resale. However, exemption certificates or other exempting documentation must be obtained by the vendor to support the exemption and registration may be required to provide such documentation.

Provincial RST returns are generally filed on a monthly basis and in Manitoba and Saskatchewan are due 20 days following the end of the reporting month. Some relief is available to file on a less frequent basis but only for very small or seasonal filers. Returns in British Columbia are due to be filed on the last day of the month following the reporting month and must be filed electronically where annual sales exceed $1.5 million.

The province of Alberta does not have an RST at this point in time and years ago the provinces of Newfoundland and Labrador, Nova Scotia and New Brunswick eliminated their RST and harmonized their tax with the federal GST to create the federal HST. Up until the end of June 2010, the province of Ontario also had a retail sales tax. British Columbia was an HST participating province from 1 July 2010 but reverted back to an RST system 1 April 2013.

Furthermore, the following additional taxes may apply:

- specific taxes
- a provincial sales tax continues to apply on insurance premiums including but not limited to the provinces of Ontario and Quebec
- excise taxes
- environmental levies.

Are there any current or anticipated Standard Audit File for Tax (SAF-T) or similar electronic/digital filing requirements, eg invoice listing data file/real-time VAT reporting?

While there is no SAF-T requirement in the Canada – the CRA requires organizations that maintain electronic records to be able to provide such records on audit. This is not a new requirement but has been in place for years. Nothing though is required to be submitted or linked with the submission of a return.

Certain jurisdictions, like Quebec, also require certain software to be included in certain end user industries, ie restaurants, to ensure completeness and accuracy of records.

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Caribbean Netherlands

Indirect tax snapshot

What are the current rate(s) of indirect tax?	• Standard rate of 8% for goods in Bonaire • Standard rate of 6% for services in Bonaire • Rate of 7% for insurance in Bonaire • 25% for cars (0% for energy-efficient cars) in Bonaire • Standard rate of 6% for goods in Saba and Sint Eustatius • Standard rate of 4% for services in Saba and Sint Eustatius • Rate of 5% for insurance in Saba and Sint Eustatius • 18-30% for cars (0% for energy-efficient cars) in Saba and Sint Eustatius • 0% for most basic necessities (such as food and health care).
Are there any confirmed or anticipated changes to these rates?	No.
What is the principal indirect tax?	Expenditure tax (in Dutch: Algemene bestedingsbelasting or ABB) is the principal indirect tax in the Caribbean Netherlands (CN). It is a tax on consumer expenditure and is collected on business transactions and imports.
Is there a registration limit for the tax?	No. Each entrepreneur needs to register.
Does the same registration limit apply to non-established businesses?	No, non-established businesses only must register if they sell goods in the CN.
Does a non-established person need to appoint a fiscal representative in order to register?	In certain circumstances, a non-established person may be directed by the CN tax authority to appoint a fiscal representative.
How often do returns have to be submitted?	Most businesses are required to submit quarterly sales tax returns.
Are penalties imposed for the late submission of returns/payment of tax?	Yes. If an ABB tax return, or the corresponding payment, is submitted late a penalty can be imposed.
Are any other declarations required?	No.
Are penalties imposed in other circumstances?	Yes. Penalties can be imposed for a range of errors or omissions.
Can the tax incurred by overseas businesses be claimed if they are not registered in your country?	No.
Deduction of sales tax	The CN does not allow for a deduction of input ABB on output ABB.

What is the principal indirect tax?

Expenditure Tax (Algemene Bestedings Belasting or ABB) is the main type of indirect taxation in the CN.

It is a tax on consumption which is applied at import or production of most goods and at delivery of services. Although ABB is ultimately borne by the consumer by being included in the price paid, the responsibility for charging, collecting and paying it to the tax authority at each stage of the process rests with the business making the supply, ie the sale.

A business registered for the tax will charge ABB (output tax) on its sales. There is no deduction of ABB incurred.

An entrepreneur must file a monthly tax return and pay any amount due within 15 days from the end of each month.

A transaction, other than import of goods, is within the scope of ABB if the following conditions are met:

- it is a supply of goods by the producer or a supply of services. Although the term 'supply' is not defined in the legislation, it has a broad interpretation
- it takes place in the CN
- it is made by a taxable person. For these purposes, a taxable person is a person or entity who is registered for ABB in the CN, or has a liability to become registered
- it is made in the course or furtherance of any business carried on by that person or entity.

There are different rates for Bonaire and for Saba and Sint Eustatius.

In Bonaire a rate of 8% applies to goods at the time of import and in case of sale by the producer. Sale of goods by another person than the producer is not subject to ABB. Import (or production) of passenger cars is subject to 25% except energy-efficient cars that are exempt from ABB.

Services are subject to 6% except insurance which is subject to a rate of 7%.

An exemption (0%) applies to most basic food products and specific services such as healthcare.

In Saba and Sint Eustatius a rate of 6% applies to goods at the time of import and in case of sale by the producer. Sale of goods by another person than the producer is not subject to ABB. Import (or production) of passenger cars is subject to a rate of 18-30% except energy-efficient cars that are exempt from ABB.

Services are subject to 4% except insurance which is subject to a rate of 5%.

An exemption (0%) applies to most basic food products and specific services such as healthcare.

Most goods imported into the CN are subject to ABB. The tax will have to be paid by the importer at the time of importation. There is no customs duty in the CN.

Is there a registration limit for the tax?

A 'person' who either makes or intends to make taxable supplies of goods or services in the course or furtherance of a business must register for ABB.

If the value of the turnover does not exceed a threshold of US$ 20,000 per annum, the entrepreneur can request the small business exemption. In that case he does not have to pay the ABB and can file a yearly return. This exemption only applies to natural persons, not to legal entities.

Two or more corporate bodies can be registered together as an ABB entrepreneur if they work together in the form of a partnership or joint venture. In that case the partnership or joint venture needs to register as a business for ABB purposes.

A penalty may be imposed by the tax authority if a business fails to register at the correct time.

Does the same registration limit apply to non-established businesses?

Businesses who are not established in the CN, but for the purposes of the tax are providing taxable services there will need to register for ABB as soon as they commence providing these services in the CN.

Does a non-established business need to appoint a fiscal representative in order to register?

A non-established business needs to appoint a fiscal representative at the time of registration in case:

i it is a taxable person or makes taxable supplies in the CN
ii it is not established, and does not have a 'fixed establishment' in the CN
iii in the case of an individual, he does not have his 'usual place of residence' in the CN.

Is there any specific legislation to tax non-resident supplies of electronically supplied/digital services to private consumers resident in your country?

No.

How often do returns have to be submitted?

ABB returns normally cover an accounting period of three calendar months, ending on the last day of each quarter. Depending on the size of the turnover and the tax due, the tax inspector can order the filing of a monthly or yearly tax return.

All ABB returns must be submitted within 15 days of the end of the relevant accounting period, together with any tax due. There is no additional period for electronic filing or payment. If the last day of the filing and payment obligation falls on a weekend or a national holiday, the filing/payment period is extended to the next workday.

Are penalties imposed for the late submission of returns/ payment of tax?

A default surcharge penalty may be imposed by the tax authority if ABB returns are not submitted on time, or the related tax is not paid by the due date.

For the first late submission or payment, the tax authority will issue a notification to the taxpayer confirming that a penalty may be imposed in the future. If another submission or payment is late within the next 24 months, a fixed percentage penalty is imposed on that occasion. The percentage penalty is increased for subsequent defaults (up to a specified maximum), unless returns and the related payments are made on time for a 24-month period.

Are any other declarations required?

No.

Are penalties imposed in other circumstances?

Yes. A range of penalties can be imposed where businesses do not comply with the ABB rules.

Civil penalties and interest can be applied for errors and omissions made on tax returns, or where the tax is paid late. Penalties can also be applied where the business has failed to maintain adequate records, provide information (including additional declarations), or makes repeated mistakes.

Criminal proceedings may be brought in the case of more serious matters.

Can the ABB incurred by overseas businesses be claimed if they are not registered in the CN?

No. the CN does not allow for claiming ABB incurred.

What information must a ABB invoice show?

An ABB invoice must show:

- the invoice date
- an invoice number which is unique and sequential
- the seller's name (or trading name) and address
- the seller's tax registration number
- the customer's name and address
- a description sufficient to identify the goods or services supplied to the customer
- the quantity of goods or the extent of the services
- the time of supply if this is different from the invoice date
- the total amount of the invoice, including any cash discounts
- the total amount of ABB charged expressed in US$.

ABB invoices can be issued, received and stored in electronic format and there is no need to tell the tax authority. Electronic invoices must contain the same information as paper invoices. The method used to ensure the authenticity of origin, the integrity of content and legibility of the invoices is a business choice and can be achieved by any business controls which create a reliable audit trail between an invoice and a supply of goods or services.

Are there any current or anticipated Standard Audit File for Tax (SAF-T) or similar electronic/digital filing requirements eg invoice listing data file/real-time VAT reporting?

There is no specific electronic/digital filing requirement in the CN for ABB purposes.

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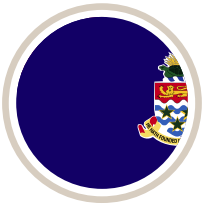

Cayman Islands

The Cayman Islands currently do not have an indirect tax system.

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Chile

Indirect tax snapshot

What are the current rate(s) of indirect tax?	Standard flat rate of 19% for goods and services.
Are there any confirmed or anticipated changes to these rates?	No.
What is the principal indirect tax?	Value Added Tax (VAT) is the principal indirect tax in Chile. VAT is charged on all recurring sales and some specific services, whether recurrent or not.
Is there a registration limit for the tax?	No. All taxpayers that make transactions subject to VAT must pay this tax.
Does the same registration limit apply to non-established businesses?	Not applicable, there is no limit.
Does a non-established person need to appoint a fiscal representative in order to register?	A non-established person that has operations in Chile must appoint a fiscal representative.
How often do returns have to be submitted?	Taxpayers must submit a tax return on a monthly basis.
Are penalties imposed for the late submission of returns/payment of tax?	Yes. If a VAT return, or the corresponding payment, is submitted late then a penalty can be imposed.
Are any other declarations required?	Yes. Certain luxury items and beverages are subject to sales tax in addition to VAT, at rates that vary according to the type of items sold. Fuels and gas are also subject to sales tax in addition to VAT.
Are penalties imposed in other circumstances?	Yes. Penalties can be imposed for a range of errors or omissions.
Can the tax incurred by overseas businesses be claimed if they are not registered in your country?	No, you must be registered to claim tax refunds.

What is the principal indirect tax?

Value Added Tax (VAT) is the main type of indirect taxation in Chile. The VAT rate is a flat rate of 19%.

In general, VAT is applicable on the price charged for the following transactions:

- sales of tangible goods provided by habitual sellers performing such transactions on a recurrent basis
- services, whether habitual or not, that can be considered commercial, industrial, financial, or related to mining, construction, insurance, advertising or other commercial activities
- imports, whether habitual or not
- transactions deemed by the VAT law as 'sales' and 'services'. Examples of these transactions are:
  - the leasing of tangible goods and of real estate that includes furniture in general or equipment which fits the property for commercial or industrial use
  - regular/habitual sale of new real estate
  - royalties or lease payments for the use of patents, trademarks or similar rights
  - constructions of any kind when built totally or partially by construction companies
  - fixed assets sales
  - withdrawal of tangible assets from inventory
  - interest accrued in a sale on credit.

Among the transactions not subject to VAT are:

- professional and technical assistance services
- sales of used vehicles, if the same requirements are met
- interest on loans and securities
- lease of real estate under some circumstances
- exports
- real estate transfer under some circumstances
- international freight, both by air and sea.

The VAT paid on imports, purchases, and services received (tax credit) is deducted from the VAT due on sales and services rendered (tax debit). The vendor or the service provider must file a monthly tax return and pay a net debit the twelfth day of the subsequent month. If the taxpayer is an electronic biller, the tax return can be pay by internet until the 20th of that month.

Is there a registration limit for the tax?

There is no registration limit for this tax.

Every 'person' or 'legal entity' that has operations in Chile, either for sales of goods or services rendered, must register at the Chilean Internal Revenues Service (IRS).

This tax also applies to the Treasury, semi-public institutions and autonomous bodies of the state administration, municipalities and enterprises belonging to them or in which these agencies have participation.

Imports are subject to the same 19% rate, whether regular or not, made by any natural or legal person.

The tax must be declared and paid monthly. Its amount corresponds to the difference between the tax debit and the tax credit. If the difference results in a remnant, there is a mechanism that allows for using it in future periods.

VAT contained in the invoices receipt can form part of the VAT credit only the month it is received, plus two additional months.

Exporters are exempt for the sales that are made abroad, having the right to recover VAT paid against the purchase of goods or use of services for the export activity.

A penalty may be imposed by the tax authority if a business fails to register at the correct time.

Does the same registration limit apply to non-established businesses?

VAT registration also applied for businesses that are carried out in Chile by foreign persons or entities. This registration applies without limit.

Does a non-established business need to appoint a fiscal representative in order to register?

The tax authority in Chile may direct a person to appoint a VAT representative to act on his behalf for the purpose where the person:

- is a taxable person or makes taxable supplies or acquires goods in Chile
- is not established, and does not have a 'fixed establishment' in Chile
- in the case of an individual, the 'usual place of residence' is not in Chile.

Is there any specific legislation to tax non-resident supplies of electronically supplied/digital services to private consumers resident in your country?

Payments abroad are subject to different additional tax rates. As they are subject to additional tax they are exempt of VAT.

How often do returns have to be submitted?

VAT returns cover an accounting period of one month, ending on the last day of a calendar month.

As said, on a monthly basis, VAT taxpayers may deduct their VAT credit from their VAT debit. The excess of VAT debit should be declared and paid monthly. On the contrary, if in a given month the VAT credit exceeds the VAT debit, the remaining VAT credit balance is carried forward and cannot be refunded in cash. A refund in cash is available only for VAT credit derived from the acquisition of fixed assets where a credit balance persists for at least six month.

In general, only registered VAT taxpayers can benefit from VAT credits.

Are penalties imposed for the late submission of returns/ payment of tax?

A penalty is imposed by the tax authority if VAT returns are not submitted on time, or the related tax is not paid by the due date.

The delay or omission in the presentation of statement that are not the immediate basis for determining tax, is punishable by a fine ranging between USD $82 and USD $972 approx.

The delay in paying taxes to the Treasury, subject to withholding or surcharge is punishable by a fine of 10% of the taxes owed. The fine will increase by 2% for each month or fraction of a month of delay, which cannot exceed 30% of the tax due.

If the failure is detected by the Chilean IRS the fine will be 20%, and reach a maximum of 60%.

Are any other declarations required?

In Chile, taxpayers must also pay indirect taxes for alcoholics (ILA), fuels (IEPD), gas (GLP) and luxury goods.

These indirect taxes must be paid through the same tax return that the VAT returns. The rates of these taxes vary according to the class of item sold.

Are penalties imposed in other circumstances?

Yes. A range of penalties can be imposed where businesses do not comply with the VAT rules.

Fines and interest can be applied for errors or omissions made on tax returns, or where the tax is paid late. Penalties and interests can also be applied where the business do not maintain adequate records. Criminal proceeding may be brought in the case of more serious matters.

Can the VAT incurred by overseas businesses be claimed if they are not registered in Canada?

No, VAT cannot be reclaimed by cross borders businesses if these are not registered as having operations in Chile.

What information must a VAT invoice show?

A VAT invoice must show:

- an invoice number which is unique and sequential
- the seller's name and address
- the seller's VAT registration number
- the invoice date
- the detail of the waybill if the supply is made in a previous day
- the customer's name and address
- a description sufficient to identify the goods or services supplied to the customer
- the rate of any cash discount
- the total amount of VAT charged expressed in Chilean pesos.

For each different type of item listed on the invoice, the following must be shown:

- the unit price or rate, excluding VAT
- the quantity of goods or the extent of the services
- the rate of VAT (19%)
- the total amount payable, excluding VAT.

Invoices must be issued in electronic format. VAT must be declared according to the information that the Chilean IRS has of the company, as the Chilean IRS has a control of all invoices issued.

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Colombia

Indirect tax snapshot

What are the current rate(s) of VAT?	• Standard rate of 19% for most goods and services. • Reduced rate of 5% for some goods like coffee, even roasted or decaffeinated, wheat, oats, corn and rice for industrial use, grain sorghum, wheat flour, sausage and services like surveillance, supervision, concierge, cleaning and temporary employment services. • Zero-rated goods like beef, pork, sheep and goat meat; fish, shrimp, milk, eggs, baby milk and also for services that are provided inside Colombia but used abroad, because the service is understood as exported. When the service is provided from abroad to a Colombian resident, it will be taxed with VAT.
Are there any confirmed or anticipated changes to these rates?	No.
What is the principal indirect tax?	Value Added Tax (VAT) is the principal indirect tax in Colombia. It is a tax on consumer expenditure, and is collected on business transactions and imports.
Is there a registration limit for the tax?	Yes. It relates to the annual turnover of taxable transactions in Colombia, and once the limit has (or will be) reached it is necessary to register.
Does the same registration limit apply to non-established businesses?	There is no obligation of registration in Colombia.
Does a non-established person need to appoint a fiscal representative in order to register?	Does not apply.
How often do returns have to be submitted?	Most businesses are required to submit VAT returns covering two month accounting periods. Returns can also be submitted on a quarterly basis.
Are penalties imposed for the late submission of returns/payment of tax?	Yes. If a VAT return, or the corresponding payment, is submitted late a penalty can be imposed.
Are any other declarations required?	There are not additional declarations required.
Are penalties imposed in other circumstances?	Yes. Penalties can be imposed for a range of errors or omissions.
Can the tax incurred by overseas businesses be claimed if they are not registered in your country?	It is not possible for businesses that are not registered in Colombia.
Deduction of VAT	All the VAT paid in the bought and the rendering of services can be deducted.

What is the principal indirect tax?

In Colombia, the Value Added Tax is the main indirect tax, which is monitored and controlled by our tax authority.

It is a tax on consumption which is applied during the production and distribution process to most goods and services, thus, is paid by the final consumer, being responsibility for the collection the person that invoice the goods and services, and the responsibility for the payment the acquirer of them.

It also applies for the imported goods, and services rendered by non-residents.

The general rate is 19% and is applied in the moment of the billing.

The Colombian regulation in force dispose some benefits for exporting businesses, which have the right to ask for the reimbursement of the credit balance of the VAT in the corresponding declarations.

Depending on the income of the previous year, VAT declarations has to be submitted every two or four months.

Is there a registration limit for the tax?

Yes there is and it depends on the income received in the year.

Does the same registration limit apply to non-established businesses?

Applies only for people and local businesses, it does not apply for non-residents businesses.

Is there any specific legislation to tax non-resident supplies of electronically supplied/digital services to private consumers resident in your country?

Some computer devices are VAT excluded, also computation services in the cloud.

Does a non-established business need to appoint a fiscal representative in order to register?

It does not apply in Colombia.

How often do returns have to be submitted?

Depending on the income of the previous year, VAT declarations has to be submitted every two or four months.

Are penalties imposed for the late submission of returns/payment of tax?

Yes, there are penalties for late submission of the declarations and is calculated based on the tax to pay, if there is not a tax to pay then is over the income and if there is no income, then is calculated over the equity.

Are any other declarations required?

In relation to VAT, there are no additional declarations required.

Are penalties imposed in other circumstances?

Yes, there are penalties due if the person who submitted the declaration is not the indicated, the information filed on the declaration is inaccurate, wrong filling, or for not updating the information toward the tax authority.

Can the VAT incurred by overseas businesses be claimed if they are not registered in Colombia?

It does not apply in Colombia.

What information must a VAT invoice show?

A VAT invoice must:

1. be denominated expressly as sale invoice
2. show the last and first name or business name and Tax ID Number of the seller or who provides the service
3. show the last and first name or business name and Tax ID Number of the acquirer of the goods or services, together with the discrimination of the VAT paid
4. show a number that corresponds to sequential numeration system of invoice sales
5. show the expedition date
6. feature a specific or generic description of the goods sold or services rendered
7. include the total value of the operation
8. show the name or business name and Tax ID Number of the printer of the invoice
9. indicate the quality of the withholding agent of the sales tax.

Are there any current or anticipated Standard Audit File for Tax (SAF-T) or similar electronic/digital filing requirements eg invoice listing data file/real-time VAT reporting?

It does not apply in Colombia.

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Costa Rica

Indirect tax snapshot

What are the current rate(s) of ITBIS?	In Costa Rica, VAT is currently named General Sales Tax (GST) and it's taxed at a reduced base compared to a VAT system. • Standard rate of 13% for most goods and specific services. • Reduced rate of 5% for electrical energy consumption in the residential sector • Most services have a zero-rate.
Are there any confirmed or anticipated changes to these rates?	The Legislative Assembly is currently discussing a reform project to convert the GST system into a VAT system and it may arrange changes to the applicable rates.
What is the principal indirect tax?	General Sales Tax (VAT) is the principal indirect tax in Costa Rica. There is also a Selective Consumption Tax applicable to imports and local production of some goods.
Is there a registration limit for the tax?	Not applicable.
Does the same registration limit apply to non-established businesses?	Not applicable.
Does a non-established person need to appoint a fiscal representative in order to register?	Yes. The non-established person must appoint a fiscal representative, who could be resident or non-resident in Costa Rica.
How often do returns have to be submitted?	Monthly.
Are penalties imposed for the late submission of returns/payment of tax?	Yes. A penalty is imposed if the VAT return is submitted late according to article 79 of Tax Code: 50% of a basic salary.
Are any other declarations required?	Yes. An informative statement of the sales and purchases of goods and services higher than 2.500.000 colones (local currency).
Are penalties imposed in other circumstances?	Yes, penalties can be imposed for a range of errors or omissions, due to the late payment of the tax, resistance to administrative control or repetitive failure to provide information to the administration.
Can the tax incurred by overseas businesses be claimed if they are not registered in your country?	No. There is no possibility to claim a VAT paid in other country.
Deduction of ITBIS	The seller charges the GST on its sales and the tax paid on its purchases can be used as a credit. The difference between both will be the amount of GST payable to tax authority.

What is the principal indirect tax?

Value Added Tax or General Sales Tax (GST) is the main type of indirect taxation in Costa Rica. It levies the sales of goods and certain services. A transaction will be subject to GST if it takes place in Costa Rica by a taxable person, that supplies sales of goods and services in the usual way.

The standard rate is 13%; electrical energy consumption in the residential sector has a reduced rate of 5%. Exceptionally, some services are subject to GST. There is a list of the taxed services such as restaurants, advertising, parking and hotel.

The law stipulates exemptions to the basic goods basket, exports, medicines, veterinary products, agricultural inputs, books, and other goods. The importation of goods is taxed, but the importation of services isn't.

When the vendor sells the good or the service to the consumer, the tax will be charged in the invoice. Consequently, the taxpayer is the final consumer, but the seller must withhold the VAT. Hence, the seller charges the GST on its sales and pays GST on its purchases, the difference between both will be the amount of GST payable to tax authority.

Is there any specific legislation to tax non-resident supplies of electronically supplied/digital services to private consumers resident in your country?

The non-resident suppliers of electronically supplied or digital services to resident consumers are not subject to GST in Costa Rica. The main reason is that importation of services is not taxable and they are not provided in Costa Rica as a frequent commercial activity.

Does a non-established business need to appoint a fiscal representative in order to register?

To register a non-established business with the tax authority as a taxpayer, the non-established business must appoint a fiscal representative, who could be resident or non-resident in Costa Rica. Also, the non-established business must appoint a residential agent, who will receive all the communications.

How often do returns have to be submitted?

GST returns and payment must be done on a monthly basis. The sworn statement of sales corresponding to the previous month must be submitted no later than the fifteenth calendar day of each month. At the moment of presenting it, the respective tax must be paid.

Are penalties imposed for the late submission of returns/payment of tax?

The failure of filling the statement or a late submission of the return will have a fine equivalent to fifty percent (50%) of the basic salary.

Are any other declarations required?

An informative statement of the purchases and sales of goods and the services undertaken in Costa Rica to the same person and for an amount higher than 2.500.000 colones (local currency).

Are penalties imposed in other circumstances?

Yes, penalties can be imposed for a range of errors or omissions, namely the late payment of the tax, resistance to administrative control or repeated failure to provide information to the administration.

Can the VAT incurred by overseas businesses be claimed if they are not registered in Costa Rica?

No. There is no possibility to reclaim the VAT paid in other country.

What information must a VAT invoice show?

A VAT invoice must include:

- full name of the owner or business
- registration number
- invoice number
- invoice date
- conditions of sale: cash, credit, etc
- name of the printer (imprint) and the identification data of the print out
- full name of the buyer or company name
- natural or legal identification number, if the buyer is a taxpayer
- detail of the merchandise transferred, or nature of the service provided, unit price and transaction amount expressed in national currency or foreign currency
- discounts granted
- subtotal
- amount of the selective consumption tax, when the seller is also a taxpayer of the indicated tax and the amount of any other tax
- the value of the services provided or merchandise, separating taxed and exempt
- net sale price (without tax)
- amount of the tax equivalent to the rate applied on the net sale price, with the indication 'Sales Tax' or the acronym 'VAT'
- total value of the invoice.

Electronic billing is being implemented in the country and it is mandatory for businesses to issue, receive and keep the digital invoice of all sales of goods and services.

Are there any current or anticipated Standard Audit File for Tax (SAF-T) or similar electronic/digital filing requirements eg invoice listing data file/real-time VAT reporting?

Not applicable.

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Curaçao

Indirect tax snapshot

What are the current rate(s) of ITBIS?	• Standard rate of 6% for most goods and services. • High rate of 9% for specific luxury goods such as cars, alcohol and cigarettes and services such as entertainment and car rentals. • Specific rate of 7% for short term rental accommodation and insurance. • 0% for most basic necessities (such as food and health care).
Are there any confirmed or anticipated changes to these rates?	No.
What is the principal indirect tax?	Sales tax (in Dutch: Omzetbelasting or OB) is the principal indirect tax in Curaçao. It's a tax on consumer expenditure and is collected on business transactions and imports.
Is there a registration limit for the tax?	No. Each entrepreneur needs to register.
Does the same registration limit apply to non-established businesses?	No, non-established businesses only must register if they sell goods in Curaçao.
Does a non-established person need to appoint a fiscal representative in order to register?	In certain circumstances, a non-established person may be directed by Curaçao tax authority to appoint a fiscal representative.
How often do returns have to be submitted?	Most businesses are required to submit sales tax returns covering a monthly accounting period.
Are penalties imposed for the late submission of returns/payment of tax?	Yes. If a sales tax return, or the corresponding payment, is submitted late a penalty can be imposed.
Are any other declarations required?	No.
Are penalties imposed in other circumstances?	Yes. Penalties can be imposed for a range of errors or omissions.
Can the tax incurred by overseas businesses be claimed if they are not registered in your country?	No.
Deduction of sales tax	Curaçao does not allow for a deduction of input OB on output OB, except under specific condition in case of import of trade goods.

What is the principal indirect tax?

Sales Tax (Omzetbelasting or OB) is the main type of indirect taxation in Curaçao. It is a tax on consumption which is applied during the production and distribution process to most goods and services. It is also applied to goods, and certain services, entering the country. Although OB is ultimately borne by the consumer by being included in the price paid, the responsibility for charging, collecting and paying it to the tax authority at each stage of the process rests with the business making the sale.

A business registered for the tax will charge OB (output tax) on its sales. There is no deduction of OB incurred.

An entrepreneur must file a monthly tax return and pay any amount due within 15 days from the end of each month.

A transaction is within the scope of OB if the following conditions are met:

- it is a supply of goods or services. Although the term 'supply' is not defined in the legislation, it has a broad interpretation
- it takes place in Curaçao
- it is made by a taxable person. For these purposes, a taxable person is a person or entity who is registered for OB in Curaçao, or has a liability to become registered
- it is made in the course or furtherance of any business carried on by that person or entity.

There are three rates of OB that are applied to goods and services in Curaçao; the standard rate of 6%, the high rate of 9%, and a special rate of 7% for insurance and short-term lodging (hotels, apartments, houses, rooms or any other accommodation). An exemption (0%) applies to most basic food products and specific services such as health care.

Most goods imported into Curaçao are subject to OB. The tax will have to be paid by the importer at the time of importation. Where the importation is for business purposes (trade goods) and the importer is registered for OB, it may be possible to import these goods tax exempt. If OB is incurred on imported trade goods, the OB incurred (input tax) can be deducted from the monthly OB charged (output tax). Where the input tax exceeds the output tax, the balance may be claimed in the following month or months. No refund will be granted.

It is also important to note the interaction between OB and Customs duty. Customs duty is levied at the time of importation. Once duty (and OB) has been paid by the importer, the goods are in 'free circulation' and they can then be released for use in the local market. Once duty has been paid it is not usually recoverable by the importer. It therefore represents a bottom line cost to the importing business if it cannot be passed on in higher prices. It is therefore very important to ensure that the correct rate of duty is applied. OB is charged on the value of the importation, including any custom duty.

Is there a registration limit for the tax?

A 'person' who either makes or intends to make taxable supplies of goods or services in the course or furtherance of a business must register for OB. If the value of its turnover does not exceed a threshold of 30,000 Antillean Guilders (ANG) (approx. US$ 16,500 per annum), the entrepreneur can request the small business exemption. In that case he does not have to pay the OB and can file a yearly return. This exemption only applies to natural persons, not to legal entities.

Two or more corporate bodies can be registered together as an OB entrepreneur if they work together in the form of a partnership or joint venture. In that case the partnership or joint venture needs to register as a business for OB purposes.

A penalty may be imposed by the tax authority if a business fails to register at the correct time.

Does the same registration limit apply to non-established businesses?

Businesses who are not established in Curaçao, but for the purposes of the tax are making taxable supplies will need to register for OB as soon as they commence trading in Curaçao.

Is there any specific legislation to tax non-resident supplies of electronically supplied/digital services to private consumers resident in your country?

No.

Does a non-established business need to appoint a fiscal representative in order to register?

A non-established business needs to appoint a fiscal representative at the time of registration in case:

i it is a taxable person or makes taxable supplies in Curaçao
ii it is not established, and does not have a 'fixed establishment' in Curaçao
iii in the case of an individual, he does not have his 'usual place of residence' in Curaçao.

How often do returns have to be submitted?

OB returns normally cover an accounting period of one calendar month, ending on the last day of a calendar month. In specific situations, eg a business with low turnover, the entrepreneur can request a quarterly or yearly cycle.

All OB returns must be submitted within 15 days of the end of the relevant accounting period, together with any tax due. There is no additional period for electronic filing or payment.

Are penalties imposed for the late submission of returns/ payment of tax?

A default surcharge penalty may be imposed by the tax authority if OB returns are not submitted on time, or the related tax is not paid by the due date.

For the first late submission or payment, the tax authority will issue a notification to the taxpayer confirming that a penalty may be imposed in the future. If another submission or payment is late within the next 24 months, a fixed percentage penalty is imposed on that occasion. The percentage penalty is increased for subsequent defaults (up to a specified maximum), unless returns and the related payments are made on time for a 24-month period.

Are any other declarations required?

No.

Are penalties imposed in other circumstances?

Yes. A range of penalties can be imposed where businesses do not comply with the OB rules.

Civil penalties and interest can be applied for errors and omissions made on tax returns, or where the tax is paid late. Penalties can also be applied where the business has failed to maintain adequate records, provide information (including additional declarations), or makes repeated mistakes.

Criminal proceedings may be brought in the case of more serious matters.

Can the OB incurred by overseas businesses be claimed if they are not registered in Curaçao?

No. Curaçao does not allow for claiming OB incurred.

What information must an OB invoice show?

An OB invoice must show:

- the invoice date
- an invoice number which is unique and sequential
- the seller's name (or trading name) and address
- the seller's registration number at the Chamber of Commerce
- the seller's tax registration number
- the customer's name and address
- a description sufficient to identify the goods or services supplied to the customer
- the time of supply if this is different from the invoice date
- the total amount of the invoice, including any cash discounts
- the total amount of OB charged expressed in ANG (ANG 1.78 is US$ 1.00).

For each different type of item listed on the invoice, the following must be shown:

- the unit price or rate, excluding OB
- the quantity of goods or the extent of the services
- the rate of OB that applies to what's being sold
- the total amount payable, excluding OB.

Where an OB invoice includes zero-rated or exempt goods or services, it must:

- show clearly that there is no OB payable on those goods or services
- show the total of those values separately.

Where a business makes retail sales and makes a sale of goods or services, a cash registration receipt must be issued, showing at least:

- the cash receipt date
- a cash registration receipt number which is unique and sequential
- a tax logo set by the Minister of Finance
- the seller's name (or trading name) and address
- the seller's tax registration number
- a description sufficient to identify the goods or services supplied to the customer
- the unit price or rate, including OB
- the quantity of goods or the extent of the services
- the rate of OB that applies to what's being sold
- the total amount payable, including OB
- the total amount of OB charged expressed in ANG.

OB invoices can be issued, received and stored in electronic format and there is no need to tell the tax authority. Electronic invoices must contain the same information as paper invoices. The method used to ensure the authenticity of origin, the integrity of content and legibility of the invoices is a business choice and can be achieved by any business controls which create a reliable audit trail between an invoice and a supply of goods or services.

Are there any current or anticipated Standard Audit File for Tax (SAF-T) or similar electronic/digital filing requirements eg invoice listing data file/real-time VAT reporting?

There is no specific electronic/digital filing requirement in Curaçao for OB purposes.

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Dominican Republic

Indirect tax snapshot

What are the current rate(s) of ITBIS?	• Standard rate of 18% for most goods and services. • Reduced rate of 16% for some goods and services.
Are there any confirmed or anticipated changes to these rates?	No.
What is the principal indirect tax?	Tax in the Transfer of Goods and Services (ITBIS) is the principal indirect tax in the DR. It is a tax on consumer expenditure, and is collected on business transactions.
Is there a registration limit for the tax?	Yes. Businesses must be registered 30 days before conducting business in the Dominican Republic.
Does the same registration limit apply to non-established businesses?	Yes. To conduct operations in the Dominican Republic, the business must be registered 30 days prior.
Does a non-established person need to appoint a fiscal representative in order to register?	In certain circumstances, a non-established person may be directed by the DR tax authority to appoint a fiscal representative.
How often do returns have to be submitted?	Businesses are required to submit VAT returns covering each monthly accounting period. Returns needs to be submitted on a monthly basis.
Are penalties imposed for the late submission of returns/payment of tax?	Yes. If a ITBIS return, or the corresponding payment, is submitted late a penalty can be imposed.
Are any other declarations required?	No.
Are penalties imposed in other circumstances?	Yes, in certain circumstances and subject to certain conditions where businesses do not comply with the ITBIS rules.
Can the tax incurred by overseas businesses be claimed if they are not registered in your country?	Not applicable.
Deduction of ITBIS	ITBIS paid can be offset against ITBIS billed to customers under certain circumstances.

What is the principal indirect tax?

Tax in the Transfer of Goods and Services (ITBIS) is a tribute of indirect nature that falls on the consumption and tax, in the form and conditions foreseen in the law of the following operations:

1. Transfers of goods

- The transfer of goods regardless of the state in which said assets are located and the conditions agreed upon by the parties, so that they may be new or used, wholesale or in detail, on credit or in cash, with or without retention of title, with or without consideration, promotional items or by any other means.

2. Import of industrialized goods

- The importation of industrialized goods, regardless of whether they are destined to the transformation, improvement or production of other goods or for any other purpose.

3. Provision and location of services

- For these purposes, it will be considered as a service, the realization of an activity that does not involve the production or transfer of a tangible product or good, when a payment in cash or kind, commission, premium, rate, or any other form of payment is received in exchange, remuneration or without compensation.

4. Operations not subject to tax

The following transfers of assets and rights are not subject to the tax:

- the transfer of real estate, such as land, farms, houses, apartments and commercial premises, in relation exclusively to the land and the improvements built, including real estate by destination or nature, as defined in articles 517 and following of the Civil Code
- the transfer of money, securities, shares and other similar financial instruments
- the transfer of copyright, industrial property, permits, licenses and other rights that do not involve the transmission of personal chattel
- the lease of rights or intangible assets.

Is there a registration limit for the tax?

Each merchant must be registered 30 days before conducting business in the Dominican Republic.

Does the same registration limit apply to non-established businesses?

Yes. To conduct operations in the Dominican Republic the business must be registered 30 days prior.

Is there any specific legislation to tax non-resident supplies of electronically supplied/digital services to private consumers resident in your country?

Not applicable.

Does a non-established business need to appoint a fiscal representative in order to register?

In certain circumstances, the DR tax authority requires to appoint a fiscal representative.

How often do returns have to be submitted?

Maximum 20 working days after the end of each month.

Are penalties imposed for the late submission of returns/payment of tax?

Yes. Various penalties are imposed in cases where the merchant does not submit the returns or pay the tax on time.

- 10% surcharge for late payment on the tax payable for the first month or fraction of a month
- 4% progressive and indefinite for each month or subsequent month
- 1.10% cumulative compensatory interest for each month or fraction of a month.

Are any other declarations required?

No.

Are penalties imposed in other circumstances?

Yes. A range of penalties can be imposed where businesses do not comply with the ITBIS rules.

Civil penalties and interest can be applied for errors and omissions made on tax returns, or where the tax is paid late. Penalties can also be applied where the business has failed to maintain adequate records, provide information (including additional declarations), or makes repeated mistakes.

Criminal proceedings may be brought in the case of more serious matters.

Can the VAT incurred by overseas businesses be claimed if they are not registered in Dominican Republic?

Not applicable.

What information must an ITBIS invoice show?

An ITBIS invoice must show:

Merchant Information

- RNC (taxpayer registration number).
- Name or social reason as indicated by the RNC.
- Business name (if any).
- Issuance point of the tax receipts.
- Date of issue.
- Denomination of the document: invoice, with or without tax credit, credit note or debit note.
- Sequential number used by the company or cash register.
- Fiscal voucher number (NCF) granted by the DGII. 1 letter and 18 numbers (11 fixed and 8 consecutive).

Client Information

- Name and RNC.
- Indicate if it is original or copy.

Goods or services Information

- Description of the good sold or service provided.
- Amount.
- Unit of measurement.
- Identification code or number if used.
- In the case of goods or services exempt from ITBIS, place the letter E next to each product.

Values of the transfer

- Unit price of goods or services.
- Amount of transactions excluding taxes.
- Total value of sales including discounts.
- Total amount of the sale or services rendered, including taxes.

Tax

- Detail the ITBIS, Selective Consumption Tax (ISC) and any other taxes or additional charges.

Printer Information

- Name or business name of the printing company.
- Authorization number of the printing company granted by the DGII.

Are there any current or anticipated Standard Audit File for Tax (SAF-T) or similar electronic/digital filing requirements eg invoice listing data file/real-time VAT reporting?

There are some digital filing industry requirements.

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El Salvador

Indirect tax snapshot

What are the current rate(s) of VAT?	VAT is applied at a rate of 13% on the tax base. As a general rule, the tax base is the price or remuneration agreed by the parties. For imports, the tax base is the value in customs.
Are there any confirmed or anticipated changes to these rates?	There is currently no confirmed or anticipated changes to these rates.
What is the principal indirect tax?	Value Added Tax.
Is there a registration limit for the tax?	Yes, for those individuals who carry out operations in excess of US $5,714.00 in sales or when the total of their assets exceeds US $2,285.71 in a year, they will assume the status of taxpayer of the tax from the subsequent month. For those who make imports, they must register at the beginning of their activities.
Does the same registration limit apply to non-established businesses?	There is not a registration limit for non-established businesses.
Does a non-established person need to appoint a fiscal representative in order to register?	Individuals may make their registration personally or through representatives or legal representative who must be properly accredited.
How often do returns have to be submitted?	The returns have to be submitted each month.
Are penalties imposed for the late submission of returns/payment of tax?	Yes, the penalties imposed for the late submission of returns/payment of tax are subject to not present returns/payment of tax within the legal term, which is maximum within 10 days after the end of each period. For late payment: from 5 to 20% applicable over the tax paid late, depending on the delay period. • In case of no payment: 50% of the tax due.
Are any other declarations required?	Yes for VAT withholding regimes, and for other regimes VAT advance payments (explained below).
Are penalties imposed in other circumstances?	Yes. Penalties can be imposed for a range of errors or omissions.
Can the tax incurred by overseas businesses be claimed if they are not registered in your country?	The VAT incurred by overseas businesses in any circumstances can be claimed if they are not registered in El Salvador.
Deduction of ITBIS	VAT paid by a registered taxpayer in El Salvador on its purchases (tax credit) is credited against VAT collected/charged to its customers (tax debit), on a monthly basis. Where a tax credit relates both to transactions within the scope of VAT and to exempt transactions, such tax credit will be recoverable using a pro rata calculation.

What is the principal indirect tax?

The Salvadoran tax system is based on direct and indirect taxes, but the principal indirect tax, is the Value Added Tax (VAT).

The tax rate is 13%, applicable on the tax base. The tax will be applied to the transfer, importation, internment, exportation and consumption of personal movable property; provision, import, internment, export and self-consumption of services. And 0% for the case of exports.

The VAT will be considered for transfers of goods or services registered in the country, however, the geographical areas excluded from VAT are the Free Zones, Asset Improvement Deposits and Free Stores.

In El Salvador, VAT is multiphase, since there is always the Debit-Credit figure in the value chain. The calculation and application of the VAT rate determines the tax that is caused by each operation performed in the corresponding tax period. The process of its development is based on the generation of a fiscal debit at the moment of making a transfer of goods and services which serves as a tax credit for the taxpayer who acquires the goods or services or when carrying out the export activity.

The payment of the tax is developed by the difference between the fiscal debits acquired through sales at the time of the transfer of goods and services and those paid (tax credits) when purchases or expenditures of goods and services or import processes are made the same tax period, when the tax debit is higher.

If the arithmetical difference in the tax credit exceeds the fiscal debit of that period, the remainder may be deducted in the following periods, up to its total deduction.

The taxpayer may not request a refund or reimbursement of the remaining tax credit under any circumstances, the balance in favor of VAT may be requested through compensation. But if the remnant is associated with export, the refund of the tax credit may be required.

Books and accounting registers/records

Both the Salvadoran Commerce Code and the Tax Code prescribe the principal accounting books to be maintained by companies. The books and records normally required are:

- general ledger
- financial statements book
- purchase book for VAT purposes
- sales book with final consumers and detail of exports
- sales book with VAT registered taxpayers
- other special records and files required for VAT control.

These books must be authorized by the external auditor or by the Salvadoran Registry of Commerce, and each page must be numbered and then stamped with the seal of the public accountant.

According to the Commerce Code, all records must be in Spanish, and all accounts recorded in Salvadoran Colones or US Dollars.

Is there a registration limit for the tax?

Persons subject to VAT are those individuals or entities that perform any of the activities that are within the scope of the VAT law.

Regarding individuals or entities, they are required to register for tax purposes if the activities in the past 12 months exceed the amount of US $5,714.29 and the total assets are less than US $2,285.71.

For importers the obligation to register subsists when they start their operations. In other cases, your registration is voluntary.

Does the same registration limit apply to non-established businesses?

In El Salvador there are not required to register for tax purposes if the activities in the past 12 months do not exceed the amount of US $5,714.29 and the total assets are less than US $2,285.71.

Is there any specific legislation to tax non-resident supplies of electronically supplied/digital services to private consumers resident in your country?

Non-domiciled (persons or entities) that perform taxable events in El Salvador should pay VAT through a VAT withholding that is made by the Salvadoran recipient. In that cases the non-domiciled does not required VAT registration.

Does a non-established business need to appoint a fiscal representative in order to register?

Conformity of Tax Code in El Salvador for a non-established business does not need to appoint a fiscal representative in order to register.

How often do returns have to be submitted?

Taxpayers duly registered for VAT purposes in El Salvador must file monthly VAT returns (Form F-07), irrespective of whether they have performed taxable transactions or not, or even if there is no VAT payable in that particular month. VAT returns can be filed electronically through the Tax Authority's website.

The VAT return is due by the 10th working day of the month following the tax period to which it relates.

The VAT must be paid on the same date as the return filing.

Are penalties imposed for the late submission of returns/ payment of tax?

According to the Salvadoran Tax Code the following penalties would apply:

- for late registration: two monthly minimum salaries
- for no registration: three monthly minimum salaries
- for late payment: from 5% to 20% applicable over the tax paid late, depending on the delay period
- in case of no payment: 50% of the tax due.

The current monthly minimum salary in El Salvador is roughly US $300. This amount may change every fiscal year.

Interest on late payments

The current annual interest rate for late payments is the following:

- less than 60 days: 6.16%
- more than 60 days: 10.16%

This interest rates are subject to change every six months.

Are any other declarations required?

VAT withholding regimes

VAT must be withheld when a Salvadoran resident receives services from a non-resident in the country. The withholding of the tax must be made by the Salvadoran company at the moment of collecting the consideration and then paid to the tax authorities together with the corresponding monthly tax return.

In addition, companies having the status of 'large taxpayers' (Grandes Contribuyentes) will act as withholding agents when acquiring goods or receiving services from other taxpayers not having this status. The withholding rate applicable in this case would be 1% of the transaction price.

Large taxpayers importing beverages, tobacco and other specific products, must also withhold 1% of VAT on supplies of such products to other taxpayers not having this status. Other regimes VAT advance payments at a rate of 2% of the transaction price, must be declared and paid by VAT registered taxpayers receiving payments through credit cards. For this purpose, the issuers/administrators of the credit cards will act as withholding agents.

Are penalties imposed in other circumstances?

If there are sanctions and depend on the type of omission, presentation and non-payment of the VAT return and declaration of goods.

Can the VAT incurred by overseas businesses be claimed if they are not registered in Mexico?

The VAT incurred by overseas businesses in any circumstances can be claimed if they are not registered in El Salvador.

What information must a VAT invoice show?

The taxpayers of the VAT Tax are obliged to issue and deliver documents related to the control of the tax according to the circumstances that correspond. Among which are the invoice of final consumer (issuance of documents to final consumer not valid for purposes of deduction of the tax credit, proof of tax credit valid document for deduction of tax credits, ticket document issued to final consumer by substitution of invoices of final consumer and simplified sales invoice).

An invoice and VAT ticket should show:

i name, denomination or corporate name of the issuer, activity, address of the establishment, Tax Identification Number
ii date of issue
iii description of goods and services
iv separation of Taxed, Exempt and Non-subject operations
v VAT tax on taxable transactions
vi total value
vii imprint (correspond to the taxpayer that prints the authorized documents)
viii in the case of tickets, they must contain the registration machine number with which it is authorised.

A voucher of Tax Credit must show:

i name, denomination or business name of the issuing taxpayer, activity, address of the establishment, Tax Identification Number, Taxpayer Registration Number of the issuer and delivery of the document
ii separation of Taxed, Exempt and Non-subject operations
iii date of issue
iv description of the goods or services, unit price of each good or service, amount and total amount
v amount charged separately from VAT
vi conditions of transactions: counted, credit or other
vii imprint (correspond to the taxpayer that prints the authorised documents).

A simplified sales invoice:

i name of the issuing taxpayer, money order or economic activity, address of the establishment or office, and of the branches, Tax Identification Number and Taxpayer Registration Number
ii date of issue of the document
iii total value of the operation, in which the respective tax of the taxed operations must be included
iv imprint (correspond to taxpayer who prints the authorized documents).

Invoice formats must be printed by authorised printing houses or by electronic means if the tax authorities grant the taxpayer permission for this purpose.

Are there any current or anticipated Standard Audit File for Tax (SAF-T) or similar electronic/digital filing requirements eg invoice listing data file/real-time VAT reporting?

The tax administration uses error indicators in the tax returns for electronic audit procedures, crossing information among the taxpayers. If differences are determined, the taxpayer is encouraged to voluntarily make the amendments/corrections applicable in a specific period.

The tax authorities are entitled to perform audits to ensure tax compliance and revenue collection. This is done by reviewing the taxpayers accounting records and tax returns.

The tax authorities may also request information from third parties. As a consequence of an audit, tax authorities are entitled to determine the tax liability of the unpaid tax and fix the amount of additional taxes to be paid, including tax interest and penalties.

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Mexico

Indirect tax snapshot

What are the current rate(s) of VAT?	• Standard rate of 16% for most goods and services, besides leasing and importing goods. • Zero-rated goods and services include most food and medicines, books and newspapers.
Are there any confirmed or anticipated changes to these rates?	No.
What is the principal indirect tax?	Value Added Tax (VAT) is the principal indirect tax in Mexico. It is a tax on consumer expenditure, and is collected on the selling of goods, provision of services, leasing and imports.
Is there a registration limit for the tax?	No, every taxable transaction in Mexico is necessary to register.
Does the same registration limit apply to non-established businesses?	No, individuals and legal entities which carry out VAT activities in Mexico are required to register all of their transactions.
Does a non-established person need to appoint a fiscal representative in order to register?	Yes. A non-established corporation with no permanent establishment in Mexico needs a fiscal representative in order to register, when the registration is necessary.
How often do returns have to be submitted?	Most businesses are required to submit VAT on a monthly basis.
Are penalties imposed for the late submission of returns/payment of tax?	Yes. If a VAT return, or the corresponding payment, is submitted late a penalty can be imposed.
Are any other declarations required?	Yes. An additional declaration has to be submitted on a monthly basis, known as 'DIOT', regarding operations with third parties.
Are penalties imposed in other circumstances?	Yes. Penalties can be imposed for errors or omissions.
Can the tax incurred by overseas businesses be claimed if they are not registered in your country?	No. VAT refunds may not be granted to foreign corporations.
Deduction of ITBIS	In general terms, the VAT is not deductible but creditable; therefore, the VAT is deductible only when the taxpayer is not entitled to credit the VAT.

What is the principal indirect tax?

Value Added Tax (VAT) is the main type of indirect taxation in Mexico.

VAT applies to most transactions involving goods or services taking place within the Mexican territory. Such transactions include the importation of goods and services from abroad. VAT consists in a 16% tax rate applied to each transaction.

The VAT mechanism involves VAT collected, which is charged to the buyer when a sale is made; and VAT outlay, which is paid to the seller when a purchase is made. When the difference is positive (VAT collected is greater than VAT outlays), it's forwarded to the tax authorities with the monthly VAT return. When the difference is negative (VAT outlays are greater than VAT collected), a refund or tax offset claim may be filed on a monthly basis.

VAT may be an easy tax to work with, but on certain circumstances it may create substantial cash flow consequences. Additionally, proper precautions need to be taken since VAT refunds may not be granted to foreign corporations. A proper VAT plan may be required to avoid a negative impact on VAT.

The following acts or activities are subject to VAT, within Mexican territory:

- supplies of goods
- services provided
- leasing of goods
- importation of goods or services.

Is there a registration limit for the tax?

No, all the taxpayers should register; however, in case of foreign only in some cases.

Does the same registration limit apply to non-established businesses?

Not applicable in Mexico.

Is there any specific legislation to tax non-resident supplies of electronically supplied/digital services to private consumers resident in your country?

Depending on electronic service provided it could be classed as an importation of services (including technology transference) which must include VAT in the consideration paid for such services.

Does a non-established business need to appoint a fiscal representative in order to register?

The Mexican Federal Tax Code establishes the obligation to register in the 'Federal Taxpayer Registry' for all legal entities and for individuals who must file tax returns or issue electronic tax invoices, for the acts or activities they carry out, for the income they obtain, or in case they opened a financial account.

A non-established corporation with no permanent establishment in Mexico needs a fiscal representative in order to register.

How often do returns have to be submitted?

Most businesses are required to submit VAT on a monthly basis, no later than the 17th day of the month following the month to which the payment corresponds.

Are penalties imposed for the late submission of returns/payment of tax?

A default surcharge penalty may be imposed by the tax authority if VAT returns are not submitted on time, or the related tax is not paid by the due date.

For non-compliance, a fine which ranges from 55% to 75% of the tax omitted.

From $1,400.00 to $17,370.00 Mexican pesos, in the case of returns, for each obligation not declared.

Are any other declarations required?

Additionally, taxpayers must submit on a monthly basis, an informative tax return of transactions with third parties, also known as 'DIOT'.

Are penalties imposed in other circumstances?

Yes. A range of penalties can be imposed where businesses do not comply with the VAT rules.

For mathematical mistake, a fine which ranges from 20% to 25% of the tax omitted.

In case of failure to submit the DIOT, a fine which ranges from $10,370 to $20,740 Mexican pesos.

Can the VAT incurred by overseas businesses be claimed if they are not registered in Mexico?

No, because the filing of the monthly VAT returns, as well as the invoices (CFDI) must be made through electronic means. Nevertheless, the only additional requirement is the electronic filing of the informative tax return of transactions with third parties, also known as (DIOT).

What information must a VAT invoice show?

A VAT invoice must show:

- an invoice number which is unique and sequential
- the seller's registration number and tax regimen
- the invoice date
- the invoice place of expedition
- the customer registration number
- a description (including quantity/measure unit) sufficient to identify the goods or services supplied to the customer
- total amount of the good or the service
- total amount of VAT charged expressed
- if total payment is completed in one or more payments.

Are there any current or anticipated Standard Audit File for Tax (SAF-T) or similar electronic/digital filing requirements eg invoice listing data file/real-time VAT reporting?

No, due that the filing of the monthly VAT returns, as well as the invoices (CFDI) must be made through electronic means. Nevertheless, the only additional requirement is the electronic filing of the informative tax return of transactions with third parties, also known as (DIOT).

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Nicaragua

Indirect tax snapshot

What are the current rate(s) of VAT?	• Standard rate of 15% for most goods and services. However, there is a list of goods and services exempt from this tax. There are also exonerations of this tax in certain sectors of the national economy, such as tourism, productive sectors, free zones, among others. • Standard rate of 0% for most goods and services exported.
Are there any confirmed or anticipated changes to these rates?	No.
What is the principal indirect tax?	Value Added Tax (VAT) is the principal indirect tax in Nicaragua. It is a tax on consumer expenditure, and is collected on business transactions and imports carried out in Nicaraguan territory.
Is there a registration limit for the tax?	No. Any natural or juridical person who sells goods or services on a regular basis or at any time must register with the tax authorities.
Does the same registration limit apply to non-established businesses?	Not applicable.
Does a non-established person need to appoint a fiscal representative in order to register?	No, except if the non-established person qualifies as a permanent establishment.
How often do returns have to be submitted?	Returns have to be submitted on a monthly basis.
Are penalties imposed for the late submission of returns/payment of tax?	Yes. If a VAT return, or the corresponding payment, is submitted late a penalty can be imposed.
Are any other declarations required?	No.
Are penalties imposed in other circumstances?	Yes. Penalties can be imposed for a range of errors or omissions.
Can the tax incurred by overseas businesses be claimed if they are not registered in your country?	No.
Deduction of ITBIS	The VAT levied on exempt goods or services and non-deductible self-consumption for purposes of the Income Tax will not be creditable.

What is the principal indirect tax?

The Value Added Tax (IVA, for its acronym in Spanish), is applied to the following activities performed in Nicaraguan territory:

- goods transfer
- imports of goods
- exports of goods and services
- provision of services or use of goods.

The IVA tariff is 15% of the value of a product or of an activity carried out; except the export of goods of the national production and the services provided abroad, which tax rate is of 0%.

The law establishes a list of goods and services that are exempt from the Value Added Tax. For example: goods related to academic studies, medicine and human health, agricultural goods, medical sector services, financial markets, sporting events, religious goods, etc. The goods and services that are exempt are defined in a tax list emitted by the minister of finance and public credit.

The responsibility for charging, collecting and paying it to the tax authority at each stage of the process rests with the business making the sale. A business registered for the tax will charge VAT (output tax) on its sales, and incur VAT (input tax) on its purchases (including any VAT paid at importation). The difference between the output tax and the deductible input tax in each accounting period will be the amount of VAT payable by the business to the tax authority.

The right of accreditation is personal and will not be transferable, except in the case of merger of companies, successions, transformation of companies and change of business name.

Where the input tax exceeds the output tax, a refund can be claimed. Taxpayers may recover the sales tax by means of credit or since cash reimbursements, as applicable.

Businesses that make exempt supplies are unable to claim all of the input tax that they incur, so the VAT paid to suppliers will be a 'real' cost.

Is there a registration limit for the tax?

There is no a registration limit for the tax. A 'person' who either makes or intends to make taxable sales of goods or services in the course or furtherance of a business must register for VAT.

For these purposes, a 'person' includes any legal entity.

Therefore, once a person is registered for VAT, all of their business activities will be covered by the registration – even if the nature of some of those activities are very different.

A penalty may be imposed by the tax authority if a business fails to register at the correct time. Without prejudice to the penalties that could apply, those who do not fulfil their obligations to register are obliged, however, to pay the tax, and not entitled to a refund or credit for the tax paid on the existence of goods which remain in inventory at the date of registration as taxpayers.

Does the same registration limit apply to non-established businesses?

There is no a registration limit for the tax.

Is there any specific legislation to tax non-resident supplies of electronically supplied/digital services to private consumers resident in your country?

No. There are no specific regulations for these type of situations.

Does a non-established business need to appoint a fiscal representative in order to register?

No, except if the non-established business qualifies as a permanent establishment.

How often do returns have to be submitted?

VAT returns have to be submitted in a monthly basis. All VAT returns have to be submitted within 15 days of the end of the previous month.

Are penalties imposed for the late submission of returns/ payment of tax?

A default surcharge penalty may be imposed by the tax authority if VAT returns are not submitted on time, or the related tax is not paid by the due date.

Any person who belatedly submits his/her declaration and/ or payment of taxes and for any reason is in default, must pay the corresponding credit with a surcharge of 5% (five percent) for each month or fraction of the month of the delay, on the unpaid balance

In any case, the accumulated surcharges referred to above may exceed the equivalent to fifty percent (50%) of the unpaid balance.

Are any other declarations required?

No.

Are penalties imposed in other circumstances?

Yes. A range of penalties can be imposed where businesses do not comply with the VAT rules.

Fines and interest can be applied for errors or omissions made on tax returns, or where the tax is paid late. Penalties and interests can also be applied where the business do not maintain adequate records. Criminal proceeding may be brought in the case of more serious matters.

Can the VAT incurred by overseas businesses be claimed if they are not registered in Nicaragua?

No, VAT cannot be reclaimed by the cross-border businesses if these are not registered as having operations in Nicaragua.

What information must a VAT invoice show?

A VAT invoice must show:

- an invoice number which is unique and sequential
- the seller's name and address
- the seller's VAT registration number
- the invoice date
- the customer's name
- a description sufficient to identify the goods or services supplied to the customer
- the rate of any cash discount
- the total amount of VAT charged.

For each different type of item listed on the invoice, the following must be shown:

- the unit price or rate, excluding VAT
- the quantity of goods or the extent of the services
- the total amount payable, excluding VAT. Where a VAT invoice includes zero-rated or exempt goods or services, it must show clearly that there is no VAT payable on those goods or services.

VAT invoices can be issued, received and stored in electronic format with the authorization of the Tax Authority.

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Puerto Rico

Indirect tax snapshot

What are the current rate(s) of indirect tax?	**Sales and Use Tax (SUT)** • Standard rate of 11.5% split as follows: – 10.5% paid at the state level – 1% paid at the municipal level. • Starting on 1 October 2015 a special SUT of 4% was established on business to business services (B2B) and designated professional services (these services used to be exempt before 1 October 2015). • Several exemptions are granted.
Are there any confirmed or anticipated changes to these rates?	Yes. A proposal to reduce the 4% to 2% is expected to be filed during 2018.
What is the principal indirect tax?	SUT is the principal indirect tax in Puerto Rico. It is a tax on sales and use of taxable personal tangible property and services to the final consumer based on sales price. Certain exclusions exist for this tax. Use tax is required to be paid on imports to be used in the operations and the retirement of inventory as a gift as on services rendered by a non-resident. Also, importers and resellers of tangible personal property are taxed upon the introduction or purchase of items and a credit mechanism is available to avoid double taxation.
Is there a registration limit for the tax?	All merchants must complete a mandatory registration through the Unified System of Internal Revenue (SURI by its Spanish acronym) 30 days before the beginning of operations.
Does the same registration limit apply to non-established businesses?	Two factors have to be analysed in order to determine if a registration and collection of SUT is required, the first one is nexus and the second is source of income. If both factors are present the merchant is required to complete the registration and collect the SUT with the PRTD. In some cases, registration may be required even though no collection is necessary.
Does a non-established person need to appoint a fiscal representative in order to register?	Merchants can complete the registration in SURI internally or appoint a representative to complete the process. Merchants should include all the localities where the offices, warehouses, branches, etc. are located in SURI.
How often do returns have to be submitted?	Merchants are required to submit SUT returns (State and Municipal) on a monthly basis. The due date of the imports monthly returns is the tenth day following the month of introduction of items. The due date of the SUT monthly returns is the twentieth day of the month following the month in which the transaction occurred. The returns should be filed electronically. Service providers with a volume of business of $50,000 or less are not classified as withholding agents; therefore they are not required to file monthly returns. Certain merchants are required to make semi-monthly deposits of SUT.
Are penalties imposed for the late submission of returns/payment of tax?	Yes. If a SUT return, or the corresponding payment, is submitted late a penalty can be assessed by the PRTD.
Are any other declarations required?	Yes. A Declaration of Imports for Use must be completed and filed electronically upon introduction of items to Puerto Rico.
Are penalties imposed in other circumstances?	Yes. Penalties can be imposed for a range of errors or omissions.
Can the tax incurred by overseas businesses be claimed if they are not registered in your country?	Not applicable.
Deduction of ITBIS	Not applicable.

What is the principal indirect tax?

The Sales and Use Tax (SUT) is the main type of indirect taxation in Puerto Rico.

The SUT is a tax on all sales of tangible personal property or taxable service, admission rights, storage, use, or consumption in Puerto Rico, unless specifically exempted or excluded. The SUT applies at the time of the sale or when the service is provided. It is also applied to goods, imported for use or consumption within Puerto Rico, and to items that will be part of inventory for resale. The taxpayer importing the products that will be used or consumed will be responsible for the payment of the use tax. It also applies to services rendered by a non-resident to a Puerto Rico merchant.

The responsibility for collecting the SUT and depositing it at the PRTD rests with the registered merchant which makes the sale or provides the service. A registered merchant who has been certified as a withholding agent by the PRTD will charge 11.5% SUT on all sales of tangible personal property or any taxable services provided. However, if the merchant that provides the services is not engaged in trade or business in Puerto Rico, the person responsible for the payment of the SUT is the person that receives the service in Puerto Rico, regardless of where the service has been rendered, provided that such service is directly or indirectly related with the operations or activities carried out in Puerto Rico.

The 11.5% SUT is distributed in two portions: 10.5% for the state, and 1% for the municipality in which the merchant is operating. The merchants are required to deposit 10.5% with the PRTD and 1% with the municipality in which operations are being carried out. On the other hand, the 4% Special SUT is only deposited with the PRTD (the business to business services (B2B) or designated professional services are not subject to municipal SUT).

The service transactions between two registered merchants were not taxable under the B2B exclusion. After the approval of Act 40 of 30 June 2013, certain services will no longer fall under the B2B exclusion and will be subject to SUT, even though the transactions are between two registered merchants.

Furthermore, Act 72-2015 not only increases the SUT rate to 11.5%, but also establishes a 4% Special SUT on B2B and designated professional services starting 1 October 2015. The following is the list of taxable services subject to the 11.5% SUT:

- certain bank charges
- collection services
- security services
- cleaning
- laundry
- repair and maintenance of real and personal property (not capitalised)
- telecommunications
- waste collection services
- operating leases of motor vehicles that constitute a daily lease.

The 4% Special SUT will be imposed on B2B services and the following designated professional services (DPS):

- certain legal services
- tax return specialists
- professional services regulated by their respective Examining Boards under the P.R. Department of State
- agronomists
- architects and landscape architects
- certified public accountants
- brokers, sellers and real estate companies
- professional draftspersons
- professional real estate appraisers
- geologist
- engineers and surveyors
- DPS if rendered by a non-resident person to a person located in P.R., regardless of the place where the service was rendered.

Certain exclusions from the 4% Special SUT are available for both B2B and DPS.

Besides the mandatory merchant registration certificate, the PRTD has implemented a set of additional certificates and waivers from the collection of tax and allows some taxpayers to claim credits for the tax paid on their purchases. These are:

- an exemption certificate for manufacturing plant – this provides an exemption for manufacturers on the purchase of raw material, equipment and other materials used in the manufacturing process
- an eligible reseller certificate – this provides an exemption to a reseller on the purchase of taxable items for resale. As a requirement, 80% of the inventory retired during the last three years were sales to exempt persons or for export
- reseller and municipal exemption certificate – this provides an exemption of the municipal portion of the tax paid directly to the municipality in which business is being conducted (1%). This allows the taxpayer to claim a credit of the tax paid on purchases for resale.

It is important to mention, that each of the above mentioned certificates and waivers have specific requirements that have to be met in order to be able to request them.

There are some items that are exempt from SUT under the Puerto Rico law, among them are the following:

- unprepared food
- prescribed medicines
- articles or equipment to compensate for physical or physiological deficiencies for disabled persons
- school or university books
- back to school tax free holiday – for the purchase of school articles and uniforms
- services provided to the Puerto Rico Government or the US Government
- services rendered by persons whose annual volume of business is $50,000 or less

- additional exemptions exist for child care centres, cooperative, hospital facilities and centres for the care of the elderly, among others.

Is there a registration limit for the tax?

Each merchant who wants to conduct business in Puerto Rico must register with the PRTD at least 30 days before starting operations in Puerto Rico.

The failure to register exposes the merchant to a penalty of $10,000. In addition, a penalty for the failure to register with the 'Sales and Use Tax Regulatory program' (previously known as IVU Lotto) in the amount of $20,000 could be imposed by the PRTD.

Does the same registration limit apply to non-established businesses?

A non-established business could also be required to register with the PRTD if it has sufficient nexus and Puerto Rico source income. The regulations issued by the Puerto Rico Treasury provide ten factors to be considered in the determination of nexus:

- if the merchant has establishments or offices in Puerto Rico
- if the merchant has employees, agents, or representatives in Puerto Rico, who solicit business or carry out business transactions in the name of said retail seller
- if the merchant owns tangible personal property or real estate in Puerto Rico
- if the merchant creates a nexus with Puerto Rico in any way, including, but not limited to the execution of purchase contracts in Puerto Rico, direct marketing or purchases by mail, radio, distribution of unsolicited catalogues, through computers, television, or any other electronic means, or advertisements in magazines or newspapers, or other means
- if there is an agreement or reciprocity with another jurisdiction of the United States, and said jurisdiction uses its taxing authority and its jurisdiction over the merchant in support of Puerto Rico's authority
- if the merchant accepts, expressly or implicitly, the tax levied by 'Subtitle BB' of the code
- if the merchant has a sufficient connection, or a relationship, with Puerto Rico or its residents, but not those described in the above clauses, with the purpose or objective of creating a sufficient nexus with Puerto Rico to impose on the merchant the responsibility of collecting the SUT
- a merchant, including one considered 'affiliated' to said person, that is subject to the jurisdiction of the Commonwealth of Puerto Rico with respect to the SUT for selling taxable items in Puerto Rico, makes any of the following on behalf or for the benefit of said person
- the person enters into an agreement with one or several residents in Puerto Rico by which the residents, in exchange for a commission or other consideration, refer, directly or indirectly, potential buyers to the person, either by a link in an internet page, oral personal presentation, telemarketing or any other manner
- the person which is not a transportation business or carrier or third intermediary acting in said capacity, imports or causes to be imported, tangible personal property from any state or foreign country for sale in Puerto Rico via link in an internet page, for use, consumption, or distribution in Puerto Rico, or for storage to be used or consumed in Puerto Rico.

Recent government legislation has expanded the definition of nexus to amplify situations in which a merchant is considered to be engaged in the sale of tangible personal property in Puerto Rico.

Is there any specific legislation to tax non-resident supplies of electronically supplied/digital services to private consumers resident in your country?

Yes. If services are rendered by a non-resident person to a person in Puerto Rico, they shall be subject to SUT by self-imposition (reverse charge).

Does a non-established business need to appoint a fiscal representative in order to register?

It is not mandatory to appoint a fiscal representative to complete the registration.

How often do returns have to be submitted?

SUT returns have to be submitted the twentieth day of each month. The return will include the transactions that occurred in the month before the return is being submitted. All returns have to be submitted electronically.

State monthly returns have to be submitted through the SURI System of the PRTD and the municipal returns mostly through a filing system known as COFIM, but will depend on the municipality where the operations are being conducted.

Are penalties imposed for the late submission of returns/payment of tax?

Various penalties and additional charges are imposed by the Puerto Rico Treasury in cases where the merchant does not submit the returns or pay the tax on time. In addition to the tax liability of the month, the PRTD will impose the following additions to the tax:

- failure to pay tax – 5% if the omission is for not more than 30 days counted from the deadline, and an additional 5% for each additional period thereof of 30 days, but not to exceed 50%; for repeat offenders – 5% for not more than 30 days, and an additional 5% for each additional period thereof of 30 days, but not to exceed 100%
- failure to file a return – 10% of the tax liability.

Are any other declarations required?

Yes. A 'Declaration of Imports' (Form SC 2970) is required to be filed and paid in order to take possession of imported property.

Are penalties imposed in other circumstances?

Yes. A range of penalties can be imposed where businesses do not comply with the SUT rules.

The following is a list of the most common penalties assessed for non-compliance with the SUT rules:

Issue	Penalty
Failure to register	$10,000
Selling, ceding or transferring the merchant's registration certificate	$5,000
Providing false information on the petition for registration	$5,000
Failure to notify changes or amendment to the required information	$500
Falsifying the merchant's registration certificate	$10,000
Failure to display the merchant's registration certificate	$1,000
Improper advertisement	Range from $1,000 to $20,000 depending on the frequency
Failure to display separately the sales and use tax or for not displaying notice	$100
Displaying a falsified merchant's registration certificate	$5,000 for each violation
Taking improper possession of imported tangible personal property	$5,000 for each violation. Once a person is authorised to move the freight, a penalty of $10,000 (for each violation) can be imposed if they break the seal of the freight trailer out of the presence of a fiscal official of the PRTD
Failure to keep documents	$20,000 for each violation

Additional penalties exist in relation to the exemption certificates and credits. In addition, the failure to pay the tax will be subject to interest at an annual rate of 10% and surcharges at an annual rate of 5% if the delay is from 31 to 60 days or 10% if the delay is more than 60 days.

Can the VAT incurred by overseas businesses be claimed if they are not registered in Puerto Rico?

Not applicable.

What information must a SUT invoice show?

Each merchant responsible for collecting SUT will include the tax in a separate line in the receipt, invoice or any other evidence of the sale. The segregation of the tax between the state and municipal portions is mandatory. Therefore, the merchant must have a receipt or invoice reflecting the total cost of the items purchased and two separate lines reflecting the state portion of the SUT and the municipal portion of the SUT.

In addition, merchants required to use the fiscal device of the SUT regulatory program, must provide a receipt issued by the fiscal terminal to their clients.

Are there any current or anticipated Standard Audit File for Tax (SAF-T) or similar electronic/digital filing requirements, eg invoice listing data file/real-time VAT reporting?

Not applicable.

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Saint Lucia

Indirect tax snapshot

What are the current rate(s) of VAT?	• Standard rate of 12.5% for most goods and services. • Reduced rate of 10% for goods and services provided by a Hotel (sales). • Zero-rated goods and services include fuel, pasta, supply of water and electrical energy.
Are there any confirmed or anticipated changes to these rates?	No.
What is the principal indirect tax?	Value Added Tax (VAT) is the principal indirect tax in the Saint Lucia. It is a tax on consumer expenditure, and is collected on business transactions and imports.
Is there a registration limit for the tax?	Yes. It relates to the annual turnover of taxable transactions in Saint Lucia, and once the limit has (or will be) reached it is necessary to register. Currently the threshold is XCD $400,000.
Does the same registration limit apply to non-established businesses?	No.
Does a non-established person need to appoint a fiscal representative in order to register?	No.
How often do returns have to be submitted?	A VAT return must be submitted twenty-one calendar days (21) following the end of the tax period (one month). A NIL return is also due for a tax period when no taxable activity took place; ie no purchases as well as no sales.
Are penalties imposed for the late submission of returns/payment of tax?	Yes. If a VAT return, or the corresponding payment, is submitted late a penalty will be imposed. Late filing penalty is XCD$ 250 per month or part thereof. Late payment penalty is 10% of the tax due and interest charges are 1.25% per month or part thereof for the period during which the tax remains unpaid.
Are any other declarations required?	No.
Are penalties imposed in other circumstances?	Yes. Penalties can be imposed for failure to keep records, failure to provide a tax officer with reasonable facilities and assistance, tax evasion and false or misleading declarations.
Can the tax incurred by overseas businesses be claimed if they are not registered in your country?	No.
Deduction of VAT	Input tax in respect of: passenger vehicle (unless taxable person is in the business of dealing in or hiring such vehicles); goods or services acquired for the purposes of entertainment, membership fees or subscriptions paid.

What is the principal indirect tax?

Value Added Tax (VAT) is the main type of indirect taxation in Saint Lucia.

It is a tax on consumption and is collected at the different stages of the production/distribution chain. VAT is payable on importation at the Customs and Excise Department and on subsequent domestic business transactions by business and final consumers to registered businesses. Business transactions which are liable to VAT are called taxable supplies, and chargeable at the standard rate, reduced rate or are zero-rated. Those that are not liable to VAT are called exempt supplies.

A business registered for the tax will charge VAT (output tax) on its sales, and incur VAT (input tax) on its purchases (including any VAT paid at importation). The difference between the output tax and the deductible input tax in each accounting period will be the amount of VAT payable by the business to the tax authority. Where the input tax exceeds the output tax, a refund can be claimed.

Registered taxpayers making exempt supplies cannot charge VAT or claim the input tax paid on those supplies.

A transaction is within the scope of Saint Lucia VAT if the following conditions are met:

- it is a supply of goods or services.
- it takes place in Saint Lucia
- it is made by a taxable person. For these purposes, a taxable person is a person or entity who is registered for VAT in Saint Lucia, or has a liability to become registered
- it is made in the course or furtherance of any business carried on by that person or entity.

Is there a registration limit for the tax?

A 'person' who during a period of twelve months makes taxable supplies of XCD $400,000 is required to register. Where a taxable person is trading for a period of less than twelve months and the average monthly sales exceeds $33,333, the person is required to register.

Voluntary registration is also available to certain persons who can satisfy the Comptroller that the 'person' will comply with the requirements to register.

Does the same registration limit apply to non-established businesses?

Not applicable.

Is there any specific legislation to tax non-resident supplies of electronically supplied/digital services to private consumers resident in your country?

No.

Does a non-established business need to appoint a fiscal representative in order to register?

Not applicable.

How often do returns have to be submitted?

A VAT return must be submitted twenty-one calendar days (21) following the end of the tax period (one month). A NIL return is also due for a tax period when no taxable activity took place; ie no purchases as well as no sales.

Are penalties imposed for the late submission of returns/ payment of tax?

If a VAT return, or the corresponding payment, is submitted late a penalty will be imposed. Late filing penalty is XCD$ 250 per month or part thereof. Late payment penalty is 10% of the tax due and interest charges are 1.25% per month or part thereof for the period during which the tax remains unpaid.

Are any other declarations required?

No other declarations required.

Are penalties imposed in other circumstances?

Yes. A range of penalties can be imposed where businesses do not comply with the VAT rules.

Civil penalties and interest can be applied for errors and omissions made on tax returns, or where the tax is paid late. Penalties can also be applied where the business has failed to register of display certificate; to notify Comptroller, to issue a proper tax invoice; to file return; to keep records, to provide facilities and assistance (to a tax officer); to comply with notice to give information.

Criminal proceedings may be brought in the case of tax evasion, impeding tax administration, collection of tax by non-registered persons, false or misleading statements.

Can the VAT incurred by overseas businesses be claimed if they are not registered in Saint Lucia?

No.

What information must a VAT invoice show?

A VAT invoice must show:

- the words 'VALUE ADDED TAX INVOICE' or 'VAT INVOICE' in a prominent place
- an identifying serial number and the date of issue
- the name, address and tax identification number of the supplier
- the name, address and tax identification number of the recipient
- the description of the goods and services supplied, including the quantity
- the consideration for the supply, not including the VAT charged
- the rate of VAT charged and the VAT payable
- the total value of the supply including VAT.

Where a VAT invoice includes zero-rated or exempt goods or services, it must:

- show clearly that there is no VAT payable on those goods or services
- show the total of those values separately.

Are there any current or anticipated Standard Audit File for Tax (SAF-T) or similar electronic/digital filing requirements eg invoice listing data file/real-time VAT reporting?

There are currently no SAF-T requirements in Saint Lucia. Taxable persons are required to maintain physical records.

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Sint Maarten

Indirect tax snapshot

What are the current rate(s) of VAT?	• Standard rate of 5% for most goods and services. • 0% for specified basic necessities (such as bread, rice, milk and health care).
Are there any confirmed or anticipated changes to these rates?	No.
What is the principal indirect tax?	Sales tax (in Dutch: Belasting op Bedrijfs Omzetten or BBO) is the principal indirect tax in Sint Maarten. It's a tax on consumer expenditure and is collected on business transactions.
Is there a registration limit for the tax?	No. Each entrepreneur needs to register.
Does the same registration limit apply to non-established businesses?	No, non-established businesses only have to register if they sell goods or provide services enjoyed in Sint Maarten. Reverse charge is possible at the request of the non-established business and the local customer/entrepreneur.
Does a non-established person need to appoint a fiscal representative in order to register?	In certain circumstances, a non-established person may be directed by Sint Maarten tax authority to appoint a fiscal representative.
How often do returns have to be submitted?	Most businesses are required to submit sales tax returns covering a month accounting periods.
Are penalties imposed for the late submission of returns/payment of tax?	Yes. If a sales tax return, or the corresponding payment, is submitted late a penalty can be imposed.
Are any other declarations required?	No.
Are penalties imposed in other circumstances?	Yes. Penalties can be imposed for a range of errors or omissions.
Can the tax incurred by overseas businesses be claimed if they are not registered in your country?	No.
Deduction of sales tax	Sint Maarten does not allow for a deduction of input BBO on output BBO.

What is the principal indirect tax?

Sales Tax (Belasting op Bedrijfs Omzetten or BBO) is the main type of indirect taxation in Sint Maarten.

It is a tax on consumption which is applied during the production and distribution process to most goods and services. Although BBO is ultimately borne by the consumer by being included in the price paid, the responsibility for charging, collecting and paying it to the tax authority at each stage of the process rests with the business making the supply, ie the sale.

A business registered for the tax will pay BBO (output tax) on its sales. There is no deduction of BBO incurred.

An entrepreneur must file a monthly tax return and pay any amount due within 15 days from the end of each month.

A transaction is within the scope of BBO if the following conditions are met:

- it is a supply of goods or services. Although the term 'supply' is not defined in the legislation, it has a broad interpretation
- it takes place in Sint Maarten
- it is made by a taxable person. For these purposes, a taxable person is a person or entity who is registered for BBO in Sint Maarten, or has a liability to become registered
- it is made in the course or furtherance of any business carried on by that person or entity.

The BBO rate is 5%. An exemption (0%) applies to basic food products and specific services such as health care as well as to exports.

Import of goods in Sint Maarten is not subject to BBO. There is also no custom duty.

Is there a registration limit for the tax?

A 'person' who either makes or intends to make taxable supplies of goods or services in the course or furtherance of a business must register for BBO.

Two or more corporate bodies can be registered together as an BBO entrepreneur if they work together in the form of a partnership or joint venture. In that case the partnership or joint venture needs to register as a business for BBO purposes.

A penalty may be imposed by the tax authority if a business fails to register at the correct time.

Does the same registration limit apply to non-established businesses?

Businesses who are not established in Sint Maarten, but for the purposes of the tax are making taxable supplies or provide taxable services, they will need to register for BBO as soon as they commence trading in Sint Maarten.

Is there any specific legislation to tax non-resident supplies of electronically supplied/digital services to private consumers resident in your country?

No.

Does a non-established business need to appoint a fiscal representative in order to register?

A non-established business needs to appoint a fiscal representative at the time of registration in case:

i it is a taxable person or makes taxable supplies in Sint Maarten
ii it is not established, and does not have a 'fixed establishment' in Sint Maarten
iii in the case of an individual, he does not have his 'usual place of residence' in Sint Maarten.

A local business can be held liable for BBO if it enjoys services from a non-established business and this non-established business doesn't meet its payment and filing requirements.

How often do returns have to be submitted?

BBO returns normally cover an accounting period of one calendar month, ending on the last day of a calendar month. In specific situations, eg a business with low turnover, the entrepreneur can request a quarterly or yearly cycle.

All BBO returns must be submitted within 15 days of the end of the relevant accounting period, together with any tax due. There is no additional period for electronic filing or payment.

Are penalties imposed for the late submission of returns/ payment of tax?

A default surcharge penalty may be imposed by the tax authority if BBO returns are not submitted on time, or the related tax is not paid by the due date.

For the first late submission or payment, the tax authority will issue a notification to the taxpayer confirming that a penalty may be imposed in the future. If another submission or payment is late within the next 24 months, a fixed percentage penalty is imposed on that occasion. The percentage penalty is increased for subsequent defaults (up to a specified maximum), unless returns and the related payments are made on time for a 24-month period.

Are any other declarations required?

No.

Are penalties imposed in other circumstances?

Yes. A range of penalties can be imposed where businesses do not comply with the VAT rules.

Penalties can also be applied where the business has failed to maintain adequate records, provide information (including additional declarations) or upon summary conviction where an offence has been committed.

Criminal proceedings may be brought in the case of more serious matters such as fraud.

Can the VAT incurred by overseas businesses be claimed if they are not registered in Sint Maarten?

No. Sint Maarten does not allow for claiming BBO incurred.

What information must a VAT invoice show?

A BBO invoice must show:

- the invoice date
- an invoice number which is unique and sequential
- the seller's name (or trading name) and address
- the seller's tax registration number
- the customer's name and address
- a description sufficient to identify the goods or services supplied to the customer
- the time of supply if this is different from the invoice date
- the total amount of the invoice, including any cash discounts.

Where a business makes retail sales and makes a sale of goods or services, a cash registration receipt must be issued, showing at least:

- the cash receipt date
- a cash registration receipt number which is unique and sequential
- the seller's name (or trading name) and address
- the seller's tax registration number
- the quantity of goods or the extent of the services
- the total amount payable, including BBO.

BBO invoices can be issued, received and stored in electronic format and there is no need to tell the tax authority. Electronic invoices must contain the same information as paper invoices. The method used to ensure the authenticity of origin, the integrity of content and legibility of the invoices is a business choice and can be achieved by any business controls which create a reliable audit trail between an invoice and a supply of goods or services.

Are there any current or anticipated Standard Audit File for Tax (SAF-T) or similar electronic/digital filing requirements eg invoice listing data file/real-time VAT reporting?

There is no specific electronic/digital filing requirement in Sint Maarten for BBO purposes.

For further information on indirect tax in Sint Maarten please contact:

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Trinidad and Tobago

Indirect tax snapshot

What are the current rate(s) of VAT?	• Standard rate of 12.5% for most goods and services. • Zero-rated goods and services include supplies made to entities outside Trinidad and Tobago in foreign currencies.
Are there any confirmed or anticipated changes to these rates?	No.
What is the principal indirect tax?	Value Added Tax (VAT) is the principal indirect tax in Trinidad and Tobago. It is a tax on consumer expenditure, and is collected on business transactions and imports.
Is there a registration limit for the tax?	Yes. It relates to the annual turnover of taxable transactions in Trinidad and Tobago, and once the limit has (or will be) reached, it is necessary to register.
Does the same registration limit apply to non-established businesses?	All businesses operating in Trinidad and Tobago are included under the threshold limit for registration.
Does a non-established person need to appoint a fiscal representative in order to register?	A non-established person is usually directed by the Trinidad and Tobago tax authority to appoint a fiscal representative.
How often do returns have to be submitted?	Most businesses are required to submit VAT returns covering a two-month accounting periods. Returns can also be submitted on a monthly basis but only in very special cases.
Are penalties imposed for the late submission of returns/payment of tax?	Yes. Where a VAT return is submitted late and there is a payment due, there will be a penalty and interest on the late payment.
Are any other declarations required?	Not applicable.
Are penalties imposed in other circumstances?	Yes. Penalties can be imposed for a range of other offences.
Can the tax incurred by overseas businesses be claimed if they are not registered in your country?	No.
Deduction of VAT	Purchases of personal nature and not for use in the business.

What is the principal indirect tax?

Value Added Tax (VAT) is the main type of indirect taxation in Trinidad and Tobago.

It is a tax on consumption, which is applied during the production and distribution process to most goods and services. It is also applied to goods, and certain services, entering the country. Although VAT is ultimately borne by the consumer by being included in the price paid, the responsibility for charging, collecting and paying it to the tax authority at each stage of the process rests with the business making the supply ie the sale.

A business registered for the tax will charge VAT (output tax) on its sales, and incur VAT (input tax) on its purchases (including any VAT paid at importation). The difference between the output tax and the deductible input tax in each accounting period will be the amount of VAT payable by the business to the tax authority. Where the input tax exceeds the output tax, a refund can be claimed.

A transaction is within the scope of Trinidad and Tobago VAT if the following conditions are met:

- it is a commercial supply
- it takes place in Trinidad and Tobago
- it is made by a taxable person. For these purposes, a taxable person is a person or entity who is registered for VAT in Trinidad and Tobago, or has a liability to become so registered
- it is made in the course or furtherance of any business carried on by that person or entity.

There are two rates of VAT that are applied to goods and services in Trinidad and Tobago; the standard rate, and the zero rate. In addition, some goods and services are exempted from the tax.

Businesses that make only exempt supplies are unable to claim any input tax that they incur, so the VAT paid to suppliers will be a 'real' cost.

Most goods imported into Trinidad and Tobago are subject to VAT. The tax will have to be paid by the importer at the time of importation. Where the importation is for business purposes and the importer is registered for VAT, the VAT can be claimed against the output VAT. The Customs and Excise Division is responsible for the collection of VAT at the port where the goods arrive.

VAT is charged on the cost of the item imported plus any duties imposed at importation.

Is there a registration limit for the tax?

A 'person' who either makes or intends to make taxable supplies of goods or services in the course or furtherance of a business must register for VAT if the value of its taxable supplies in Trinidad and Tobago exceeds the annual registration limit, or is expected to exceed the limit in the near future. A business can register on a voluntary basis even if the registration limit has not been exceeded.

For these purposes, a 'person' includes any legal entity. Therefore, once a person is registered for VAT, all of his business activities can be covered by the registration. However it may be permissible to register different business activities separately, but separate accounts will have to be maintained for each business activity.

There is no group registration in Trinidad and Tobago.

Does the same registration limit apply to non-established businesses?

The normal VAT registration limit applies to all businesses regardless of whether they're established in Trinidad and Tobago or not.

The Threshold for registration in Trinidad and Tobago is TT$500,000.

Is there any specific legislation to tax non-resident supplies of electronically supplied/digital services to private consumers resident in your country?

To date there is no special legislation enacted which specifically deals with electronically supplied/digital services.

Does a non-established business need to appoint a fiscal representative in order to register?

The tax authority in Trinidad and Tobago may direct a person to appoint a VAT representative to act on their behalf for VAT purposes where the person:

- is a taxable person or makes taxable supplies in Trinidad and Tobago
- is not established, and does not have a 'fixed establishment' in Trinidad and Tobago
- in the case of an individual, they do not have their 'usual place of residence' in Trinidad and Tobago.

How often do returns have to be submitted?

VAT returns normally cover an accounting period of two months, There are two cycles A and B, ie January-February or February-March ending on the last day of a calendar month, A businesses can request a specific accounting cycle if the nature of the business is such that warrants such a request, eg businesses with seasonal income and expenditure.

All VAT returns have to be submitted within 25 days of the end of the relevant accounting period, together with any tax due except where the due filing date falls on a weekend or holiday, in such a case the due date is the next working day.

Are penalties imposed for the late submission of returns/ payment of tax?

There is no prescribed penalty for the late submission of a VAT Return per se, however, it is an offence and a penalty may be imposed on the summary conviction in a court of law.

There is a penalty of 8% for the late payment of tax due together with interest at the rate of 2% per month or part thereof from the due date to the date of Payment.

Are any other declarations required?

There are no other declaration required other than those already mentioned.

Are penalties imposed in other circumstances?

Yes. A range of penalties can be imposed where businesses do not comply with the VAT rules.

Penalties can also be applied where the business has failed to maintain adequate records, provide information (including additional declarations) or upon summary conviction where an offence has been committed.

Criminal proceedings may be brought in the case of more serious matters such as fraud.

Can the VAT incurred by overseas businesses be claimed if they are not registered in Trinidad and Tobago?

No.

What information must a VAT invoice show?

A VAT invoice must show:

- the words 'Tax invoice'
- an identifying serial number and date on which invoice was given
- the seller's name and address
- the seller's VAT registration number
- the customer's name and address
- a description sufficient to identify the goods or services supplied to the customer
- the value of supply
- the rate of VAT applicable to the amount claimed from the recipient in respect of tax
- any other particulars if any required by the regulations to be included in the tax invoice.

The following categories of business are exempt from the requirement for supplying a tax invoice:

- fast food outlets
- gas stations
- cinemas.

However, if the recipient requests a tax invoice such business will be obligated to comply.

Are there any current or anticipated Standard Audit File for Tax (SAF-T) or similar electronic/digital filing requirements eg invoice listing data file/real-time VAT reporting?

Currently there is no requirement to submit any supporting files with the VAT Return. However, the VAT regulations specifies the minimum amount of records that are required to be kept by a VAT registrant. This does not include any electronic/Digital filing requirements.

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United States

Indirect tax snapshot

What are the current rate(s) of indirect tax?	• Rates vary between states and among localities within states. Depending on the jurisdiction, general rates can range from 0 to over 13%. • Complete exemptions and reduced rates apply to certain goods and services. Exemptions and reduced rates vary among different jurisdictions. • Exemptions frequently apply to necessities such as unprepared food and prescription medicines. Additional (higher) rates may apply to purchases of 'vice' items such as alcoholic beverages.
Are there any confirmed or anticipated changes to these rates?	Yes. There are almost 10,000 sales and use tax jurisdictions in the U.S. With this many jurisdictions, some rates are likely scheduled to be changed in any given year.
What is the principal indirect tax?	Sales tax (and a complementary use tax) is the principal indirect tax in the USA. Sales tax is a tax on consumer expenditures and is collected on retail sale transactions. The use tax is a tax on the use of goods that were purchased elsewhere and were not subject to a jurisdiction's sales tax.
Is there a registration limit for the tax?	No, generally. Many states waive registration and collection requirements for occasional and/or isolated sales, which are extremely limited and often do not apply to business transactions. Aside from these exemptions, dealers making sales at retail within a state are typically required to register for and collect sales and use tax.
Does the same registration limit apply to non-established businesses?	Yes. Sales and use tax laws, including exemptions, typically apply to all sellers doing business within a jurisdiction, regardless of where the seller is based. Collection and filing obligations in the particular state jurisdictions, however, depend on whether the non-established businesses have sufficient presence in the jurisdiction to require a sales tax collection obligation.
Does a non-established person need to appoint a fiscal representative in order to register?	For sales tax registration purposes the appointment of a fiscal or authorized representative is not required, although in many instances doing so can be useful as tax registrations can often be complex. A jurisdiction may also require additional registrations, such as with a Secretary of State, which often require the listing of a registered agent.
How often do returns have to be submitted?	The frequency of returns varies by jurisdiction. In most cases, returns are filed monthly. Some jurisdictions allow for quarterly filings for businesses with sales under certain thresholds, and some jurisdictions require periodic reconciliation filings, which may occur quarterly.
Are penalties imposed for the late submission of returns/payment of tax?	Yes. Penalty and interest may be imposed for late filing of returns and/or late payment.
Are any other declarations required?	Yes. Additional documentation may be necessary for taxpayers claiming certain exemptions or exclusions. These may include exemption certificates or sale-for-resale certificates (B2B transactions).
Are penalties imposed in other circumstances?	Yes. Penalties can be imposed for a range of errors or omissions.
Can the tax incurred by overseas businesses be claimed if they are not registered in your country?	No, sales and use tax is generally meant to be imposed only on the final consumer and, subject to very few exceptions, there is no recovery mechanism for correctly charged sales and use tax (for domestic or overseas businesses).

What is the principal indirect tax?

Sales tax (and a corresponding use tax) is the primary indirect tax in the United States. Sales tax is a tax on consumer expenditures and is collected on sale transactions. Most jurisdictions in the US require that the seller collects sales tax on the sale of taxable goods or services and remit the tax to the appropriate jurisdiction's tax authority.

Sales tax is only imposed on retail transactions. That is, tax is only due on the purchase of a taxable good or service when the purchase is made by the end-user of that good or service. When a taxable good or service is purchased by a customer that will resell the good or service, the purchase is generally not subject to sales tax. In such cases, it is generally the seller's responsibility to collect from the purchaser documentation attesting that the purchaser is buying the goods or services in order to resell the goods or services.

It is possible for a vendor to not charge sales tax at the point of sale initially because the vendor does not have a physical presence or agents in a jurisdiction. To compensate for this possibility, jurisdictions impose a use tax that is complementary to the sales tax. The use tax is a tax on the use or consumption of goods in a jurisdiction, regardless of where the goods were purchased. The use tax is generally imposed on the purchaser of goods or services, not the seller. Purchases of goods or services that were subject to a jurisdiction's sales tax are exempt from the jurisdiction's use tax. Additionally, use tax is generally not due to the extent that the purchaser paid sales tax to a different jurisdiction on the transaction and that jurisdiction also had the right to tax the transaction (the use tax paid must be equal to or greater than the sales or use tax that would otherwise be due).

Is there a registration limit for the tax?

There is no limitation on the requirement that a seller register for and collect sales tax (or a purchaser for use tax) based on the dollar amount of sales made. Many jurisdictions, however, provide exemptions for occasional and isolated sales. Under these exemptions, a seller typically is not required to register for or collect sales tax on sales that it only makes a certain number of times in a given period. For example, an individual selling his or her personal possessions or a company liquidating its assets may not be required to collect sales tax, depending on the law of the jurisdiction in which the sale takes place. These exemptions are not available in every jurisdiction, however.

Does the same registration limit apply to non-established businesses?

Where a company is located or established has little or no bearing on whether the company is required to register for and collect sales tax. Instead, a seller is required to register for sales tax in a jurisdiction to the extent that the seller has 'nexus' with the jurisdiction. That is, the company must have contacts with the jurisdiction that are substantial enough to allow the jurisdiction to impose collection responsibilities on the seller. Although these requirements vary from jurisdiction to jurisdiction, the general rule is that almost any amount of physical contact with a state is sufficient to establish nexus with the jurisdiction. A company that has property or personnel in a jurisdiction, or that sends an employee, independent contractor, or agent into a state on behalf of the company, likely has physical contact sufficient to establish sales tax nexus. Additionally, some jurisdictions will find nexus even without conventional physical presence. Certain online e-business relationships, affiliate relationships, and sales thresholds may be enough to establish nexus in some jurisdictions for sales tax purposes. Therefore, nexus, like almost all aspects of sales and use tax compliance, must be examined on a jurisdiction-by-jurisdiction basis.

Is there any specific legislation to tax non-resident supplies of electronically supplied/digital services to private consumers resident in your country?

Many jurisdictions impose sales and use tax on the purchase of digital goods and services, electronically downloaded software, software as a service, and similar electronically supplied offerings. Whether supplies of such offerings are subject to sales tax in a given jurisdiction depends on whether the jurisdiction imposes tax on such goods or services. The tax can be imposed on the seller or the consumer, depending on whether the seller has nexus. A seller's obligation to collect depends on whether the seller has established nexus with the jurisdiction.

Does a non-established business need to appoint a fiscal representative in order to register?

The concept of businesses being 'established' and 'non-established' does not exist in the US for sales and use tax purposes. Instead, the critical consideration is whether a business has established 'nexus' with a particular jurisdiction, which would require that business to register and collect sales tax. Unlike the concept of being established, nexus does not depend primarily on a business's primary location, but on whether a business has substantial contacts with a jurisdiction. If there are no minimum contacts with a jurisdiction (as defined above), then a business does not need to register.

Establishment principles aside, businesses typically do not need to appoint a third-party fiscal representative to register for sales and use tax in most jurisdictions. In some instances, a company may decide to appoint a representative, such as a certified public accountant or an attorney to assist with the registration process because registration requirements and procedures can be complex. Additionally, doing business in some jurisdictions may require registration with other agencies, such as the Secretary of State. These additional registrations may require that the company list a registered agent, which is often a third party.

How often do returns have to be submitted?

The frequency with which returns must be filed varies by jurisdiction. For most jurisdictions, sales and use tax returns must be filed on a monthly basis. Some jurisdictions, however, allow for less frequent filings for taxpayers whose sales are under a set threshold. Other jurisdictions require reconciliation filings that must be submitted in addition to the periodic sales and use tax return filings. The filing periods for these reconciliation filings varies by jurisdiction.

Are penalties imposed for the late submission of returns/ payment of tax?

Penalties and interest and typically imposed for both late filings of returns and late payments of tax. Penalties for failure to file or pay can be as high as 50% of the tax due for the period. Many jurisdictions also impose penalties for substantial underpayments or for non-payments that are the result of fraud or willful neglect. In some instances, the waiver of some penalties may be secured.

Are any other declarations required?

Sales and use tax compliance has fairly strict documentation requirements in virtually all jurisdictions. As a baseline, jurisdictions generally require that businesses maintain a complete record of all transactions for several years, usually five years at a minimum. Records generally include invoices, bills of lading, gross receipts from sales, and other pertinent records.

In addition, taxpayers must retain all exemption documentation. This may include resale certificates or consumer exemption certificates. For example, if a business makes a tax-free sale to a wholesaler, the business must collect a resale certificate from the wholesaler, and the business must retain the certificate. Otherwise, the business may be held liable for the tax due on the transaction.

Are penalties imposed in other circumstances?

In some instances, a jurisdiction may require some taxpayers to make advance estimated payments of sales and use tax prior to the date the taxpayers are required to file their returns and remit their tax payments. Late payment penalty can apply to both the tax payment and the estimated penalty. Additionally, jurisdictions often impose penalty for late payments or non-payments that are the result of fraud or willful neglect. In these instances, the various penalties may stack.

Criminal proceedings may be brought in the case of more serious matters, and individual liability can attach to responsible company employees.

Can the sales and use tax incurred by overseas businesses be claimed if they are not registered in the United States?

A non-resident generally can't reclaim sales tax that was properly levied.

A business need not be registered with any particular state or jurisdiction to incur sales and use tax obligations. To the extent that a company has established nexus with a jurisdiction for sales and use tax purposes, that company may be subject to the jurisdiction's taxing authority. Although nexus standards vary slightly by jurisdiction, nexus is generally established to the extent that a company has any physical presence in a particular jurisdiction. Physical presence may be an office, warehouse, owned or leased personal property, or the presence of personnel, including independent contractors or agents that travel into the state to act on behalf of the company. Additionally, some jurisdictions find nexus as a result of a taxpayer being an affiliate of an entity that has established nexus, as a result of a company entering into certain referral agreements with persons that have established nexus, by exceeding sales thresholds, or via internet marketing or advertising activity.

What information must a sales tax invoice show?

Taxing authorities in the Unites States generally do not have specific sales tax invoices, but certain information should be on invoices that are issued to comport with recordkeeping requirements. Depending on the requirements of the various jurisdictions, invoices may need to show: the billing and shipping address of the purchaser, the address of the seller, the amount of the transaction, a description of the goods and/ or services provided, the transaction date, any tax charged separately stated, and other pertinent information. Additional information may be required in order to utilize certain exemptions.

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Uruguay

Indirect tax snapshot

What are the current rate(s) of indirect tax?	• Standard rate of Value Added Tax (VAT) of 22% for most goods and services within the national territory, the introduction of goods into the country, and the value added over real estate from works by means of administration performed by those who are not Income tax on Economic Activities (IRAE) taxpayers. • Reduced rate of 10% for some goods such as the ones from the family food basket, the first sale of real estate, and certain services such as health services. • Zero-rated for exports of goods and services and for the sale of agricultural goods in some cases. • Imesi Tax over some specific products such as alcoholic beverages, cosmetics, tobacco, motor vehicles, Lubricants.
Are there any confirmed or anticipated changes to these rates?	Yes, it's expected that the standard rate will be 20% in the future.
What is the principal indirect tax?	Value Added Tax (VAT) is the principal indirect tax in Uruguay.
Is there a registration limit for the tax?	No.
Does the same registration limit apply to non-established businesses?	No.
Does a non-established person need to appoint a fiscal representative in order to register?	No, in the case of these taxes.
How often do returns have to be submitted?	Most businesses are required to submit VAT and IMESI returns on a monthly basis.
Are penalties imposed for the late submission of returns/payment of tax?	Yes.
Are any other declarations required?	In some cases, special declarations are required (ie VAT in case of a vehicle acquisition in order to deduct the VAT).
Are penalties imposed in other circumstances?	Yes. Penalties can be imposed in other circumstances.

What is the principal indirect tax?

Value Added Tax (VAT) is the principal indirect tax in Uruguay.

VAT is levied on operations dealing with the domestic circulation of goods, the provision of services within the national territory, the introduction of goods into the country, and the value added over real estate from works by means of administration performed by those who are not Income tax on Economic Activities (IRAE) taxpayers, at a basic rate of 22%.

Goods such as the family food basket, the first sale of real estate, and certain services such as health services have a 10% minimum tax rate.

The exportation of goods is zero-rated in all cases. Additionally, exportation of services is zero-rated if the services are included in a specific list (list that can be increased by a decree of the Uruguayan executive power). Below are some examples of services which are classed as exportation:

- international freight of goods (in transit) outside Uruguay
- services for construction of airplanes and boats
- services in the free port and Uruguayan free zones, only if it is necessary to render the service in these zones
- services rendered to non-residents regarding specific sectors, (eg, TV, cinema, logistical services, etc.)
- advisory services rendered to foreign entities, involving activities developed, goods situated or rights used outside Uruguay, when the services are used economically outside Uruguay
- advertising services rendered by advertising agencies to foreign clients, if the material is used exclusively abroad.

If the service is not included in the list, the service will be taxed at a rate of 22%.

VAT credit for exportation can be recovered.

If the goods a corporation sells or the services rendered are VAT exempt, the corporation has nothing to deduct from and the VAT paid on its purchases of goods or services will become part of cost. In the case of exports, which are zero-rated the VAT credit is still available against other taxes.

Is there a registration limit for the tax?

No.

Does the same registration limit apply to non-established businesses?

Not applicable, there is no registration limit.

Is there any specific legislation to tax non-resident supplies of electronically supplied/digital services to private consumers resident in your country?

No.

Does a non-established business need to appoint a fiscal representative in order to register?

Regarding VAT, there is no obligation to appoint a fiscal representative. In almost all cases, a withholding agent is appointed.

How often do returns have to be submitted?

The tax is calculated and paid either monthly or annually, depending on the taxpayer's volume of business. In the case of annual calculation, payments are to be made on account, based on transactions for the month.

Sworn tax returns are to be submitted monthly or annually, depending on whether the tax is calculated monthly or annually, with accumulated data for the year underway and, at year-end, the outstanding balance is calculated and paid (or a tax credit is carried over to the following year).

Are penalties imposed for the late submission of returns/ payment of tax?

Yes. In case of late submission of the tax return a penalty (not significant) is imposed. In case of late payment, a penalty of 5%, 10% or 20% is imposed over the tax not paid (depending how long), and then surcharges are also imposed. Surcharges are generated every day.

Are any other declarations required?

In some special cases, some declarations need to be issued.

Are penalties imposed in other circumstances?

In some cases, if the VAT is not paid with the intention to avoid and hide the taxable event before the tax authority, our law states the existence of tax fraud as a monetary penalty and as a penal crime (defraudación tributaria).

If a company incurs in formal deficiencies regarding formal requirements only if is possible to understand that the company has the intention to commit tax fraud, our law states a judicial procedure in order to close the company for a certain period of time (six working days or more, depending the case).

Please note that according to our law, in some cases (not all of them) the penalty of 'contravención' could be applicable over each document which may contain a formal deficiency with a limitation of 1,000 penalties.

What information must a VAT invoice show?

A VAT invoice must show:

- an invoice number which is unique and sequential
- the seller's name and address
- the seller's tax registration number
- the invoice date
- the customer's name and address, and sometimes the identification number in the case of individuals
- a description sufficient to identify the goods or services supplied to the customer
- the rate of any cash discount
- the total amount of VAT charged.

Additionally the details of the print house shall be included in the invoice, as well as a QR code.

Are there any current or anticipated Standard Audit File for Tax (SAF-T) or similar electronic/digital filing requirements eg invoice listing data file/real-time VAT reporting?

No.

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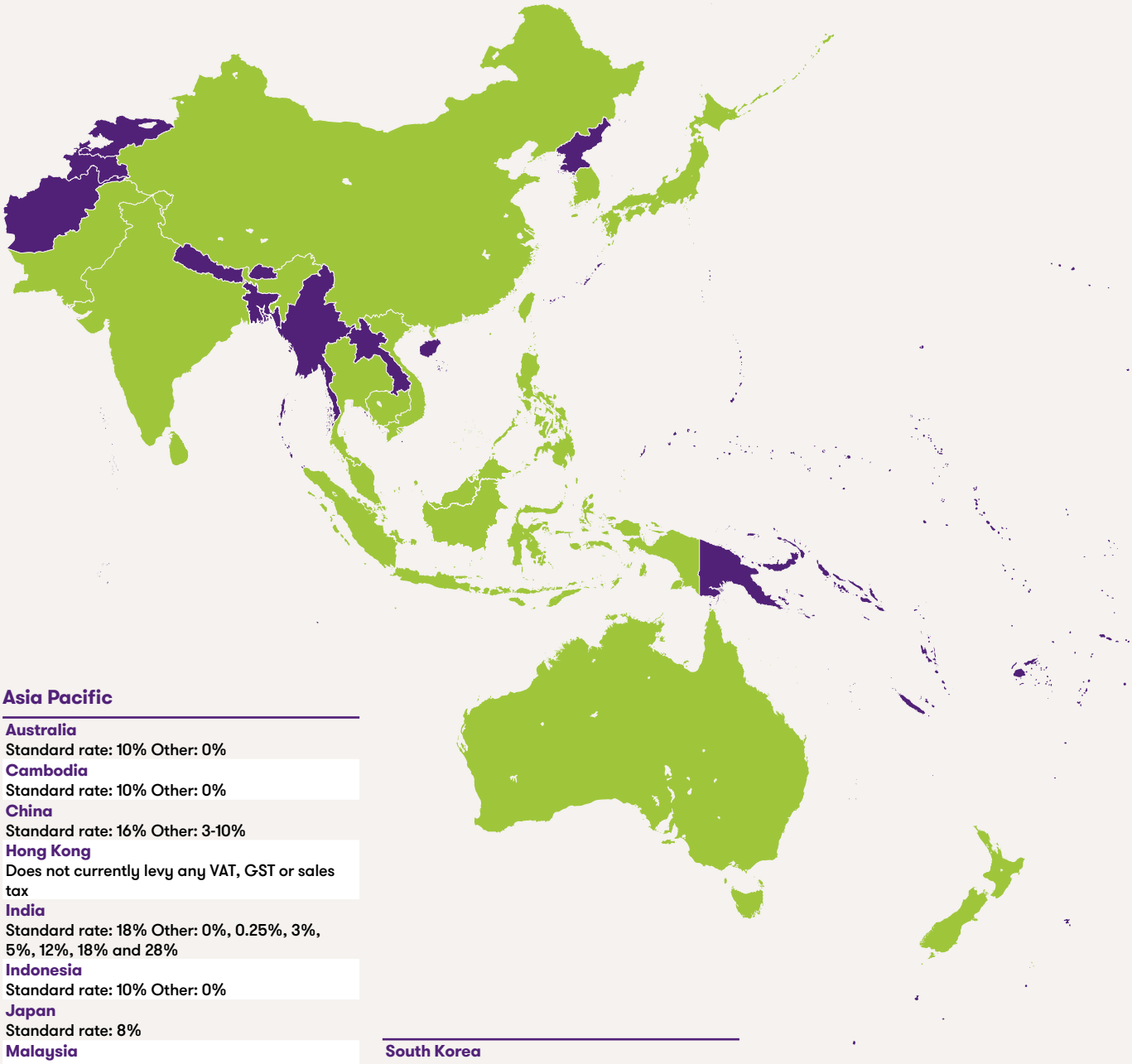
Indirect tax overview – Asia Pacific



Asia Pacific

Australia
Standard rate: 10% Other: 0%

Cambodia
Standard rate: 10% Other: 0%

China
Standard rate: 16% Other: 3-10%

Hong Kong
Does not currently levy any VAT, GST or sales tax

India
Standard rate: 18% Other: 0%, 0.25%, 3%, 5%, 12%, 18% and 28%

Indonesia
Standard rate: 10% Other: 0%

Japan
Standard rate: 8%

Malaysia
Standard rate: 0%

New Zealand
Standard rate: 15% Other: 0%

Pakistan
Standard rate: 17% (goods), 13-16% (services) Other: 0%

Philippines
Standard rate: 12% Other: 0%

Singapore
Standard rate: 7% Other: 0%

South Korea
Standard rate: 10% Other: 0%

Sri Lanka
Standard rate: 15% Other: 2%

Taiwan
Standard rate: 5% Other: 0% Special rates for specified industries: 1%, 2%, 10/25%

Thailand
Standard rate: 7% Other: 0%

Vietnam
Standard rate: 10% Other: 5%, 0%

Key highlights: Asia Pacific

Malaysia is repealing GST and it will be replaced with a Sales and Services Tax with effect 1 September 2018.

India is celebrating the first anniversary of the implementation of GST which went live on 1 July 2017. GST replaced seven federal and six state taxes and duties as well as various federal and state surcharges. GST has increased the number of taxpayers from 6 million to 10 million.

Australia implemented its 'Netflix tax' to tax non-resident supplies of digital services to Australian consumers with effect 1 July 2017. Other countries in the region that have implemented or have proposed similar legislation include New Zealand, Thailand, Taiwan, South Korea and Singapore.

The low value threshold for imports in New Zealand will be removed with effect 1 October 2019 and GST will be imposed on all goods imported into New Zealand. Goods supplied to GST registered businesses are excluded.

Customs and trade: Asia Pacific

Asia Pacific economies accounts for 60 percent of global economic growth and makes up over 30 percent of global GDP. As of 2017, Asia Pacific nations have implemented over 50 free trade agreements, with two more regional trade agreements – The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and Regional Comprehensive Economic Partnership (RCEP) – being anticipated.

The ASEAN Economic Community was established in 2015 to integrate South East Asian countries to enhance economic development through customs and trade facilitation initiatives.

Key multilateral Asia Pacific Free Trade Agreements (FTAS)

ASEAN+6 FTAs

The Association of Southeast Asian Nations (ASEAN) compromises of ten-member states including Brunei, Cambodia, Indonesia, Lao, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Vietnam. ASEAN has been active in developing trade relations with its trading partners. To date, there are five FTAs in force between ASEAN and six trading partners including, Australia, China, India, Japan, South Korea and New Zealand. Goods traded between ASEAN and each trading partner may qualify for duty exemption or reduction.

Regional Comprehensive Economic Partnership (RCEP)

When completed, the RCEP will represent the largest global free trade bloc with 16-member countries including ten ASEAN members, Australia, China, India, Japan, South Korea and New Zealand. The RCEP will liberalize trade in goods amongst all 16-member countries under a single agreement and will include provisions on other economic integration frameworks such as investment, trade in services, intellectual property and e-commerce.

Comprehensive and Progressive Agreement for Transpacific Trade Partnership (CPTPP)

In March 2018, members of the former Transpacific Trade Partnership (TPP) agreement including Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Viet Nam, endorsed the finalised CPTPP. Viewed as a successor of the TPP, this FTA will grant pacific rim countries with no prior bilateral preferential trade (such as Japan and New Zealand, and Canada and Japan) to liberal trade in goods amongst themselves. In addition to trade in goods, the CPTPP also covers other initiatives such as investment, environment protection, e-commerce, financial services and trade in services.

The ASEAN Economic Community (AEC)

AEC

In 2015, ASEAN members established the AEC, which provides for a set of comprehensive social and economic integration initiatives for ASEAN to achieve by 2025.

ASEAN Free Trade Area (AFTA)

The ASEAN Trade in Goods Agreement (ATIGA) has eliminated customs duties for almost all goods traded amongst ASEAN members. Goods seeking to attract AFTA duty free privilege must comply with the ASEAN preferential rules of origin.

ASEAN Harmonized Tariff Nomenclature (AHTN)

ASEAN has adopted the World Customs Organization's (WCO) harmonized tariff nomenclature (HTS) and further refined the HTS for uniformity up to the 8-digit sub-headings level for ASEAN – the AHTN. The AHTN is applied for goods traded within the AFTA.

ASEAN harmonisation of Standards and Mutual Recognition Arrangements (MRA)

ASEAN has implemented initiatives to harmonise product standards and mutual recognition of national standards or technical regulations for goods. For example, a harmonised regulatory scheme for cosmetic products has been developed which includes standardised labelling requirements, GMP standards, an ingredients list directive and registration procedures. Presently, working groups to develop MRA have been set up for various industries such as automotive, cosmetics, electrical & electronic goods, medical devices, pharmaceuticals and prepared foodstuff.

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Australia

Indirect tax snapshot

What are the current rate(s) of indirect tax?	• Taxable supply rate of 10%. • GST-Free supply no GST. • Input taxed supply no GST.
Are there any confirmed or anticipated changes to these rates?	No.
What is the principal indirect tax?	Goods and Services Tax (GST) is a tax on final consumption. The GST is calculated at the rate of 10% of the GST-exclusive price of the goods and services provided.
Is there a registration limit for the tax?	Yes. It relates to the current or projected annual turnover and once the limit has (or will be) reached it is necessary to register.
Does the same registration limit apply to non-established businesses?	Yes. Non-resident entities that make supplies that are connected with Australia are required to register if the registration turnover threshold is met. A non-resident enterprise is required to be registered if its GST turnover is at or above 75,000 Australian dollars (AUD).
Does a non-established person need to appoint a fiscal representative in order to register?	Not applicable.
How often do returns have to be submitted?	An entity must either lodge its Business Activity Statements (BASs) on a monthly or quarterly basis. Generally, most small businesses lodge their BASs on a monthly basis.
Are penalties imposed for the late submission of returns/payment of tax?	Yes. If a GST return, or the corresponding payment, is submitted late a penalty can be imposed.
Are any other declarations required?	No.
Are penalties imposed in other circumstances?	Yes. Penalties can be imposed for a range of errors or omissions.
Can the tax incurred by overseas businesses be claimed if they are not registered in your country?	No. A company must be registered for GST before it is entitled to any input tax credits.

What is the principal indirect tax?

GST is a tax on final consumption in Australia.

The GST is calculated at the rate of 10% of the GST-exclusive price of the goods and services provided.

Where GST does not apply because the supply is either GST-free or input taxed, a rate of 0% applies. The following table provides some examples of GST-free and input taxed supplies.

GST-free supplies	Input taxed supplies
Food Health Education Exports Charities Water and sewerage Precious metals	Financial Residential School tuck-shops School canteens

The following table summarises the types of supplies and related GST treatment.

Supply	Examples	GST treatment	Recoverability of GST credits on related acquisitions
Taxable	Consulting services to a firm in Australia	GST charged at 10%	Full recoverability of GST credits on creditable acquisitions
GST-free	Consulting services to a firm outside of Australia for application	No GST applied	Full recoverability of GST credits on creditable acquisitions outside Australia
Input-taxed	Supply of money lending services	No GST applied	No recoverability of GST credits on creditable acquisitions (there may be a partial recovery in certain circumstances)

Is there a registration limit for the tax?

An entity that is carrying on an enterprise, whose current or projected annual turnover is AUD 75,000 or more (excluding GST).

Non-profit bodies are not required to be registered unless their current or projected annual turnover is AUD 150,000 or more (excl. GST).

Taxi operators are required to be registered regardless of their annual turnover.

Voluntary registration is available for domestic and overseas companies.

Does the same registration limit apply to non-established businesses?

Yes. Non-resident entities that make supplies that are connected with Australia are required to register if the registration turnover threshold is met. A non-resident enterprise is required to be registered if its GST turnover is at or above 75,000 AUSD.

Is there any specific legislation to tax non-resident supplies of electronically supplied/digital services to private consumers resident in your country?

GST applies to sales of imported services and digital products to Australian consumers. Offshore supplies will have a GST liability if they meet the GST registration threshold of AUD 75,000. Examples of digital products include the streaming/downloading of music, movies, games, apps, and e-books. Examples of imported services include consultancy, educational, and professional services (eg legal services).

From 1 July 2018, the previous low value goods (AUD 1,000 or less) threshold for importation will be abolished. Goods supplied by offshore retailers to Australian consumers will now be taxable. Offshore suppliers will have a GST liability if they meet the GST registration threshold of AUD 75,000.

If a supply is made through an Electronic Distribution Platform (EDP), the GST liability on the supply will generally shift from the supplier to the platform operator. An EDP includes, for example, an App store or an online marketplace (eg Amazon, eBay). An offshore entity that makes supplies to Australian consumers solely through an EDP may not be required to register for GST.

Where an offshore entity meets the GST registration threshold, it will be able to access a limited GST registration system. Under this simplified system, the entity will not be entitled to an Australian Business Number, must account for GST quarterly, will have no requirement to issue tax invoices, and will not be entitled to claim input tax credits back. An offshore entity may still choose to register under the full registration system.

Does a non-established business need to appoint a fiscal representative in order to register?

Not applicable.

How often do returns have to be submitted?

A Business Activity Statement (BAS) is required to be lodged by a registered entity to the Australian Taxation Office (ATO) to record its GST and other tax liabilities.

An entity must either lodge its BAS on a monthly or quarterly basis. Generally, most small businesses lodge their BASs on a quarterly basis. However, an entity must lodge its BAS monthly if its annual turnover is more than AUD 20 million or it has chosen to lodge monthly.

An entity with a monthly tax period must lodge its BAS by the 21st day of the month following the end of the tax period. In the case of entities with quarterly tax periods, the BAS must be lodged by the dates shown in the following table:

If this day falls within the quarterly tax periods	Lodge the BAS on or before this date
1 September	The following 28 October
1 December	The following 28 February
1 March	The following 28 April
1 June	The following 28 July

Are penalties imposed for the late submission of returns/ payment of tax?

Taxpayers who fail to meet their tax obligations may be liable for penalties and interest charges. When the ATO finds an error or omission, they take into account the circumstances of the individual, including their compliance history, when deciding what action to take, particularly for any penalties or possible prosecution action. Relevant circumstances include the reasons for the discrepancy or failure to meet a tax obligation and how well the taxpayer has complied with their tax obligations in the past.

A penalty is an amount that is calculated using either a statutory formula or in multiples of a penalty unit.

The types of penalty which apply can be administrative, civil or criminal. Civil and criminal penalties are imposed by courts and administrative penalties are imposed without the need for court action.

Interest charges apply to unpaid amounts, such as shortfall amounts, late payments and tax debts. Interest charges apply whether or not a penalty applies. Having interest charges applied to a shortfall amount does not depend upon, or imply, dishonesty on the tax payers behalf.

Are any other declarations required?

Not applicable.

Are penalties imposed in other circumstances?

Yes. A range of penalties can be imposed where businesses do not comply with the GST rules.

Civil penalties and interest can be applied for errors and omissions made on tax returns, or where the tax is paid late. Penalties can also be applied where the business has failed to maintain adequate records, provide information (including additional declarations), or makes repeated mistakes.

Criminal proceedings may be brought in the case of more serious matters.

Can the GST incurred by overseas businesses be claimed if they are not registered in Australia?

No. A company must be registered for GST before it is entitled to any input tax credits.

What information must a GST invoice show?

A GST invoice must show:

- the supplier's identity and Australian Business Number (ABN)
- the recipient's identity or the recipient's ABN – if the total price of the supply or supplies is at least $1,000 or such higher amounts as the regulations specify, or if the document was issued by the recipient
- what is supplied, including the quantity (if applicable) and the price of what is supplied
- the extent to which each supply, to which the document relates, is a taxable supply
- the date the document is issued
- the amount of GST (if any) payable in relation to each supply to which the document relates
- if the document was issued by the recipient and GST is payable in relation to any supply – that the GST is payable by the supplier.

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Cambodia

Indirect tax snapshot

What are the current rate(s) of VAT?	• Standard rate of 10% for most goods and services. • Zero-rated for exported goods and services.
Are there any confirmed or anticipated changes to these rates?	No.
What is the principal indirect tax?	Value Added Tax (VAT) is the principal indirect tax in the Cambodia. It is a tax on consumer expenditure, and is collected on business transactions and imports.
Is there a registration limit for the tax?	Yes. Registration requirements relate to the annual turnover of taxable transactions in Cambodia, and once the limit has (or will be) reached, it is necessary to register.
Does the same registration limit apply to non-established businesses?	Not applicable.
Does a non-established person need to appoint a fiscal representative in order to register?	Not applicable.
How often do returns have to be submitted?	Returns have to be submitted on a monthly basis by the 20th of the following month.
Are penalties imposed for the late submission of returns/payment of tax?	Yes. If a VAT return, or the corresponding payment thereof, is submitted late or underpaid, a penalty will be imposed. Penalties comprise of a surcharge of either 10%, 25% or 40% of the basic tax unpaid and interest of 2% a month.
Are any other declarations required?	Yes. A VAT return needs to be completed along with a report of the purchases and sales transactions for the month, accompanied by a copy of the sales invoices that the company issued and invoices received during the month.
Are penalties imposed in other circumstances?	Yes. Penalties can be imposed for a range of errors or omissions.
Can the tax incurred by overseas businesses be claimed if they are not registered in your country?	No. Overseas business can only claim the VAT incurred in the country if they comply with registration requirements.
Deduction of VAT	VAT incurred in Cambodia and during the current month can be deducted from output VAT, except for VAT from: • entertainment, recreation, amusement expenses unless the taxable person carries on a business as a provider of those activities above • mobile phone expenses • the purchases or imports of automobiles unless the taxable person carries on a business of dealing in or hiring such automobiles • the purchase of certain petroleum products unless the taxable person carries on a business as a supplier of such petroleum products.

What is the principal indirect tax?

Value Added Tax (VAT) is the main type of indirect taxation in Cambodia.

It is a tax on consumption which is applied during the production and distribution process to most goods and services. It is also applied to goods, and certain services, entering the country. Although VAT is ultimately borne by the consumer by being included in the price paid, the responsibility for charging, collecting and paying it to the tax authority at each stage of the process rests with the business making the supply, ie the sale.

A business registered for the tax will charge VAT (output tax) on its sales, and incur VAT (input tax) on its purchases (including any VAT paid at importation). The difference between the output tax and the deductible input tax in each accounting period will be the amount of VAT payable by the business to the tax authority. Where the input tax exceeds the output tax, a refund can be claimed.

A business engaged in non-taxable supplies may not claim VAT input credits (in practical term).

Taxable supply

- Supply of goods or services by the taxable person in the Kingdom of Cambodia.
- Appropriation of goods for his or her own use by the taxable person.
- Making of a gift to or supply at a below cost of goods or services by the taxable person.
- Import of goods into the territory of the Kingdom of Cambodia.

Non-taxable supply

- Public postal service.
- Hospital, clinic, medical, and dental services and the sale of medical and dental goods incidental to the performance of such services.
- The service of transportation of passengers by a wholly state owned by public transportation system.
- Insurance services.
- Primary financial services.
- The importation of articles for personal use that are exempt from customs duties.
- Non profit activities in the public interest that have been recognized by the Ministry of Economy and Finance.
- Education services.
- Electricity.
- Clean water.
- Unprocessed agricultural products.
- Solid and liquid waste.

VAT state charge

- Importation of raw materials of QIP company.
- Importation and supply of agricultural products – fertilizer, seed, animal drugs, animal feed, animal breed and agricultural equipment and tractors.
- Importation of raw material and equipment to produce rice for export.
- Importation of raw material and equipment for directly supporting the export of industrial products such as garments, textiles, footwear, handbags and hats.
- Basic food supplies – meat, all types of egg including fresh or pickled eggs, seafood, all types of sugar, salt and condiment such as fish sauce and soy sauce (for a two year period from 2018 to 2019 only).

Taxable value

The taxable value shall be determined as follows:

- The taxable value for any supply shall be the price of the goods or services the seller charged the purchaser. The taxable value includes any charges for transportation and other items payable to the seller with respect to the supply, including any specific tax on certain merchandise and services but excluding the tax on value added. Procedures for the adjustment of the taxable value at the time of supply and after the time of supply shall be determined by sub-decree.
- When the payment for a taxable supply involves any consideration other than money for the direct or indirect benefit of the seller, this consideration shall be included in the taxable value at its fair market value.
- The taxable value for any imported good shall be the customs value including insurance and freight plus any customs duties and any specific tax on certain merchandise and services. If there is no such adjusted customs value, the fair market value shall be used.
- If the taxable value of the goods or services supplied does not represent the true value, the tax administration may determine a value for such goods or services and such value shall be presumed to be the correct value until proven otherwise to the satisfaction of the tax administration.
- The taxable value of used goods that the taxable person regularly purchases from consumers for resale or sells on behalf of other persons shall be the differential between the selling price and the purchase price, or the commission from the sale of those goods.

VAT rate:

There are two rates of VAT that are applied to goods and services in the Cambodia:

- a standard rate of 10% on the taxable value of the supply of goods and services in the Kingdom of Cambodia
- 0% on the taxable value of the supply of goods exported and services provided outside of the Kingdom of Cambodia.

Time of supply

The time of supply shall be determined as follows:

- the tax on value added becomes due and payable at the time of supply
- the time of supply of goods and services shall be the time by which the seller must issue the invoice or the time the seller issues the invoice if that invoice is issued before the time it must be issued by the seller
- a value added tax invoice must be issued within seven days after the goods are shipped or services rendered or after payment if payment occurs before the goods are shipped or services rendered. If a shipment is not accompanied by an invoice, there shall be attached a shipping document which has been properly recorded in the shipping journal
- for the supply of goods or services which are made continuously or which involve multiple payments, the time of supply shall be determined by Prakas of the Ministry of Economy and Finance
- in the case of the import of goods, the time of supply shall be the time the importer files a declaration to the customs administration according to the regulations in force.

Location of supply

The location of supply shall be determined as follows:

- the supply of a good takes place in the Kingdom of Cambodia if the good is delivered in the Kingdom of Cambodia, whether that delivery takes on the characteristic of a transfer of the right to use or to dispose. In the case where the supply must include transportation, the supply takes place in the Kingdom of Cambodia if the good is in the Kingdom of Cambodia when the transportation starts.
- the supply of a service takes place in the Kingdom of Cambodia if the service is performed in the Kingdom of Cambodia, except that:
  - the supply of a service in connection with immovable property is deemed to take place where the property is located
  - the supply of a service in connection with transport is deemed to take place where the transport occurs
- goods are imported into the Kingdom of Cambodia if they are brought within the customs territory of the Kingdom of Cambodia.

In addition, some goods and services are exempted from the tax, especially for agriculture products, Qualified Investment Project (QIP) company, and goods and services sold to royal governments.

Businesses that make exempt supplies are unable to claim all of the input tax that they incur, so the VAT paid to suppliers will be a 'real' cost.

All goods imported into the Cambodia are subject to VAT, except for agricultural products, goods imported for personal use that are exempt from customs duty tax, goods imported by embassy or ambassador for using in embassy, NGO, etc.

The tax will have to be paid by the importer at the time of importation. Where the importation is for business purposes and the importer is registered for VAT, it may be possible to reclaim the tax.

It is also important to note the interaction between VAT and Customs duty. Customs duty is levied at the place where goods are imported into the community. It is levied in order to bring the cost of goods produced outside Cambodia up to the same level as those produced within it. Once the duty (and VAT) has been paid by the importer, the goods are in 'free circulation' and they can then be released for use in the home market. Unlike other indirect taxes, such as VAT, once the duty has been paid it is not usually recoverable by the importer.

It therefore represents a bottom line cost to the importing business if it cannot be passed on in higher prices. It is therefore very important to ensure that the correct rate of duty is applied. VAT is charged on the value of the importation, including any custom duty.

Is there a registration limit for the tax?

A 'person' or 'company' who either makes or intends to make taxable supplies of goods or services in the course or furtherance of a business must register for VAT (real regime taxpayer) if the value of its taxable supplies in the Cambodia exceeds the annual registration limit, or is expected to exceed the limit in the near future. A business can register on a voluntary basis even if the registration limit has not been exceeded.

For these purposes, a 'person' includes any legal entity. Therefore, once a person is registered for VAT, all of his business activities will be covered by the registration – even if the natures of some of those activities are very different.

'Any person' conducting a business enterprise or intending to conduct a business enterprise may apply to be registered for VAT. However all corporations, importers, exporters and investment enterprises must register for VAT from the date they commence business. All other taxpayers must register for VAT if their taxable turnover in respect of goods exceeds 125 million Khmer Riels or their taxable turnover in respect of services exceeds 60 million Khmer Riels for the preceding three consecutive calendar months or is likely to exceed this level in the future three months. In addition, the taxpayers with government contracts which will produce taxable turnover exceeding 30 million Khmer Riels must register for VAT. Taxable turnover is the gross income of a business excluding VAT and excluding income from non-taxable supplies as defined in Article 57 of the Law on Taxation.

The term 'any person' for purposes of VAT registration includes:

- sole proprietor
- partnership
- private company
- public company
- joint venture
- pass through
- club or association.

A business enterprise: This refers to any business of whatever nature and it includes examples such as:

i ordinary business, eg shops, contractors, manufacturers, wholesalers, services providers etc.
ii trades and professions, eg architects, engineers, accountants, lawyers etc.
iii activities of non-profit making bodies, eg societies, associations, sporting clubs etc.

A penalty may be imposed by the tax authority if a business fails to register at the correct time.

Does the same registration limit apply to non-established businesses?

Not applicable.

Is there any specific legislation to tax non-resident supplies of electronically supplied/digital services to private consumers resident in your country?

There is no legislation recently.

Does a non-established business need to appoint a fiscal representative in order to register?

Not applicable.

How often do returns have to be submitted?

Every month, the company must file a VAT return form. The period covered by the return is called a tax period.

A company has to fill in details of the supplies it made and purchases received in a tax period and pay the total net tax owed to the General Department of Taxation or claim a repayment or a credit if tax is owed to it.

The VAT return and VAT payment must reach the GDT by 20th day of the following month.

There are penalties for late filing of the return and for late payment or failure to pay the tax.

Are penalties imposed for the late submission of returns/ payment of tax?

A default surcharge penalty may be imposed by the tax authority if VAT returns are not submitted on time, or the related tax is not paid by the due date.

The other two rates for the penalty:

- negligent: additional tax shall be 10% of the amount of the late paid tax plus 2% interest on that tax amount for each month or part of a month that it's not paid
- seriously negligent: additional tax shall be 25% of the amount of the late paid tax plus 2% interest on that tax amount for each month or part of a month that it's not paid.

Are any other declarations required?

Yes. In addition to the report of purchases and sales that were incurred by a company during the month, it has to submit to tax authority (along with the VAT return) copies of the invoices that company had issued and received.

Are penalties imposed in other circumstances?

Yes, the penalty and interest shall be imposed for an underpaid or unpaid of tax amount:

- negligent: additional tax shall be 10% of the amount of the underpaid or unpaid tax plus 2% interest on that tax amount for each month or part of a month that it's not paid
- seriously negligent: additional tax shall be 25% of the amount of the underpaid or unpaid tax plus 2% interest on that tax amount for each month or part of a month that it's not paid
- unilateral tax assessment: additional tax shall be 40% of the amount of the underpaid or unpaid tax plus 2% interest on that tax amount for each month or part of a month that it's not paid.

Aside from the tax penalty, there is an administrative penalty shall be imposed for the obstruction of the implementation of the tax provision, the additional tax shall be:

- two million Khmer Riels (2,000,000 Khmer Riels) for a taxpayer or a withholding agent under the real regime taxpayer system or a government official
- five hundred thousand Khmer Riels (500,000 Khmer Riels) for a taxpayer or a withholding agent under the estimated regime taxpayer system.

Can the VAT incurred by overseas businesses be claimed if they are not registered in Cambodia?

No, they cannot claim the VAT that incurred in overseas. They can only claim the VAT that incurred in the country if they are registered locally.

What information must a VAT invoice show?

A VAT invoice must show (for VAT registered customers):

- the seller's name and address
- the seller's VAT registration number
- the invoice date
- an invoice number which is unique and sequential
- the customer's name and address
- the customer's VAT registration number
- a description sufficient to identify the goods or services supplied to the customer
- the quantity, selling price of the goods or services
- the total taxable amount excluding VAT
- the total amount of VAT charged
- the total amount including VAT
- the date of supply of the goods or services if different from the date of issue of the invoice.

For non-VAT registered customers, the following must be shown:

- the seller's name and address
- the seller's VAT registration number
- the invoice date
- an invoice number which is unique and sequential
- the customer's name and address
- a description sufficient to identify the goods or services supplied to the customer
- the quantity, selling price of the goods or services
- the total taxable amount including VAT
- the date of supply of the goods or services if different from the date of issue of the invoice.

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Indirect tax snapshot

What are the current rate(s) of VAT?	• VAT rate of 16% on the sale of goods, the provision of processing, repair and replacement labour activities, leasing of tangible (movable) property or importing goods. • VAT rate of 10% on transportation services, postal services, basic telecommunication services, construction, the lease of immovable assets, the sale of immovable assets, the transfer of land use rights or the sale or importation of specific goods. • VAT rate of 6% on the sale of services and intangible assets, unless otherwise stated. • VAT rate of 0% on exports (pursuant to tax circulars issued subsequent to the Provisional Regulations, VAT refund rates for export sales vary depending on the specific nature of goods. Thus, VAT on export sales is in effect not subject to zero rate for certain items). • VAT rate of 0% for organisations and individuals in China engaging in the cross-border sale of services and intangible assets within the scope stipulated by the State Council. • VAT rate of 3% for small-scale taxpayers.
Are there any confirmed or anticipated changes to these rates?	No anticipated changes to these rates.
What is the principal indirect tax?	VAT and Consumption Tax (CP) are the major indirect taxes in China. VAT is levied on entities and individuals engaging in the sale of services, intangible assets or immovable assets within the territory of China. CP is levied on individuals or entities that manufacture, subcontract or import chargeable items into mainland China as specified in the PRC Provisional Regulations for Consumption Tax. VAT payable = Output VAT – Input VAT during the period Output VAT = Turnover x Tax rate
Is there a registration limit for the tax?	Yes, China has legal regime of tax registration that requires the taxpayer to register its business activity with the related tax authorities for tax management purposes. From 1 October 2016, China implemented the registration system by 'Five in One'. The corporation has a unified business license with a unified social credit code.
Does the same registration limit apply to non-established businesses?	No, generally only organisations legally established within China's territory will be required to register with the tax authority, non-resident enterprises are not required to declare their tax status.
Does a non-established person need to appoint a fiscal representative in order to register?	No.
How often do returns have to be submitted?	Most businesses are required to submit VAT returns on monthly basis.
Are penalties imposed for the late submission of returns/payment of tax?	Yes. If a VAT return, or the corresponding payment, is submitted late a penalty may be imposed. A fine of RMB 2000 Yuan to EMB 10000 Yuan may be imposed if the taxpayer does not comply with tax filing rules such as a delay in the submission of tax returns. Additionally, a delay of tax payment may be subject to tax overdue charge at the rate of 0.05% on a daily basis.
Are any other declarations required?	Yes, special tax declarations will be required if the taxpayer operates in a non-registered area within China.
Are penalties imposed in other circumstances?	Yes, where a taxpayer is identified as having a deliberate intention to commit tax evasion, a penalty may be imposed ranging from 50% to 500%.

Indirect tax snapshot

Can the tax incurred by overseas businesses be claimed if they are not registered in your country?	Not applicable.
Deduction of VAT	In principle, in addition to taxable items with a VAT rate of 0%, any purchase of goods or receipt of services, intangible assets and/or immovable that would not and/or could not be applied to taxable items on which output VAT would be generated (eg VAT exemption), therefore the input VAT cannot be claimed for deduction.

What is the principal indirect tax?

The Indirect tax consists of Value Added Tax and Consumption tax in China. VAT is levied on entities and individuals engaging in the sale of services, intangible assets or immovable assets within the territory of China. Consumption tax is levied on individuals or entities that manufacture, subcontract or import chargeable items into mainland China as specified in the PRC Provisional Regulations for Consumption Tax. Those chargeable items include tobacco, alcohol, cosmetics, precious jewelleries and precious jade and stones, firecrackers, processed oil, automobile tyre, motorcycles, motor vehicles, golf and golf facilities, luxurious watches, yachts, disposable wooden chopsticks and wooden floor boards. Consumption tax (CT) rates shall be computed on the basis of the good's value, volume or the combination of the value and volume (compound tax). Export sales are exempt from CT.

As a principle point of view, VAT is a tax on newly generated value (ie added value) in multiple areas of commodity production, commodity circulation and labour services and services or the one imposed on added value of a commodity. Organisations and individuals engaging in the sale of goods or providing processing, repair and assembly services (hereinafter referred to as 'labour services'), the sale of services, intangible assets, immovables and the importation of goods in the People's Republic of China shall be taxpayers of VAT and shall pay VAT pursuant to these regulations.

The VAT payable shall be computed on an indirect basis (ie VAT deduction basis), normally output VAT would be charged for sales activities and/or certain services following the regulations with respect to VAT reform, and input VAT occurs on the purchases of goods (inclusive VAT paid on importation) and/or receiving certain services. The balance of output VAT and input VAT (ie output VAT minus input VAT) shall be VAT payable to Chinese tax authority. A negative balance could be carried forward to the next tax period for deduction without time restrictions.

VAT taxpayers are classified as either a VAT general taxpayer or a VAT small-scale taxpayer based on their business size and soundness of financial accounting. Multi-level tax rates on various activities for the VAT general taxpayer include the following:

- VAT rate of 16% for the sale of goods, the provision of processing, repair and replacement labour activities, the leasing of tangible (movable) property or importing goods.
- VAT rate of 10% for the provision of transportation services, postal services, basic telecommunications services, construction, the lease of immovable assets, the sale of immovable assets, the transfer of land use rights or the sale or importation of specific goods.
- VAT rate of 6% for the sale of services and tangible assets, unless otherwise stated.
- VAT rate of 0% for exports (pursuant to tax circulars issued subsequent to the Provisional Regulations, VAT refund rates for export sales vary depending on the specific nature of goods. Thus, VAT on export sales is in effect not subject to zero rate for certain items).
- VAT rate of 0% for organisations and individuals in China engaging in the cross-border sale of services and intangible assets within the scope stipulated by the State Council.

A VAT rate of 3% is chargeable for small-scale taxpayers.

If the amount of annual VAT taxable revenue is not in excess of RMB 5 Million Yuan, they could be identified as a small-scale taxpayer. Small-scale taxpayers could be registered as a VAT general taxpayer on a voluntary basis if the annual sales do not meet the threshold.

In principle, in addition to taxable items with a VAT rate of 0%, any purchase of goods or receipt of services, intangible assets and/or immovable that would not and/or could not be applied to taxable items on which output VAT would be generated (eg a VAT exemption), therefore the input VAT cannot be claimed for deduction.

Following the Provisional Regulations of People's Republic of China(PRC) on VAT, Article 10 (with unofficial English translation), we have included a short list of what cannot be deducted.

1. procurement of goods, labour services, services, intangible assets and immovable assets to be used for tax items which adopt a simple tax method, VAT-exempt items, collective welfare or personal consumption
2. procurement of goods of abnormal losses, and the related labour services and transportation services
3. procurement of goods consumed by work-in-progress and finished products of abnormal losses (excluding fixed assets), and the related labour services and transportation services
4. any other items stipulated by the State Council.

Is there a registration limit for the tax?

China has a legal regime of tax registration that requires the taxpayer to register its business activity with the related tax authorities for tax management purposes. From 1 October 2016, China implemented the registration system by integrating the business license, organisation code certificate, tax registration certificate, social insurance registration certificate, and statistical registration certificate of companies into one consolidated business license (hereinafter referred to as 'Five in One' in short). The corporation has a unified business license with a unified social credit code. The taxpayer/withholding agent must register when the organisation is newly formed or before the business is formally shut down and when change occurs during the operation period. They must do this in official written form and within the statutory time limits.

The tax authority would determine and elect the type of applicable tax on which should be imposed based on the description of taxpayer's registered business scope during the process of tax registration.

The implementation of a VAT regime relies on a formal VAT invoice (including VAT invoice and VAT special invoice) issued by Chinese tax authority. As mentioned, VAT taxpayers are classified as a VAT general taxpayer or as a VAT small-scale taxpayer in China, it's necessary that a VAT general taxpayer shall use a VAT special invoice through the VAT anti-forgery tax control system for the purpose of purchase, issuance, cancellation and verification of printed copies of VAT special invoices and the corresponding electronic data.

In China, each organization should be registered as an independent taxpayer, consolidated VAT tax filing occurs under very rare circumstances.

Does the same registration limit apply to non-established businesses?

Generally only organisations legally established within China's territory will be required to register with the tax authority, non-resident enterprises are not required to declare its tax status. If any taxable activities performed by non-resident enterprises in China, withholding agent or related party in the transaction should withhold tax on behalf of non-resident enterprises in accordance with relevant regulations.

Is there any specific legislation to tax non-resident supplies of electronically supplied/digital services to private consumers resident in your country?

There is no specific legislation that applies to non-resident supplies of electronically supplied/digital services from a Chinese tax perspective.

Does a non-established business need to appoint a fiscal representative in order to register?

No, it is not required that a non-established business needs to appoint a fiscal representative in order to register. Nevertheless, a withholding agent will be needed for withholding tax purpose if any taxable activities occur according to the Provisional Regulations of People's Republic of China(PRC) on VAT, Article 18.

We listed the below provision of Article 18 with unofficial English translation for your reference:

- Provisional Regulations of the People's Republic of China on Value-added Tax
  Article 18, where overseas organisations or individuals engaging in sale of labour services in the People's Republic of China do not have a business establishment in the People's Republic of China, their agent in the People's Republic of China shall act as the withholding agent; where there is no agent in the People's Republic of China, the buyer shall act as the withholding agent.

How often do returns have to be submitted?

A newly formed company is required to start filling VAT tax returns to its relevant tax authority in the following month after its official tax registration. A VAT return normally covers an accounting period of one month from the first day to the last day of a calendar month. A taxpayer should submit monthly VAT returns and settle any payments due within 15 days of the following calendar month.

Are penalties imposed for the late submission of returns/ payment of tax?

A fine of RMB 2000 Yuan to EMB 10000 Yuan may be imposed if the taxpayer does not comply with tax filing rules such as a delay in the submission of tax returns. While a delay of the tax payment may be subject to a tax overdue charge at the rate of 0.05% on a daily basis according to the Law of Administration of Tax Collection, Article 62 and Article 32.

We listed the below provision of Article 62 and Article 32 with unofficial English translation for your reference:

- Law of Administration of Tax Collection
  Article 62, where, within the specified time limit, a taxpayer fails to go through the formalities for tax declaration and submit information on tax payment or a withholding agent fails to submit to the taxation authorities statements on taxes withheld and remitted, or collected and remitted and other relevant documents, the taxpayer or withholding agent shall be ordered by the taxation authorities to rectify within the specified time and may be fined not more than 2,000 yuan; if the offenses are serious, the taxpayer or withholding agent may be fined not less than 2,000 yuan but not more than 10,000 yuan.

  Article 32, where a taxpayer fails to pay taxes or a withholding agent fails to remit tax payments within the specified time limit, the taxation authorities shall, in addition to ordering the taxpayer or withholding agent to pay or remit the tax within the specified time limit, impose a penalty for late payment on a daily basis at the rate of 0.05% of the amount of tax in arrears, from the date the tax payment is defaulted.

Are any other declarations required?

Yes, special tax declarations will be required if the taxpayer operates in a non-registered area.

A Chinese resident enterprise that performs business activities beyond the scope of registered area, would be required to obtain special certification issued by the relevant tax authority for approval, tax filling and payment to the other party of local tax authority will be required without the issued certification.

For example: A company registered in Beijing city needs to sell goods in Nanjing city, the company should obtain the special outside operation certification issued by the Beijing competent tax authority and submit this certification to the tax authority of Nanjing city, otherwise the company will be subject to tax filing obligation in Nanjing city.

Are penalties imposed in other circumstances?

Yes, where a taxpayer is identified as having a deliberate intention to commit tax evasion, a penalty may be imposed ranging from 50% to 500%, according to the Law of Administration of Tax Collection, Article 63.

We listed the below provision of Article 63 with unofficial English translation for your reference:

- Law of Administration of Tax Collection
  Article 63, where a taxpayer evades tax, the taxation authorities shall recover the payment of the amount of tax the taxpayer fails to pay or underpays and the penalties for late payment, and the taxpayer shall also be fined not less than 50 percent but not more than five times the amount of tax the taxpayer fails to pay or underpays; if a crime is constituted, the taxpayer shall be investigated for criminal liability in accordance with law.

Can the VAT incurred by overseas businesses be claimed if they are not registered in China?

The concept of VAT in China applies to domestic organisations under most circumstances, normally a VAT refund occurs when Chinese resident enterprises export goods or certain services to overseas customers, a Chinese resident can declare a refund or exemption of VAT and consumption tax paid in the multiple segments of commodity production, commodity circulation, ie exportation of goods has a VAT rate of 0% and is exempt from consumption tax.

What information must a VAT invoice show?

From 1 January 2018, when the taxpayer issues a VAT invoice through the new VAT invoice management system, the abbreviation corresponding to the tax classification code of goods and services will be automatically displayed and printed in the column of 'Name of goods or taxable labor or service' or 'Item' on the invoice.

A VAT invoice must show:

- an invoice number which is unique and sequential
- the invoice date
- the buyer's name, tax identification number, address and phone, name of bank and bank account number
- the security code(password)
- a description sufficient to identify the goods or services supplied to the customer
- the seller's name, tax identification number, address and phone, name of bank and bank account number
- name of payee, reviewer, drawer and the seal of the seller.

For each different type of item listed on the invoice, the following must be shown:

- the name of goods or services supplied to the customer
- the specification models
- the unit, quantity, unit price and total amount, excluding VAT
- the rate of VAT that applies to what's being sold
- the amount of tax to be paid
- the total amount payable, including VAT.

The VAT invoice that applies to VAT small-scale taxpayers is similar to a VAT special invoice which applies to the VAT general taxpayer, except for the number of copies. There is one more copy namely 'deduction form' in the VAT special invoice for input VAT deduction purposes compared with the VAT invoice.

Note: Appendix I listed sample of VAT invoice (Chinese version and English translation version).

Are there any current or anticipated Standard Audit File for Tax (SAF-T) or similar electronic/digital filing requirements eg invoice listing data file/real-time VAT reporting?

There is no SAF-T requirement in China. From 8 August 2016, the 'Golden Tax System Phase III', the new tax management system of China, has been generalized throughout the country. 'Golden Tax System Phase III' achieves nationwide online tax registration, and full tax (fee) online declaration. The tax bureau can achieve multi-level and multi-angle tax analysis and assessment on 'Big data' of comprehensive tax by industry, type of tax, enterprise type, business model, business nature, and region. The bureau also can realise dynamic comprehensive tax analysis of the operating situation of a certain enterprise.

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Hong Kong

Hong Kong does not currently levy any VAT, GST or sales tax.

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India

Indirect tax snapshot

What are the current rate(s) of indirect tax?	Customs duty and Goods and Service Tax (GST) are the two principal Indirect taxes in India. • Customs duty effective rate is approximately 30.98% (considering standard GST rate of 18%). While general rate of Basic Customs duty is 10%, exact rate depends on the nature/classification of goods being imported and its HSN classification. • Goods and services tax is broadly divided into five tax slabs for collection of tax, ie, 0%, 5%, 12%, 18% and 28%. Further, there is a special rate of 0.25% on rough precious and semi-precious stones and 3% on gold. Petroleum products and alcoholic drinks are taxed separately by the individual state governments. Additionally, Compensation cess is also applicable on few items such as aerated drinks, cars, tobacco products, etc.
Are there any confirmed or anticipated changes to these rates?	Goods and Services Tax (GST) has been implemented with effect from 1 July 2017. Rate changes under GST law have been notified from time to time, basis recommendation of GST Council. Further, Basic Customs duty rates are also notified from time to time. It may be noted that such changes are also expected in future for both GST as well as Basic Customs Duty rate on the basis of representations made by various industries.
What is the principal indirect tax?	Principal Indirect tax applicable are as follows: **Union levy by the central government** • Central GST (CGST): on intra-state supply of goods and services • Integrated GST (IGST): on inter-state supply of goods and services • Customs duty: on import of goods into India. Following are other levies on import of goods: – Anti-dumping duty: central levy to rectify the trade distortive effect of dumping by other countries at a price lower than its normal value – Safeguard Duty: central levy on the commodities by government/authorities to ensure that imports in excessive quantities do not cause injury to the domestic industry. **State levy by the state government** • State GST (SGST)/Union Territory GST (UTGST): on intra-state supply of goods and services. Other key Indirect taxes: • Professional tax: state-based tax leviable on professions, trades, callings and employments • Property tax: leviable by a government on a person's real or personal property.
Is there a registration limit for the tax?	Yes. The registration limit is typically based on turnover of the registered person.
Does the same registration limit apply to non-established businesses?	Yes.
Does a non-established person need to appoint a fiscal representative in order to register?	It is not mandatory to appoint a fiscal representative. However, if non-established person does not have a physical presence in India, then he may appoint a person in India in order to register.
How often do returns have to be submitted?	Normally, the periodicity of returns under GST is monthly along with one annual return to be filed separately.

Indirect tax snapshot

Are penalties imposed for the late submission of returns/payment of tax?	Yes. The penalty as prescribed in indirect tax law is levied for delay in filing the returns or discharging the liability.
Are any other declarations required?	There are prescribed declarations in the indirect tax law to be included on the invoices, documents, etc. for levy of tax/availment of exemptions. Further, specific declarations for import/export related documents are also required.
Are penalties imposed in other circumstances?	Yes. A range of penalties can be imposed for contravention of respective indirect tax laws.
Can the tax incurred by overseas businesses be claimed if they are not registered in your country?	No. Cross border credit is not directly feasible to be availed.
Deduction of VAT	Provisions of tax deduction at source (TDS) of GST have been deferred till 30 September 2018.

What is the principal indirect tax?

There are two principal indirect taxes in India – Goods and Services Tax (GST) and Customs Duty.

Customs Duty

Customs duty, a central government levy, is leviable on import/export of goods to and from India.

India follows the Harmonised System of Nomenclature (HSN) classification rules and the goods are classified under different chapter/tariff headings (based on eight digit coding) primarily according to their description, components and use. Presently, the effective standard rate of Customs duty that is applicable on the import of goods is approximately 30.98% (taking GST rate of 18%), subject to exemption/concessions as may be available/notified from time to time and free trade agreements entered into by India with other countries. However, presently there is no export duty leviable on goods exported from India, except in public interest as notified.

Goods and Services Tax (GST)

GST was brought into force with effect from 1st July, 2017. It has subsumed various indirect taxes applicable under erstwhile regime such as Excise Duty, Central Sales Tax, Service Tax along with other states levies such as Entry Tax, Octroi, Luxury Tax, Value added Tax, Entertainment Tax, etc.

It is a destination based consumption tax levied on supply of all goods and services except alcohol for human consumption. It is also levied on import of goods and services into India. Although GST is ultimately borne by the consumer by being included in the price paid, the responsibility for charging, collecting and paying it to the tax authority at each stage of the process rests with the supplier. However, in specific cases, the responsibility of payment of tax is shifted to the recipient.

A business registered for the tax will charge GST (output tax) on its supplies, and incur GST (input tax) on its purchases (including any GST paid on importation). Credits of input taxes paid at each stage will be available in the subsequent stage of value addition, which makes GST essentially a tax only on value addition at each stage. The final consumer will thus bear only the GST charged by the last dealer in the supply chain, with set-off benefits at all the previous stages.

A transaction is within the scope of GST if the following conditions are met:

- it is a supply of goods or services. The term 'supply' has been given an inclusive definition under the legislation
- it is made for a consideration
- the place of supply is in India
- it is made in the course or furtherance of business carried on by the supplier.

The following types of taxes are levied under the GST regime:

- CGST and SGST/UTGST is levied on intra-state supplies of goods and services
- IGST is levied on inter-state supplies of goods and services.

Goods and services tax is broadly divided into five tax slabs for collection of tax:

- 0%, 5%, 12%, 18% and 28%. Petroleum products and alcoholic drinks are taxed separately by the individual state governments. Further, there is a special rate of 0.25% on rough precious and semi-precious stones and 3% on gold.

Additionally, Compensation cess is also applicable on few items such as aerated drinks, cars, tobacco products, etc.

Businesses that make exempt supplies are unable to claim all of the input tax that they incur, so the GST paid to suppliers will be a 'real' cost.

Credit of input tax taken on purchases is refundable to exporters of goods or services, provided certain specified conditions of export are satisfied.

Is there a registration limit for the tax?

Customs Duty

Every person importing/exporting goods to/from India is required to obtain an import export code irrespective of turnover.

Goods and Services Tax

Every supplier shall be liable to be registered under GST in the state from where he makes a taxable supply of goods or services, if his aggregate turnover in a financial year exceeds INR 2 million (INR 1 million in the case of special category states). A supplier can register on a voluntary basis even if the registration limit has not been exceeded.

However, there are certain cases in which registration is compulsory, irrespective of threshold, such as persons making any inter-state supply and persons who are required to pay tax under reverse charge (as a recipient) among few other cases.

It is important to note that a person making wholly exempt supplies is not liable to obtain registration.

A penalty of INR 10,000 or tax evaded, whichever is higher, may be imposed by the tax authority if a person, who is liable to be registered, fails to register at the correct time.

Does the same registration limit apply to non-established businesses?

There is no such term used in Customs or GST laws. However, we understand that non-established businesses are foreign entities.

The same registration limit would apply to non-established businesses if they supply taxable goods or services from India either themselves or through a representative.

Is there any specific legislation to tax non-resident supplies of electronically supplied/digital services to private consumers resident in your country?

In the case of supplies of electronically supplied/digital services by non-resident supplier to private consumers in India (unregistered), the liability to pay GST is on the non-resident supplier. For this purpose, he is required to take a single registration under GST as a supplier of online information and database access or retrieval services.

In case such non-resident supplier does not have a physical presence or any representative in India, then he may appoint a person in India for the payment of GST.

Does a non-established business need to appoint a fiscal representative in order to register?

It is not mandatory to appoint a fiscal representative. However, if non-established person does not have a physical presence in India, then he may appoint a person in India in order to register.

How often do returns have to be submitted?

Customs duty

While there is no specific return that is required to be filed, however, every importer is required to file the bill of entry before the end of the next day following the day (excluding holidays) on which the aircraft/vessel/vehicle carrying the goods arrives at a customs station from which such goods are to be cleared for home consumption or warehousing.

Goods and services tax

Currently, the following returns are required to be filed:

- GSTR-1: The return for outward supplies is required to be filed by the 10th of the following month (to be filed quarterly by taxpayers having a turnover up to INR 15 million and monthly for other taxpayers)
- GSTR-3B: The summarized return to be filed by the 20th of the following month (along with payment of tax)
- GSTR-6: The return for Input service distributors to be filed by the 13th of the following month
- GSTR-4: The return for taxpayers opting for composition levy to be filed within 18 days after the end of each quarter
- GSTR-9: Annual return to be filed by the 31st December of the following financial year.

Time period for filing GSTR-2 (return for inward supplies) and GSTR-3 (consolidated return) would be notified at a later date as the same have been suspended by GST Council.

Are penalties imposed for the late submission of returns/ payment of tax?

Customs duty

Importer is liable to pay charges for late presentation of the bill of entry at the rate of INR 5,000 per day for the initial three days of default and at the rate of INR 10,000 for each day of default thereafter.

In case the importer has delayed in discharging the payment of tax, the said importer would be liable to an interest of 15% per annum.

Goods and services tax

A default late filing fee of INR 50 per day (subject to maximum of INR 10,000) shall be imposed by the tax authority if GST returns are not submitted on time. In case of Nil returns, late filing fee of INR 20 per day (subject to maximum of INR 10,000) shall be payable. If related tax is not paid by the due date, interest of 18% per annum is payable.

Also, the registered person may be liable to pay a penalty which may extend to INR 25,000. However, such penalty shall be imposed only after giving an opportunity of being heard.

Further, if returns are not submitted for continuous period of six months, authority may cancel the registration after giving the person an opportunity of being heard.

Are any other declarations required?

There are prescribed declarations in the indirect tax law to be included on the invoices, documents, etc. for levy of tax/ availment of exemptions.

Further, specific declarations for import/export related documents are also required such as:

- declaration of 'supply meant for export on payment of Integrated tax' or 'supply meant for export under Letter of Undertaking or Bond without payment of integrated tax'.

Are penalties imposed in other circumstances?

Yes. A range of penalties can be imposed where registered persons fail to comply with the provisions of the principal indirect tax laws.

Typically, penalties may be levied in case of non-payment of taxes, wrongful availment/utilisation of credits, non-filing of periodic returns, failure to maintain proper books of accounts and records, etc.

Further, in extreme circumstances, criminal proceedings (prosecution) are typically initiated under certain specified provisions of law.

Can the VAT incurred by overseas businesses be claimed if they are not registered in India?

No, the indirect taxes incurred by overseas business entities cannot be claimed if they are not registered in India.

What information must a VAT invoice show?

Customs duty

Not applicable, as the importer typically accepts the commercial invoice issued by the seller along with the packing list.

Goods and services tax

In case of taxable supplies, tax invoice issued by the registered person shall contain the following particulars, namely:

i name, address and Goods and Services Tax Identification Number of the supplier
ii a consecutive serial number not exceeding sixteen characters, in one or multiple series, containing alphabets or numerals or special characters such as hyphen or dash and slash symbolised as – and /respectively, and any combination thereof, unique for a financial year
iii date of its issue
iv name, address and Goods and Services Tax Identification Number or Unique Identity Number, if registered, of the recipient
v name and address of the recipient and the address of delivery, along with the name of the State and its code, if such recipient is un-registered and where the value of the taxable supply is INR 50,000 or more
vi name and address of the recipient and the address of delivery, along with the name of the State and its code, if such recipient is un-registered and where the value of the taxable supply is less than INR 50,000 and the recipient requests that such details be recorded in the tax invoice
vii Harmonised System of Nomenclature code for goods or services
viii description of goods or services
ix quantity in case of goods and unit or Unique Quantity Code thereof
x total value of supply of goods or services or both
xi taxable value of the supply of goods or services or both taking into account discount or abatement, if any
xii rate of tax (central tax, State tax, integrated tax, Union territory tax or cess)
xiii amount of tax charged in respect of taxable goods or services (central tax, state tax, integrated tax, Union territory tax or cess)
xiv place of supply along with the name of the State, in the case of a supply in the course of inter-State trade or commerce
xv address of delivery where the same is different from the place of supply
xvi whether the tax is payable on reverse charge basis
xvii signature or digital signature of the supplier or his authorised representative.

In addition to above, in case of tax invoice issued in respect of export of goods or services, it shall include an endorsement 'supply meant for export on payment of integrated tax' or 'supply meant for export under bond or letter of undertaking without payment of integrated tax'. Further, in lieu of point (e) it shall contain following details:

i name and address of the recipient
ii address of delivery
iii name of the country of destination.

Bill of Supply has to be issued in case of supply of exempted goods or services.

Are there any current or anticipated Standard Audit File for Tax (SAF-T) or similar electronic/digital filing requirements eg invoice listing data file/real-time VAT reporting?

Currently, invoice-wise reporting is required to be done digitally in respect of outward supplies in 'GSTR-1'.

It is anticipated that invoice-wise matching in respect of inward and outward supplies will have to be done digitally once the same is notified at a later date.

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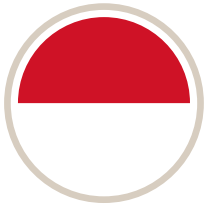

Indonesia

Indirect tax snapshot

What are the current rate(s) of VAT?	• The general VAT rate is 10%. • The VAT rate of 0% (zero per cent) is applied to the following particular taxable events: – export of taxable goods – export of intangible taxable goods – export of particular taxable services, ie: • toll manufacturing • repair and maintenance services related to the movable goods utilised outside the customs zone • construction service related to the immovable goods that located outside customs zone. **Special VAT rates** Particular businesses or activities are subject to output VAT based on a deemed percentage of transaction value and are not entitled to claim credits for the input VAT incurred: Travel agent 1% Courier service 1% Particular small-scale retailers 4%/3%* (4% for taxable services and 3% for taxable goods) Self-construction 2% Used cars retailer 1% Gold jewellery retailer 2%
Are there any confirmed or anticipated changes to these rates?	No.
What is the principal indirect tax?	Value Added Tax (VAT) is the principal and broadly applied for import as well as for domestic transactions in Indonesia. On top of VAT, particular transactions/goods will also deal with import duties, sales tax on luxury goods and/or super luxury goods tax.
Is there a registration limit for the tax?	Yes.
Does the same registration limit apply to non-established businesses?	There is no requirement for VAT registration for businesses that are not established in Indonesia, unless they have a permanent establishment in Indonesia that earns VATable income.
Does a non-established person need to appoint a fiscal representative in order to register?	Not applicable.
How often do returns have to be submitted?	VAT returns should be submitted monthly. However for Value Added Tax Collector (ie Government Treasurer, corporate, or Government agency designated by the Minister of Finance) who doesn't have a collected VAT transaction or has a transaction which is not subject to VAT or exempted from VAT or not qualified for VAT, do not have the obligation to submit the Vat return.
Are penalties imposed for the late submission of returns/payment of tax?	Yes. Penalty of IDR500,000 per VAT tax return for late submission and 2% per month or part of the month for late payment of VAT payable, calculated from the due date until the date of payment, max. 24 months. Additionally, penalty of 2% per month or part of the month for late payment of voluntarily revision on VAT payable, calculated from the due date until the date of payment.

Indirect tax snapshot

Are any other declarations required?	Generally no, the taxpayer should only submit VAT return on a monthly basis, unless the taxpayer is (also) appointed as VAT Collector.
Are penalties imposed in other circumstances?	Yes. Penalties of 2% from the transaction value can be imposed for late issuance of VAT invoice or issue incorrect VAT invoice.
Can the tax incurred by overseas businesses be claimed if they are not registered in your country?	No.
Deduction of VAT	A VAT invoice is an instrument to charge VAT (for the seller/deliverer of goods/renderer of services) and to claim VAT credit (for the recipient that has been confirmed as VATable entrepreneur). VAT involves detailed and strict administrative compliance requirements. The format and contents of a VAT invoice must follow guidelines set by the Indonesian Tax Authority which issuance should be done through e-VAT Invoice system. Incomplete and/or incorrect preparation of a VAT invoice can cause it to be considered deficient and thus subject to penalties for the seller and disallowed as credit for the buyer. Particular transactions may generate VAT that will not be available for credit. These situations include among others: • VAT incurred prior to the entrepreneur being registered for VAT • VAT incurred before the entrepreneur starts production, except from the acquisition of capital goods • VAT on purchases with no direct connection to the conduct of the company's business • VAT imposed by way of tax assessments • defective VAT invoices • purchase and maintenance of sedan and station wagon type of vehicles, unless they are inventory for sale/rental • overlooked input VAT not yet credited and only discovered after a tax audit has commenced • purchases made by those exempted from charging output VAT.

What is the principal indirect tax?

Value Added Tax (VAT) is the principal indirect tax in the Indonesia. VAT due on the following taxable events, among others:

- import and export of taxable goods
- local supply of taxable goods and/or services
- consumption of services and/or intangible goods from offshore within the Indonesian customs zone
- movement of taxable goods between the head office and a branch and between branches of the same legal entity
- movement of goods on consignment
- assets/inventories left behind in the course of a company's dissolution
- supply of goods through a third party or a government auctioneer
- supply of goods through a finance lease arrangement
- self-use of taxable goods
- delivery of taxable goods in the context of a Shariah financing arrangement, which delivery is considered to be directly from the VATable entrepreneur to the party that needs the taxable goods
- taxable goods given away at no charge (free goods)
- export of intangible taxable goods and taxable services.

Particular goods and services are not subject to VAT. These include:

Non-taxable goods

- goods produced from mining or from drilling that are extracted directly from the source
- basic commodities vital to the general public
- food and beverages served in restaurants, including food and beverages delivered by catering businesses
- money, gold bars, and commercial paper.

Non-taxable services

- medical health services
- social services
- mail delivery service using stamps
- financial services
- insurance services
- religious services
- educational services
- arts and entertainment services
- non-broadcast service advertisements
- public transport services on land and on water and air transport services within the country which become an inseparable part of air transport services to abroad
- labor services
- hotel services
- services provided by the government in respect of carrying out general governmental administration
- parking provision services
- public telephone services using coins
- money transfer services using postal money orders
- catering services.

However some exemptions apply to particular goods/situations/taxpayers.

Also on top of VAT, particular transactions/goods will also deal with import duties, sales tax on luxury goods and/or super luxury goods tax.

Is there a registration limit for the tax?

Registration as a VAT entrepreneur in Indonesia is based on delivery of taxable goods and/or services. Entrepreneur whose gross cumulative revenue exceeds particular amount is required to apply for a VATable entrepreneur status. However, some exemptions apply for particular taxpayers, including those domicile in 'free trade zone'.

Non-established business could not register for VAT, unless they have a permanent establishment in Indonesia.

Does the same registration limit apply to non-established businesses?

There is no requirement for VAT registration for businesses that are not established in Indonesia, unless they have a permanent establishment in Indonesia that earns VAT income.

Is there any specific legislation to tax non-resident supplies of electronically supplied/digital services to private consumers resident in your country?

Yes, for supplies of electronic goods by non-tax resident as well as for services rendered by non-tax resident to an Indonesian taxpayer. Furthermore, on top of VAT, the supply of electronic goods from outside Indonesia to Indonesia custom area will also be subject to other indirect taxes, ie import duties, sales tax on luxury goods.

However, some exemptions apply.

Does a non-established business need to appoint a fiscal representative in order to register?

Not applicable.

How often do returns have to be submitted?

The due date for submission of the VAT return is at the end of the following month after the end of particular monthly tax period. Any underpayment of VAT should be settled before submission of the VAT return.

The VAT return is filed by taxpayer based on self-assessment system. Member of group of companies are taxed individually, as there are no group relief provisions available. However for Value Added Tax Collector (ie Government Treasurer, corporate, or Government agency designated by the Minister of Finance) who doesn't have a collected VAT transaction or has a transaction which is not subject to VAT or exempted from VAT or not qualified for VAT, do not have the obligation to submit the Vat return.

Are penalties imposed for the late submission of returns/payment of tax?

Yes. Late payment of tax will be subject to interest penalty of 2% per month, maximum 24 months. Late reporting of a VAT return would also be subject to administrative penalty (current penalty is IDR 500,000 per return).

Additionally, penalty of 2% per month or part of the month for late payment of voluntarily revision on VAT payable, calculated from the due date until the date of payment.

Are any other declarations required?

General no, the VATable entrepreneur should only submit VAT return on a monthly basis, unless the taxpayer is (also) appointed as VAT Collector.

Are penalties imposed in other circumstances?

Yes. Penalties of 2% from the transaction value can be imposed for late issuance of VAT invoice or issuance of incorrect VAT invoice.

Can the VAT incurred by overseas businesses be claimed if they are not registered in Indonesia?

No.

What information must a VAT invoice show?

A VAT invoice must show at least the following:

- name, address, and Taxpayer Identification Number who delivers Taxable Goods of Taxable Services
- name, address, and Taxpayer Identification Number of the buyer of Taxable Goods or recipient of Taxable Services
- type of goods or services, Sales price or replacement and price discounts
- value added tax which collected
- sales Tax on Luxury Goods which collected
- code, serial number, and date of creating the Tax Invoice and
- name and signature of who are entitled to sign Tax Invoice.

However there are particular documents which its position equated with VAT invoice.

Are there any current or anticipated Standard Audit File for Tax (SAF-T) or similar electronic/digital filing requirements eg invoice listing data file/real-time VAT reporting?

Indonesia does not have the SAF-T requirement, e-Faktur and e-filling is the current electronic/digital devices required to issue a tax invoice and to submit the VAT return respectively.

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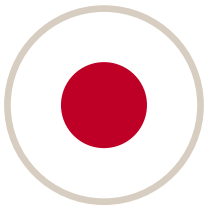

Japan

Indirect tax snapshot

What are the current rate(s) of indirect tax?	Standard rate of 8% for most goods and services consumed domestically.
Are there any confirmed or anticipated changes to these rates?	There is a planned increase to 10% from Oct 2019.
What is the principal indirect tax?	Consumption tax is the principal indirect tax in Japan. It is a tax on consumer expenditure, and is collected on business transactions and imports.
Is there a registration limit for the tax?	An enterprise is exempt from consumption tax reporting obligations for a given tax year if consumption taxable sales in both the base period (the tax year two years prior) and the first six months of the immediately preceding fiscal year, are below JPY 10M. Newly established domestic or foreign enterprises (ie enterprises without a base period for the given tax year) with capital below JPY 10M at the beginning of the tax year, and foreign corporations with no sales in Japan during the base period, are also exempt. The above exemptions only apply to reporting obligations to the tax authorities. If a transaction is taxable for consumption tax, then it should be charged on the fee regardless of whether the seller or service provider is below the reporting threshold.
Does the same registration limit apply to non-established businesses?	Yes.
Does a non-established person need to appoint a fiscal representative in order to register?	Yes.
How often do returns have to be submitted?	Most enterprises are required to submit consumption tax returns on an annual basis. Returns may also be filed more frequently depending on the taxable sales amount.
Are penalties imposed for the late submission of returns/payment of tax?	Yes. If a consumption tax return, or the corresponding payment, is submitted late a penalty can be imposed.
Are any other declarations required?	No.
Are penalties imposed in other circumstances?	No.
Can the tax incurred by overseas businesses be claimed if they are not registered in your country?	Yes, in certain circumstances and subject to certain conditions.

What is the principal indirect tax?

Japan's Value Added Tax (VAT), or consumption tax, is an 8% indirect value-added tax on most goods or services transactions in Japan. As with VAT in other jurisdictions, collection of the tax is the obligation of businesses at all stages of production, while the economic burden of the tax is ultimately borne by the end consumer.

With limited exceptions, any business that transfers goods or provides services in Japan for consideration is required to file a consumption tax return on at least an annual basis, and more frequently if selected by the taxpayer or if consumption tax payable in the prior fiscal year meets certain thresholds.

Businesses can generally reclaim consumption tax paid on their purchases of goods or services. If tax paid to suppliers (input tax) exceeds tax collected on sales (output tax), the business may claim a refund for the difference. If output tax exceeds input tax, the difference is payable to the tax authority.

Consumption tax applies, with limited exceptions, to any transfer of a good or service for consideration in Japan, and to the removal of goods from a Japan customs area. Because the tax is intended to apply only to goods and services consumed domestically, export transactions are not subject to the tax. This includes most services provided to non-residents, transactions of goods to be directly exported, and goods to be shipped outside Japan that enter and are temporarily held in Japan customs.

For various policy reasons, certain types of non-export transactions that would otherwise fall within the scope of consumption tax are also non-taxable. These transaction categories include:

- lease or sale of land
- sale of stocks or bonds
- transfer of commercial paper
- interest and insurance fees
- government fees
- school tuition and fees
- certain nursing care or welfare services
- residential rent.

Is there a registration limit for the tax?

Consumption tax is based on the transaction itself. If it is a taxable transaction, then consumption tax should be charged regardless of whether the seller or service provider files tax returns. This enables the purchaser to claim a credit for the tax paid in their consumption tax return.

Whether an enterprise needs to file a tax return to report the consumption tax charged on its sales depends on their taxable sales in previous periods. An enterprise is exempt from consumption tax reporting obligations for a given tax year if consumption taxable sales in both the base period (the tax year two years prior) and the first six months of the immediately preceding fiscal year, are below JPY 10M.

Newly established domestic or foreign enterprises (ie enterprises without a base period for the given tax year) with capital below JPY 10M at the beginning of the tax year, and foreign corporations with no sales in Japan during the base period, are also exempt. An enterprise is exempt only if its taxable sales are below JPY 10M in both the first six months of the previous fiscal year and the base period.

Taxpayers anticipating to be in a refund position may apply in advance of the tax year to select a more frequent payment (refund) period than what would otherwise be required. If a payment period is elected, it cannot be changed for at least two years.

Does the same registration limit apply to non-established businesses?

Yes.

Is there any specific legislation to tax non-resident supplies of electronically supplied/digital services to private consumers resident in your country?

Books, music, advertising etc. distributed through telecommunication lines (collectively telecommunicated services) will be deemed to be provided in the location of the purchaser.

Cross-border telecommunicated services provided by foreign enterprises fall into two categories, 'B2B' transactions and 'B2C' transactions. B2B transactions are cross-border service transactions established through telecommunication lines such as internet or telephone lines where the recipients of the services are identified as enterprises with reference to the nature of service or trading terms etc. B2C transactions are cross-border service transactions provided both inside and outside of the country through telecommunication lines such as internet or telephone lines, which do not fall under the definition of B2B transactions with reference to the nature of service or trading terms etc.

Foreign enterprises engaging in B2B transactions will need to make it clear to domestic enterprises (recipients of the service) that the purchase of the services is subject to consumption tax.

Foreign enterprises engaging in B2C transactions will be required to file a consumption tax return and pay consumption tax to the government.

In the case of B2C transactions, the recipients will not be allowed to take a credit for the consumption tax on the transactions unless the foreign enterprises are registered. If this is the case, the services are categorised as B2C transactions from a registered foreign enterprise and the recipients will be able to take a credit for the consumption tax paid under certain conditions.

The national tax authorities publish the name of registered foreign enterprises on the internet. Please check the national tax agency website for further details.

Does a non-established business need to appoint a fiscal representative in order to register?

Overseas entities with no presence in Japan that are either, required or elect to file a consumption tax return must appoint a tax agent to handle their filing obligations.

How often do returns have to be submitted?

The annual consumption tax return and corresponding payment are due within two months of the end of the applicable tax period. For a corporation, the tax period is its fiscal year. More frequent filing and payment are required if consumption tax payable in the prior tax period meets certain thresholds:

Tax payable prior year (JPY)	Filing and payment frequency
Above 48 million	Monthly
4 million to 48 million	Quarterly
480,000 to 4 million	Semi-annually
Below 480,000	Annually

Are penalties imposed for the late submission of returns/ payment of tax?

Late filing

Voluntary late filing	5% of total tax payable
Non-voluntary late filing (late filing in response to a request from the tax office or in anticipation of an assessment, etc.)	15% of total tax payable on amounts up to JPY 500,000, 20% on amounts above JPY 500,000

Understatement of tax

10% annual interest charge on unpaid tax up to the greater of JPY 500,000 or the declared liability amount, 15% thereafter

Are any other declarations required?

No.

Are penalties imposed in other circumstances?

No.

Can the VAT incurred by overseas businesses be claimed if they are not registered in Japan?

As described above, an overseas business that anticipates a refund can elect to be a consumption tax return filer. The election is irrevocable for two years. If the business does not have a presence in Japan, a tax agent needs to be appointed to act on their behalf.

What information must a VAT invoice show?

An invoice must show:

- an invoice number which is unique and sequential
- the seller name and address
- the invoice date
- the time of supply (also known as tax point) if this is different from the invoice date
- the customer name and address
- a description sufficient to identify the goods or services supplied to the customer
- the rate of any cash discount
- the total amount of consumption tax charged.

Where a consumption tax invoice includes non-taxable or export services, it must:

- show clearly that there is no consumption tax payable on those goods or services
- show the total of those values separately.

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Malaysia

Indirect tax snapshot

What are the current rate(s) of indirect tax?	• Standard rate of 0% for goods and services with effect from 1 June 2018 unless listed under the exempt supply order and their respective amendments. • Exempt goods and services include residential properties and financial services.
Are there any confirmed or anticipated changes to these rates?	Goods and services tax (GST) is expected to be abolished by 1 September 2018 and replaced with sales tax and service tax (SST) which are anticipated to be reintroduced on 1 September 2018.
What is the principal indirect tax?	GST is the principal indirect tax in Malaysia. It was introduced from 1 April 2015 and replaced the previous regimes comprising sales tax and service tax.
Is there a registration limit for the tax?	Yes. It is compulsory for taxable persons with a taxable turnover exceeding RM500,000 over a twelve month period to register for GST purposes. There are also provisions for voluntary registration.
Does the same registration limit apply to non-established businesses?	The compulsory and voluntary registration provisions do not distinguish between businesses established in Malaysia or outside Malaysia.
Does a non-established person need to appoint a fiscal representative in order to register?	Yes.
How often do returns have to be submitted?	Either monthly or quarterly.
Are penalties imposed for the late submission of returns/payment of tax?	Yes.
Are any other declarations required?	No.
Are penalties imposed in other circumstances?	Yes. Penalties can be imposed for a range of other offences.
Can the tax incurred by overseas businesses be claimed if they are not registered in your country?	No.
Deduction of VAT	Input tax credit generally cannot be claim for GST incurred for expenses relating to: • passenger motor car and the hire of such • the supply of goods and services relating to the repair, maintenance and refurbishment of a passenger motor car • club subscription fee • payment of contribution towards any insurance contracts or takaful certificates in relation to medical treatment or personal accidents (except obligatory under selected legislations and certain collective agreements) • medical expenses (except obligatory under selected legislations and certain collective agreements) • family benefits • entertainment to a person other than employees or existing customers (except if the business is of providing entertainment).

What is the principal indirect tax?

Malaysia introduced the Goods and Services Tax (GST), replacing and repealing the previous sales tax and services tax of Sales Tax Act 1972 and Service Tax Act 1975, effective from 1 April 2015. The standard rate of GST was 6% and has been reduced to 0% with effect from 1 June 2018. GST is chargeable on all taxable supplies of goods and services made in the course of furtherance of a business in Malaysia by a taxable person.

GST is also chargeable on the importation of goods and services from overseas. Certain goods were given relief from payment of GST upon importation. Effective from 1 June 2018, the relief was revoked. GST will be charged on most goods based on the value of the imported goods, which includes value determined for customs purposes, customs duty paid or to be paid, and excise duty paid or to be paid. The GST amount will be shown in a K1 form, and will be charged during importation of the goods.

For importation of services, the GST liability shifts from the supplier to the recipient of the imported services. The recipient is liable to account for GST output tax based on the date of the invoice or the date the invoice was received, whichever is earlier, if such imported services are for business purposes and consumed in Malaysia. If the recipient is making taxable supplies, they are entitled to claim input tax on the services. However, if the recipient is making exempt supplies, output tax accounted for and paid by the person is not eligible for input tax credit.

GST is expected to be abolished by 1 September 2018 and sales tax and service tax (SST) will be reintroduced to replace it. They are single stage taxes and there are no facility for businesses to claim credits for the taxes paid. Sales tax will be charged at the rate of 10% while service tax will be charged at 6

Is there a registration limit for the tax?

A taxable person is a person who makes taxable supplies or intends to make taxable supplies in Malaysia with a taxable turnover of RM500,000 or more over a twelve-month period.

The period reviewed is the historical twelve-month period as well as the prospective twelve months. Such a person is required to be registered for GST purposes. A person who makes taxable supplies below the threshold is not required to register but may do so on a voluntary basis.

Does the same registration limit apply to non-established businesses?

Businesses not established in Malaysia are subjected to the same registration requirements if they are making taxable supplies in Malaysia.

Is there any specific legislation to tax non-resident supplies of electronically supplied/digital services to private consumers resident in your country?

There is no specific legislation as yet.

Does a non-established business need to appoint a fiscal representative in order to register?

Yes. A person who does not belong to Malaysia is subject to the same requirements for registration if he makes taxable supplies in Malaysia. In the event that person is liable to register, he is required to appoint a local agent to act on his behalf. An agent acting on behalf of his principal who does not belong in Malaysia is responsible and accountable for his principal's tax liabilities.

How often do returns have to be submitted?

Registered taxable persons with a taxable turnover of RM5,000,000 or more will be required to submit monthly returns. Registered taxable persons with a taxable turnover not exceeding RM5,000,000 will be required to submit quarterly returns, with the end of one of the taxable periods coinciding with end of the fiscal year of the registered taxable person.

The end of the taxable period for each return is generally the end of a calendar month. The due date for the submission of a return is end of the calendar month following the end of the taxable period.

Provisions are available for applications to be submitted to the Director General for alternative taxable periods including bi-monthly (two monthly) taxable periods.

GST returns may be submitted manually or electronically via a web portal known as the 'Taxpayers Access Point'.

Are penalties imposed for the late submission of returns/ payment of tax?

Yes. The penalty for late payment of the tax when prosecution is not instituted is:

- 10% of the tax not paid wholly or partly for the first thirty-day period
- an additional 15% of the tax not paid wholly or partly for the second thirty-day period
- an additional 15% of the tax not paid wholly or partly for the third thirty-day period, subject to a maximum penalty of 25% of the amount of tax due and payable.

Prosecution may be instituted after the expiry of the third– thirty period. A fine of not exceeding RM50,000 or to imprisonment for a term not exceeding three years or to both, may be imposed on prosecution and conviction of failure to pay the tax. The court may also order for a penalty similar to the penalty that may be imposed if prosecution was not instituted.

Are any other declarations required?

No.

Are penalties imposed in other circumstances?

Yes. Penalties can be imposed for a range of other offences, including:

- incorrect returns
- evasion and fraud
- improperly obtaining refund
- offences relation to goods, invoices and receipts
- obstructing an officer
- refusing to answer question or providing false information
- abetment.

A general penalty also is applicable on a conviction of an offence under the 'Goods and Service Tax Act' where no penalty is expressly stated in the legislation. The general penalty is a fine not exceeding RM30,000 or an imprisonment term not exceeding two years or to both.

Can the VAT incurred by overseas businesses be claimed if they are not registered in Malaysia?

No.

What information must a VAT invoice show?

A GST tax invoice must show:

- 'Tax Invoice' in a prominent place
- serial number
- date of tax invoice
- name, address and GST registration of supplier
- name and address of the recipient of the supply
- description of each of the goods or service
- the type of supply (ie standard rated, zero rated or exempt), quantity of good or extent of services and the amount payable excluding tax
- discounts offered if any
- total amount payable excluding the tax, the rate of tax and the total tax chargeable shown separately
- total amount payable including total tax chargeable
- if any of the amounts are expressed in a foreign currency, their Ringgit Malaysia equivalent must be stated.

There are provisions for the issuance of simplified tax invoices which does not contain all the requirements of a tax invoice, as well as the issuance of self-billed invoices.

GST Audit File (GAF)

GST registered taxpayers must be able to produce a GST Audit File (GAF) on the request of the authorities, usually in the event of an audit. A GAF is essentially a computer file containing the basic information of the taxpayer with a formatted and summarised list of all the transactions in a given taxable period.

There are two formats specified for a GAF – bar-delimited text format or XML format. The schema for each format is specifically detailed and contains various information of each transaction.

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Indirect tax snapshot

What are the current rate(s) of indirect tax?	• Standard rate of 15% for most goods and services. • Zero-rated supplies include exported goods and services, the sale of a 'going concern' to a GST registered person and transactions involving the supply of land between GST registered persons. • Exempt supplies include financial services, residential rent, fines, penalties and interest.
Are there any confirmed or anticipated changes to these rates?	No.
What is the principal indirect tax?	Goods and Services Tax (GST) is the principal indirect tax in New Zealand. It is a transactional tax and is charged and collected on taxable supplies.
Is there a registration limit for the tax?	Yes. If the annual turnover of taxable supplies in New Zealand exceed (or are expected to exceed) $60,000 in any 12 month period, it is necessary to register. Persons can voluntarily register for GST if this threshold is not exceeded if they are conducting a taxable activity and are making taxable supplies.
Does the same registration limit apply to non-established businesses?	Yes. However specific rules exist in relation to non-resident businesses and whether they are entitled GST register. This depends on whether they are a 'resident' or 'non-resident' for GST purposes (a slightly different test than that for income tax purposes) and where the goods are physically located at the time of supply or where the services are physically performed.
Does a non-established person need to appoint a fiscal representative in order to register?	No, although many non-residents do engage with local agents to reduce compliance and operational matters.
How often do returns have to be submitted?	Returns can be submitted on a monthly, two-monthly, or six-monthly basis depending on the annual turnover of taxable transactions of the registered person.
Are penalties imposed for the late submission of returns/payment of tax?	Yes. If a GST return, or the corresponding payment, is submitted late a penalty can be imposed.
Are any other declarations required?	No.
Are penalties imposed in other circumstances?	Yes. Shortfall penalties, ranging from 20% to 150% of the tax shortfall, can be imposed for a range of errors or omissions.
Can the tax incurred by overseas businesses be claimed if they are not registered in your country?	Yes. A non-resident entity can register without having a taxable activity in New Zealand. This allows a pure recovery mechanism if certain criteria are met.

What is the principal indirect tax?

Goods and Services Tax (GST) is the main type of indirect taxation in New Zealand.

GST is a tax on consumption which is applied on the supply of most goods and services. It is also applied to goods upon importation into New Zealand and certain services when purchased from a non-resident. Although GST is ultimately borne by the consumer by being included in the price paid, the responsibility for charging, collecting and paying it to the tax authority rests with the business making the supply ie the sale.

GST must be charged on a supply of goods or services in New Zealand by a registered person in the course or furtherance of a taxable activity carried on by that person – this is referred to as output tax. Any GST on costs incurred in generating such supplies can be claimed – this is referred to as input tax. The difference between the output tax and the deductible input tax in each accounting period will be the amount of GST payable by the business to Inland Revenue.

Where the input tax exceeds the output tax, a refund can be claimed.

A taxable activity means any activity which is carried on continuously or regularly, whether or not for pecuniary profit, and involves or is intended to involve the supply of goods and services to another person for a consideration.

There are two rates of GST that are applied to goods and services in New Zealand; standard rate and zero rate. In addition, some goods and services are exempted from the tax. The most common exempt supplies include financial services, residential rent, fines, penalties and interest.

Generally, businesses that make exempt supplies are unable to claim input tax on costs incurred generating those supplies, so the GST paid to suppliers is a 'real' cost to these businesses. However, there is the ability for businesses that supply exempt financial services to elect to zero-rate their supplies which enables a greater recovery of GST, where:

- an election is lodged with the Commissioner of Inland Revenue
- the supply is between two registered persons
- the recipient of the supplies makes at least 75% taxable supplies.

This is referred to as the provision of 'business to business' financial services.

Goods imported into New Zealand are subject to GST. This is imposed by New Zealand Customs at the border. The GST (plus any duties and other fees) must be paid by the importer at the time of importation in order for the goods to be released. Where the goods imported are for use in the taxable activity, the importer (if GST registered) can recover the GST. GST is charged on the value of the importation, including any customs duty, freight and insurance.

It is important to note the interaction between GST and customs duty. Customs duty is levied upon the importation of certain goods into New Zealand. Unlike other indirect taxes, such as GST, once duty has been paid it is not recoverable by the importer. It therefore represents a final cost to the importing business.

Customs does not collect duty and GST where the total amount payable on any one importation is less than $60. For example, if no duty is payable, this equates to a de minimus value of $400 under which no GST is payable.

Is there a registration limit for the tax?

A person who either makes or intends to make taxable supplies of goods or services in the course or furtherance of a taxable activity must register for GST if the value of its taxable supplies in New Zealand exceed $60,000 or is expected to exceed this limit within any 12 month period. A person can register on a voluntary basis even if the registration limit has not been reached.

For these purposes, a 'person' includes any legal entity. Therefore, once a person is registered for GST, all of their business activities will be covered by the registration – even if the nature of some of those activities are different.

Two or more persons can be registered together as a GST group if:

- they satisfy the 'control' test ie one of them controls each of the others, or one person controls all of them
- for companies, each of the companies is a registered person, or the total value of taxable supplies made by the companies is at least 75% of the total supplies made by the group to persons outside the group
- for companies, the members of the group have at least 66% common ownership.

A person cannot be treated as a member of more than one GST group at a time.

The main advantage of GST group registration is that, apart from a few limited exceptions, any supply of goods or services by a member of the group to another member of the group is disregarded for GST purposes. This reduces the risk of GST being accidentally omitted on supplies between separately registered, but associated persons.

However, there are some disadvantages and any decision on whether to group register should be carefully considered. For example, all GST group members (including former members) are jointly and severally liable for the GST debt of the group during the period of their membership.

Does the same registration limit apply to non-established businesses?

Yes, although non-resident businesses are only able to register for GST in New Zealand if their taxable supplies are generated when the time of supply occurs within New Zealand.

Time of supply arises at the earlier of an invoice being issued or payment being received.

For example, a non-resident selling goods direct to a New Zealand customer over the internet would not be able to register for GST if the goods are outside of the country when the payment is received. However, the ability for a non-resident to GST register has been expanded (further information can be found below).

Is there any specific legislation to tax non-resident supplies of electronically supplied/digital services to private consumers resident in your country?

New legislation took effect from 1 October 2016 which requires non-resident suppliers of remote services to register, charge and account for GST on supplies made to New Zealand residents. A 'remote' service is defined as a 'service where, at the time of the performance of the service, there is no necessary connection between the physical location of the recipient and the place of physical performance'. GST does not need to be charged if the service is provided to a New Zealand GST – registered businesses unless the supplier and recipient agree otherwise, in which case the supply will be zero-rated. Non-resident remote service providers must file their GST returns quarterly.

Does a non-established business need to appoint a fiscal representative in order to register?

No, this is not a requirement. However, depending upon the types of supplies being made, the logistical considerations and the volume of transactions, non-residents may engage with a local agent to facilitate the supply. Specific GST provisions exist regarding transactions involving agents that should be considered before making any decisions.

How often do returns have to be submitted?

Apart from non-resident remote service providers, GST returns may be filed monthly, bi-monthly or six monthly depending upon the level of taxable supplies in a 12 month period.

A bi-monthly return period is the default filing frequency in New Zealand. However, if a registered person makes taxable supplies of less than $500,000, they may apply to the Commissioner to return GST six-monthly. Conversely, if a registered person makes taxable supplies over $24 million in a 12 month period, they are required to return GST on a monthly basis. Anyone can choose to file monthly if they so desire.

All GST returns have to be submitted on the 28th day of the following month, together with any payment. The exceptions to this rule are where the period ends 30 November, or 31 March. Returns and payments for these periods are due 15 January and 7 May respectively. If the due date falls on a weekend or public holiday the due date is pushed back to the next business day.

Are penalties imposed for the late submission of returns/ payment of tax?

Late filing penalties are imposed if GST returns are not lodged by the due date. The current penalties per late return are $250 for taxpayers registered on an invoice or hybrid basis and $50 if registered on a payments basis.

A registered person will incur late payment penalty of 1% of their underpaid GST obligation on the first day after the due date, and a 4% incremental penalty on the seventh day after the due date.

In addition, interest will be charged on the accumulating total. The current interest rate charged by Inland Revenue is 8.22%.

Are any other declarations required?

Not applicable.

Are penalties imposed in other circumstances?

Yes. A range of penalties can be imposed where businesses do not comply with the GST legislation.

Shortfall penalties and interest can be applied for incorrect positions taken in GST returns. These penalties are very punitive, ranging from 20% to 150% of the GST discrepancy.

If an error is identified and voluntarily disclosed to Inland Revenue this reduces or removes the shortfall penalty exposure (depending upon the nature of the offence and whether the disclosure was made pre or post audit notification).

Can the GST incurred by overseas businesses be claimed if they are not registered in New Zealand?

Non-resident businesses are able to register for GST if they conduct a taxable activity in New Zealand. This requires the goods to be physically in New Zealand at the 'time of supply', or for services, those services must be physically performed in New Zealand. The time of supply provisions state that this event arises at the earlier of the issuing of an invoice or receipt of payment.

From 1 April 2014, non-residents businesses that are not making taxable supplies in New Zealand are able to voluntarily register for GST in order to recover the GST on costs they incur. To be eligible to register the business will have to:

- be registered for consumption tax in the jurisdiction they are tax resident
- where the jurisdiction of residence does not have a consumption tax, the person is carrying on a taxable activity, and has a level of taxable activity in a country or territory that would render them liable to be registered if they were carrying out the taxable activity in New Zealand (ie more than $60,000 of taxable supplies in a 12 month period).

What information must a VAT invoice show?

A GST invoice must show:

- the words 'Tax invoice'
- the seller's name and address
- the seller's GST registration number
- the invoice date
- the customer's name and address
- a description sufficient to identify the goods or services supplied to the customer
- the total amount of GST charged expressed in New Zealand dollars.

It must also have either:

- the amount of the supply, excluding GST
- the GST and total amount payable for the supply
- if GST is included in the final price, it has to be expressed in that case.

An input claim can only be made if a valid tax invoice is held at the time the GST return is lodged.

Are there any current or anticipated Standard Audit File for Tax (SAF-T) or similar electronic/digital filing requirements eg invoice listing data file/real-time VAT reporting?

No.

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Indirect tax snapshot

What are the current rate(s) of indirect tax?	• Standard rate of 17% for most of goods and 13% to 16% for most of services. • Reduced rates for certain goods and services are also applicable subject to respective conditions applicable thereto. • Zero-rate of tax is applicable for export of goods and certain services.
Are there any confirmed or anticipated changes to these rates?	Majority of changes are usually notified by end of June each year which are applicable from first day of July, ie start of fiscal year in Pakistan.
What is the principal indirect tax?	General Sales Tax is the principal indirect tax in Pakistan for goods. It is applicable on taxable supplies and imports. While Provincial Sales Tax is applicable on the provision of services within/from provinces.
Is there a registration limit for the tax?	No pecuniary limit. Every manufacturer, importer, wholesaler, distributor or dealer is required to obtain registration for General Sales Tax Purpose. While the provision of taxable service as envisage in the taxable schedules of respective provincial laws is the primary criteria for the registration under provincial sales tax laws.
Does the same registration limit apply to non-established businesses?	Not applicable.
Does a non-established person need to appoint a fiscal representative in order to register?	Not applicable.
How often do returns have to be submitted?	Sales tax returns are normally required to be submitted on monthly basis.
Are penalties imposed for the late submission of returns/payment of tax?	Yes. Penalties are applicable for delayed submission of returns. Default surcharge is separately applicable for delay in payment of tax.
Are any other declarations required?	Quarterly and annual filings are also required in certain cases under federal and provincial laws.
Are penalties imposed in other circumstances?	Yes. Penalties are applicable for a range of errors or omissions.
Can the tax incurred by overseas businesses be claimed if they are not registered in your country?	Not applicable.
Deduction of VAT	A registered person shall not be entitled to deduct input tax from output tax paid in respect of: • transactions lacking evidence in support thereof • gifts and giveaways • food, beverages, garments, fabrics and other items for consumption or entertainment • items not directly used in making taxable supplies.

What is the principal indirect tax?

The principal indirect tax in Pakistan is General Sales Tax (GST) charged on taxable goods under Sales Tax Act, 1990 (the Act). GST is a Value Added Tax (VAT) in which the value added component at each stage of business transaction is taxed. GST is collectable from a registered person at import and charged by a registered seller of taxable goods. Tax credit or input tax is allowed when the registered person keeps proper record of claim regarding tax invoice and bill of entry. The goods meant for export were zero-rated. The tax paid on raw materials and other goods purchased in the course of business are deducted automatically while determining the tax liability. The system is based on self-assessment/clearance procedure and payment of tax.

Sales tax on service has also been introduced in Pakistan from 2011. Such tax is being charged, levied and collected by provincial governments in different provinces under their respective provincial legislations. Rate of tax on services varies from 13% to 16% in different provincial jurisdictions.

Is there a registration limit for the tax?

No pecuniary limit/threshold for registration is here. Every manufacturer, importer, wholesaler, distributor or dealer

is required to obtain registration. A person required to be registered shall submit an application through the computerized system along with the following documents, namely:

i CNIC of all owners, members, partners or directors, as the case may be, and the representative, if any, and in case of non-residents, their passports
ii in case of a company or registered AOP, the Registration or Incorporation Certificate, along with Form III or Form A as prescribed in the Companies Ordinance, 1984 (XLVII of 1984)
iii in case of a partnership, the partnership deed
iv bank account certificate issued by the bank in the name of the business
v lease or rent agreement, if the premises are rented, along with CNIC of the owner of the premises
vi ownership documents of the premises, such as registered sale deed or registered transfer deed
vii latest utility bills (electricity, gas, land-line telephone, and post-paid mobile phones, as the case may be)
viii list of machinery installed, in case of manufacturer
ix distribution certificate from the principal showing distributorship or dealership, in case of distributor or dealer
x balance sheet/statement of affairs/equity of the business
xi particulars of all branches in case of multiple branches at various locations
xii particulars of all franchise holders in case of national or international franchise.

Does the same registration limit apply to non-established businesses?

Not applicable.

Is there any specific legislation to tax non-resident supplies of electronically supplied/digital services to private consumers resident in your country?

Not applicable.

Does a non-established business need to appoint a fiscal representative in order to register?

Not applicable.

How often do returns have to be submitted?

GST returns cover a tax period of one month, ending on the last day of a calendar month. A registered person is required to furnish its monthly return by 15th of next month. Payment of GST is also required to be made before submission of return.

Are penalties imposed for the late submission of returns/payment of tax?

In case of sales tax on goods, a penalty of PKR 5,000 is applicable for delay in submission of return. Default surcharge at the rate of KIBOR plus 3% is applicable for delay in payment of tax.

For sales tax on services, different rates of penalties and default surcharge are applicable for late submission of returns and payment of tax respectively in different provincial jurisdictions.

Are any other declarations required?

In addition to the monthly sales tax return, an annual sales tax return and quarterly reconciliation statements in some of the cases are also required to be submitted.

Are penalties imposed in other circumstances?

Yes. A range of penalties are applicable for default of other legal requirements as well.

Can the VAT incurred by overseas businesses be claimed if they are not registered in Pakistan?

Not applicable.

What information must a VAT invoice show?

A GST invoice must show:

- a unique serial number
- seller's name and address
- seller's GST registration number
- date of issue of invoice
- date of supply
- customer's name and address
- a description and quantity of the goods or services supplied to the customer
- value exclusive of sales tax
- amount of sales tax
- value inclusive of sales tax.

Are there any current or anticipated Standard Audit File for Tax (SAF-T) or similar electronic/digital filing requirements eg invoice listing data file/real-time VAT reporting?

Yes, all the sales tax returns files are uploaded online in the tax authorities portal and no manual submission is effective currently. Tax Authorities review these online submitted returns and issue notices for compliances. In some of the cases notices are also uploaded in this portal for necessary compliances.

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Indirect tax snapshot

What are the current rate(s) of VAT?

- Standard rate of 12% on gross annual sale/receipts of (a) sale, barter, or exchange of goods (b) sale of services (c) lease of goods or commodities in the normal course of business (d) importation.
- Zero rated sales on transactions such as:
  - export sale of goods and services for other persons doing business outside the Philippines, where the sales are paid for in acceptable foreign currency and accounted for in accordance with the rules and regulations of the Bangko Sentral ng Pilipinas (BSP)
  - sales to tax-exempt persons under special laws or international agreements to which the Philippines is a signatory
  - sale of raw materials or packaging materials a non-resident buyer for delivery to a resident local export-oriented enterprise/processing, converting or manufacturing goods for export which are rendered to persons doing business outside the Philippines, where the sales are paid for in acceptable foreign currency and accounted for in accordance with the rules and regulations of BSP
  - sale to international shipping vessels or aircraft transport companies, transport of passengers and cargo by domestic air and sea carriers from the Philippines to foreign country
  - sale of raw materials or packaging materials/services performed by contractors/subcontractors in processing, converting or manufacturing goods for an enterprise whose export sales exceed seventy percent (70%) of the total annual production
  - sale of power or fuel generated through renewable sources of energy.
- Exempt sales cover transactions such as:
  - sale or importation of agricultural and marine food products (in original state), livestock and poultry generally used for human consumption
  - sale or importation of fertilizers, seeds, seedlings, fingerlings, and feeds
  - sales by registered agricultural cooperatives
  - sales by registered non-agricultural, non-electric and non-credit cooperatives
  - services by agricultural contract growers and millers of palay, corn and sugar cane
  - educational services
  - sale of low-cost and socialised housing, residential lot valued at P1.5M and below, and house and lot/other residential dwellings valued at P2.5M and below
  - medical, dental, hospital and veterinary services (except those rendered by professionals)
  - gross receipts from lending by credit or multi-purpose cooperatives
  - sale, importation, printing or publication of books, magazines and newspapers
  - services subject to percentage tax (eg services of banks, non-bank financial intermediaries performing quasi-banking functions, and other non-bank financial intermediaries, among others)
  - services rendered by individuals pursuant to an employer-employee relationship
  - importation of personal and household products belonging to Philippine residents returning from abroad and non-resident citizens coming to resettle in the Philippines provided exempt from tariff and customs duties
  - importation of professional instruments and implements, tools of trade, occupation or employment, wearing apparel, domestic animals, and personal and household effects belonging to persons coming to settle in the Philippines or Filipinos or their families and descendants who are now residents or citizens of other countries
  - lease of residential unit with a monthly rental not exceeding P15,000
  - export sales by persons who are not VAT-registered
  - sale, importation or lease of passenger or cargo vessels and aircraft
  - importation of fuel, goods and supplies by persons engaged in international shipping or air transport operations
  - sale or lease of goods and services to senior citizens and persons with disabilities
  - association dues, membership fees, and other assessments and charges collected on a purely reimbursement basis by homeowners' associations and condominium corporations
  - sale of gold to the Bangko Sentral ng Pilipinas
  - sale of drugs and medicines prescribed for diabetes, high cholesterol, and hypertension to beginning 1 January 2019
  - sale or lease of goods or properties or services by persons whose gross annual sales or receipts do not exceed P3,000,000.

Indirect tax snapshot

Are there any confirmed or anticipated changes to these rates?	No, but certain zero-rated sales pertaining to indirect export sales and services performed by subcontractors, among others, shall be subject to 12% VAT upon the successful establishment and implementation of an enhanced VAT refund system that grants and pays refunds of creditable input tax within 90 days from the filing of the VAT refund application with the taxing authority.
What is the principal indirect tax?	Value Added Tax (VAT) is the principal indirect tax in the Philippines. It is a tax on (a) sale, barter, or exchange of goods (b) sale of services (c) lease of goods or commodities in the normal course of trade/business (d) importation.
Is there a registration limit for the tax?	Yes. Any person or entity engaged in trade or business whose sales are not specifically exempt from VAT, and whose annual gross sales and/or receipts exceed Php 3,000,000 is required to register as a VAT taxpayer. If their gross sales and/or receipts do not exceed Php 3,000,000, they may opt not to register as a VAT taxpayer but will be subject instead to 3% percentage tax on their gross quarterly sales or receipts.
Does the same registration limit apply to non-established businesses?	No. A non-resident foreign corporations supplying goods to any person in the Philippines and who renders services in the Philippines is not required to register as a VAT taxpayer in the Philippines.
Does a non-established person need to appoint a fiscal representative in order to register?	No. There is no law requiring an appointment of a fiscal representative in the Philippines. When a non-established person is subject to VAT in the Philippines, the VAT shall be remitted by the person or entity in the Philippines making the income payment to a non-resident individual and/or non-resident foreign corporation.
How often do returns have to be submitted?	Filing and payment of VAT shall be done monthly by all VAT taxpayers. However, at the end of the quarter, VAT taxpayers are required to file quarterly VAT returns which reports the consolidated sales for the three months covering the taxable quarter.
Are penalties imposed for the late submission of returns/payment of tax?	Yes. If a VAT return, or the corresponding payment, is submitted late, a surcharge, interest and compromise penalty can be imposed.
Are any other declarations required?	Yes. Summary list of sales, purchases, and importation are required for submission on a quarterly basis.
Are penalties imposed in other circumstances?	Yes. Penalties can be imposed for a range of errors or omissions. This may also be in the form of administrative penalties for failure to issue receipts, failure to submit the attachments on time, and improper presentation in the returns or attachments, among others.
Can the tax incurred by overseas businesses be claimed if they are not registered in your country?	No. The option to refund is available only in certain circumstances to VAT-registered taxpayers in the Philippines.
Deduction of VAT	Input VAT cannot be claimed as expense unless it is attributable to exempt sales or those incurred by non-VAT taxpayer. Moreover, input VAT cannot be claimed against output VAT or cannot be refunded, as the case may be, if the supporting documents are not compliant with the invoicing requirements.

What is the principal indirect tax?

Value Added Tax (VAT) is the main type of indirect taxation in the Philippines.

VAT is levied on the sale, barter, exchange, lease of goods or properties and services in the Philippines, and on importation of goods into the Philippines.

A business registered for the tax will charge VAT (output tax) on its sales, and incur VAT (input tax) on its purchases (including any VAT paid on importation). If the amount of input tax is greater than the amount of output tax at the end of any taxable quarter, the resulting amount is treated as Tax Credit (deferred asset). If the excess input over output arises from a quarter return, it may be carried over to the next month and quarter/s return. Input VAT attributable to zero rated sales may entitle the seller to input tax credit or refund, subject to certain conditions.

However, with respect to purchases of depreciable assets, the aggregate acquisition cost of which, in a calendar month, exceeds Php1 million regardless of the acquisition cost of each capital good, the input taxes from these purchases should be spread evenly over a period of 60 months or the useful life of the capital goods, whichever is shorter. However, the amortization of the input VAT shall only be allowed until 31 December 2021. Afterwards, only the unutilized input tax on capital goods purchased or imported on or before 31 December 2021, shall be allowed to be amortized until fully utilized.

The rates of VAT that are applied to goods and services in the Philippines are; the standard rate of 12% and the zero rate. In addition, some goods and services are exempted from VAT.

Businesses with VAT exempt sales are not allowed to claim all of the input tax that they incur. Input VAT incurred on the VAT exempt sales form part of the cost to acquire what was purchased.

The input tax on purchases of goods, properties or services related to zero-rated sales shall be available as input tax credit against the output tax due from transactions subject to the 12% VAT rate, or can be recovered from the government by applying for a tax refund or tax credit.

Goods imported into the Philippines are subject to VAT equivalent to 12% based on the total value used by the Bureau of Customs in determining tariff and customs duties, plus customs duties, excise taxes, if any, and other charges prior to the release of such goods from the customs custody.

Export sales of VAT-registered entities that enjoy tax incentives under the Philippine Economic Zone Authority (PEZA) or the Board of Investments (BoI) are zero-rated. PEZA and BOI-registered entities are not subject to 12% VAT on importation, subject to certain conditions.

Is there a registration limit for the tax?

A taxpayer who either makes or intends to make taxable supplies of goods or services in the course or furtherance of a business must register for VAT if the value of its annual gross sales and/or receipts exceed Php 3,000,000, or is expected to exceed the limit in the near future. A business can register on a voluntary basis even if the registration limit has not been exceeded. Taxpayers who opted to not register are required to pay 3% tax on their gross quarterly sales or receipts.

Branches must register separately from the head or main office, although only one consolidated VAT return must be filed for the principal place of business or head office and its branches. There is no group VAT registration in the Philippines.

If a person who is liable to register for VAT fails to register, they shall be liable to pay output VAT as if they were a VAT registered person, but without the benefit of input tax credits for the period in which he was not properly registered. Suspension or closure of a business may also be imposed for failure to register.

Does the same registration limit apply to non-established businesses?

Overseas companies not established in the Philippines are not required to register for VAT in the Philippines.

Is there any specific legislation to tax non-resident supplies of electronically supplied/digital services to private consumers resident in your country?

The Philippines follow the destination principle which means VAT shall be imposed on goods consumed and/or services rendered in the Philippines. Hence, services rendered outside the Philippine territory is not subject to Philippine Tax. However, in some cases involving e-commerce and electronically downloaded software, the payments shall be considered as an importation subject to VAT.

Does a non-established business need to appoint a fiscal representative in order to register?

No, the appointment of a fiscal representative is not required in the Philippines. In case a non-established person is subject to VAT in the Philippines, the VAT shall be withheld and remitted by the person or entity in the Philippines in behalf of the unregistered person by filing a separate VAT declaration/return (BIR Form 1600).

The VAT withheld and paid for the non-established business which VAT is passed on to the person or entity in the Philippines may be claimed as input tax. The duly filed BIR Form 1600 and proof of payment thereof shall serve as documentary substantiation for the claim of input tax by the person or entity in the Philippines upon filing its own VAT return.

How often do returns have to be submitted?

The Philippine VAT law and regulations imposes upon VAT-registered taxpayers an obligation to file monthly VAT declaration and quarterly VAT returns. The monthly VAT declarations are filed for the first two months of the taxable quarter, while the quarterly VAT return is filed at the end of the taxable quarter.

The monthly VAT declaration returns covering the monthly sales and/or receipts should be filed, and VAT due thereon should be paid not later than the 20th day following the end of the month. In the case of VAT-registered taxpayers enrolled in the electronic filing and payment system (eFPS), their monthly VAT return should filed on a staggered basis (not later than the 21st day to 25th day after the end of the month) depending on their industry grouping.

On the other hand, the quarterly VAT returns cover the amount of gross sales or receipts for the taxable quarter. The VAT payable for the taxable quarter is reduced by the payments in the monthly VAT declarations and allowable input taxes. The quarterly VAT return should be filed by a VAT-registered taxpayer, whether filing manually or under eFPS, not later than the 25th day following the close of the taxable quarter.

However, under the newly signed TRAIN Law (RA 10963), beginning 2023, VAT filing and payment shall be limited to quarterly filing.

No annual VAT return is required to be filed by VAT registered taxpayers in the Philippines.

Are penalties imposed for the late submission of returns/ payment of tax?

A 25% surcharge, interest (computed double the legal interest rate) and compromise penalty based on the tax unpaid may be imposed by the tax authority if VAT returns are not submitted or paid on time, or erroneously filed. The interest is imposed on the unpaid amount of tax from the date prescribed for the payment until amount is fully paid.

In case of wilful neglect to file VAT return within the prescribed period, or in case a false or fraudulent return is wilfully made, a surcharge of 50% of the deficiency tax shall be collected in addition to the interest imposed on the unpaid amount of tax, and compromise penalty.

Are any other declarations required?

All VAT-registered taxpayers are required to submit quarterly summary list of sales (SLS), summary list of purchases (SLP) and, if applicable, summary list of importations (SLI). The information in the summary lists is used for computerized matching to detect under declaration of sales and/or purchases.

VAT-registered persons with discrepancy on their sales and/or purchases shall be notified of the findings through a letter of notice (LN). in case the taxpayer refutes the discrepancy, the taxpayer shall be given the opportunity to reconcile its records with the BIR and to submit documentary proofs in support of its arguments.

In case of no response from the taxpayer, or the taxpayer failed to settle the deficiency tax and corresponding penalties, a letter of assessment shall be issued.

Are penalties imposed in other circumstances?

Yes. A range of penalties can be imposed where businesses do not comply with the VAT rules.

Aside from the penalties for late and erroneous filing of returns, administrative and penal sanctions may be imposed, among others, in the following cases:

- failure to issue receipts and invoices
- failure to submit the quarterly list of sales and purchases
- failure to maintain or keep any record and supply the correct and accurate information
- failure to indicate separately the VAT in the VAT invoice or official receipt
- printing of other fraudulent receipts or sales or commercial invoices.

Criminal proceedings may be brought in the case of more serious matters.

Can the VAT incurred by overseas businesses be claimed if they are not registered in the Philippines?

No. The VAT incurred by an overseas business may not be the subject of a claim for refund if it is not registered as a VAT taxpayer in the Philippines.

A VAT registered taxpayer may claim for refund its unutilized excess input tax attributable to zero-rated sales. It may also refund all of its accumulated input VAT upon closure or cessation of its business.

What information must a VAT invoice show?

A VAT invoice must show:

- a statement that the seller is a VAT-registered person, followed by his Taxpayer Identification Number (TIN)
- the total amount which the purchaser pays or is obligated to pay to the seller with the indication that such amount includes the VAT, provided that:
  - the amount of tax shall be shown as a separate item in the invoice or receipt
  - if the sale is exempt from VAT, the term 'VAT-exempt sale' shall be written or printed prominently on the invoice or receipt
  - if the sale is subject to 0% VAT, the term 'zero-rated sale' shall be written or printed prominently on the invoice or receipt
  - if the sale involves goods, properties or services some of which are subject to 12% VAT and some of which are VAT zero rated or VAT-exempt, the invoice or receipt shall clearly indicate the break-down of the sale price between its taxable, exempt and zero-rated components, and the calculation of the VAT on each portion of the sale shall be shown on the invoice or receipt. The seller has the option to issue separate invoices or receipts for the taxable, exempt, and zero-rated components of the sale
- in the case of sales in the amount of one thousand pesos (P1,000.00) or more where the sale or transfer is made to a VAT-registered person, the following additional information should be indicated in the VAT invoice/receipt: (a) the name; (b) business style, if any; and (c) address and TIN of the purchaser, customer or client.

Only VAT invoices and official receipts duly registered with the Bureau of Internal Revenue can be issued and be used as a valid source of input tax. In case the taxpayer uses a computerised accounting system which includes e-invoicing, prior approval of the Bureau of Internal Revenue must be secured prior to its use.

Are there any current or anticipated Standard Audit File for Tax (SAF-T) or similar electronic/digital filing requirements eg invoice listing data file/real-time VAT reporting?

Yes. In pursuant to the newly signed TRAIN Law (RA 10963), a business entity engaged in the export of goods and services and taxpayers under the jurisdiction of the Large Taxpayers Service are required to electronically report their sales data to the taxing authority through the use of electronic point of sales systems. However, the implementation is still under way, subject to the establishment of a storing and processing system by the tax authority.

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Indirect tax snapshot

What are the current rate(s) of indirect tax?	• Standard rate of 7% for goods and services. • Zero-rate for export of goods and for international services.
Are there any confirmed or anticipated changes to these rates?	On 19 February 2018, Finance Minister Heng announced that the Standard rate of GST will increase to 9% sometime between 1 January 2021 and 2025.
What is the principal indirect tax?	Goods and Services Tax (GST) is the principal indirect tax in Singapore. It is a broad-based consumption tax and is levied on almost all supplies of goods and services in Singapore and on imports.
Is there a registration limit for the tax?	Yes. It relates to the turnover of taxable supplies made in a 12 month period, and once the threshold has (or will be) reached it is necessary to register. The current registration threshold is SGD 1 million.
Does the same registration limit apply to non-established businesses?	Currently the same registration threshold applies to all taxable persons including individuals, residents and non-residents. However, consultation is ongoing regarding the registration of non-established businesses and providers of digital services. It is likely that non-established businesses and digital market operators, making B2C supplies, will have to register in Singapore with effect from 1 January 2020 if their Singapore generated revenue exceeds SGD 100K and their worldwide revenue exceeds SGD1 million. At the time of preparing this guide draft legislation has not been released.
Does a non-established person need to appoint a fiscal representative in order to register?	Yes. An overseas entity (defined as one that is not a resident in Singapore and/or does not have an established place of business in Singapore) is required to appoint a local agent.
How often do returns have to be submitted?	Most businesses are required to submit GST returns covering three month accounting periods, ie on a quarterly basis. The quarter allocation is based on the businesses financial year end Returns can also be submitted on a half-yearly or monthly basis (subject to conditions and prior approval from the tax authority).
Are penalties imposed for the late submission of returns/payment of tax?	Yes. If a GST return or the corresponding payment is submitted or paid late a late submission/payment penalty can be imposed.
Are any other declarations required?	No.
Are penalties imposed in other circumstances?	Yes. Penalties can be imposed for a range of errors or omissions, providing incorrect information, failure to register, etc.
Can the tax incurred by overseas businesses be claimed if they are not registered in your country?	No.
Deduction of VAT	Disallowed input tax prescribed by legislation includes club subscription fee charged by sports and recreation clubs, medical and accident insurance premiums incurred for employees (unless the insurance or payment of compensation is obligatory under the Work Injury Compensation Act or under any collective agreement within the meaning of the Industrial Relations Act), medical expenses incurred for employees (unless such expenses are obligatory under the Work Injury Compensation Act or under any collective agreement within the meaning of the Industrial Relations Act), family benefits; the supply or importation of a private motor car including the costs and running expenses incurred on private registered motor cars and any transaction involving betting, sweepstakes, lotteries, fruit machines or games of chance.

What is the principal indirect tax?

Goods and Services Tax (GST) is the main type of indirect taxation in Singapore and accounts for approximately 24% of total revenue receipts (FY2017).

It is a tax on consumption which is applied on the supply of most goods and services in Singapore. It is also applied to goods when imported into the country. Although GST is ultimately borne by the consumer, by being included in the price paid, the responsibility for charging, collecting and paying it to the tax authority at each stage of the supply chain rests with the business making the supply.

A business registered for the tax will charge GST (output tax) on its sales/services, and incur GST (input tax) on its purchases (including any GST paid at importation). The difference between the output tax and the deductible input tax in each accounting period will be the amount of GST payable by the business to the tax authority. Where the input tax exceeds the output tax, a refund can be claimed.

A transaction is within the scope of Singapore GST if the following conditions are met:

- it is a supply of goods or services. Although the term 'supply' is not defined in the legislation, it has a broad interpretation
- the supply is made in Singapore
- it is made by a taxable person. For these purposes, a taxable person is a person or entity who is registered for GST in Singapore, or has a liability to become registered
- it is made in the course or furtherance of any business carried on by that person or entity.

There are two rates of GST that are applied to goods and services in Singapore; the standard rate and the zero rate. In addition, some goods and services are exempt from GST.

Generally, businesses that make exempt supplies are unable to claim the input tax that they incur, so the GST paid to suppliers will be a 'real' cost with the exception of certain financial institutions where the input tax incurred may still be claimed based on a fixed rate prescribed by the tax authority.

All goods imported into Singapore are subject to GST at the standard-rate (except investment precious metals which are exempt from import GST). The tax will have to be paid by the importer at the time of importation (unless the importer is under specific GST schemes/concessions which allow the suspension/deferment of import GST). Where the importation is for business purposes and the importer is registered for GST, it is possible to reclaim the tax.

It is also important to note the interaction between GST and Customs duty. Customs duty is levied on certain goods imported in Singapore. Unlike GST, once customs duty has been paid it is not usually recoverable by the importer.

It therefore represents a bottom line cost to the importing business if it cannot be passed on in higher prices. It is therefore very important to ensure that the correct rate of customs duty is applied. GST is charged on the cost, insurance and freight (CIF) value of the imported goods, including any custom duty.

Is there a registration limit for the tax?

A taxable person who either makes or intends to make taxable supplies of goods or services in the course or furtherance of a business must register for GST if the value of its taxable supplies made in Singapore exceeds the registration threshold, or is expected to exceed the threshold in the next 12 months. A taxable person can apply to register on a voluntary basis even if the registration threshold has not been exceeded. Approval of a voluntary registration application is subject to the discretion of the Comptroller of Taxes.

A taxable person includes an individual, partnership, company, club, association, society, management corporation or non-profitable organisation.

Two or more corporate bodies can be registered together as a GST group if:

1. each member in the group is already registered for GST individually
2. each member in the proposed group must have at least one of the following attributes:
   - a a resident in Singapore or an established place of business in Singapore
   - b annual turnover of at least $1 million
   - c listed on a securities exchange established in or outside Singapore
   - d a subsidiary of a body corporate that fulfills (b) or (c)
   - e financed by an entity (as part of its venture capital investment business) who fulfills (b) or (c)
3. the nominated representative member must be a Singapore resident or has an established place of business in Singapore. A company has an 'established place of business' in Singapore if it has a place at which it carries on business in Singapore, its physical presence is connected to a particular premise and this place of business is intended to have a degree of permanence
4. for application which comprises an overseas person who does not fulfill (2)(a) above, both the foreign member and local representative member must have at least fulfilled (2)(b), (c), (d) or (e)
5. each member in the proposed group must satisfy one of the following control requirements. In general, control exists when there is a holding company-subsidiary relationship:
   - a one of the members controls each of the others
   - b one non-member (whether a body corporate or an individual) controls all the members
   - c two or more individuals (non-member) carrying on a business in partnership control all of the members.

The main advantage of GST group registration is that any supply of goods or services by a member of the group to another member of the group is disregarded for GST purposes. This reduces the risk of GST being accidentally omitted on supplies between separately registered related companies.

However, there are some disadvantages and any decision on whether to group register should be taken with care. For example, all GST group members are jointly and severally liable for the GST liability of the group during the period of their membership.

A penalty may be imposed by the tax authority if a business fails to register at the correct time.

Does the same registration limit apply to non-established businesses?

The rules relating to whether an overseas business is established in Singapore are complex. However, broadly, the GST registration threshold applies to all businesses regardless of whether they are resident or non-resident. However, following budget announcements in 2018 it is likely that legislation will be introduced to lower the GST registration threshold for non-established businesses selling B2C.

Is there any specific legislation to tax non-resident supplies of electronically supplied/digital services to private consumers resident in your country?

Not at the moment. Although Singapore is not a member of the OECD, it agrees with the principles and recommendation proposed by the OECD with regards to the digital economy. Singapore is taking steps to implement OECD's recommendations with regards to the digital economy. On 19 February 2018 Finance Minister Heng announced his intention to tax the digital economy. Consultation is ongoing at the time of writing but it is probable that overseas vendors and electronic market place operators, providing digital services to local consumers, will have to register for GST in Singapore from 1 January 2020, subject to certain thresholds.

Does a non-established business need to appoint a fiscal representative in order to register?

The tax authority in Singapore requires an overseas entity (defined as one that is not a resident in Singapore and/or does not have an established place of business in Singapore) to appoint a local agent to act on his behalf for GST purposes.

How often do returns have to be submitted?

GST returns normally cover an accounting period of three months, ending on the last day of a calendar month and are lodged on a quarterly basis.

Businesses may also request for special accounting periods to coincide with its financial reporting. Businesses that are in a net refundable position (because of the nature of their activities) may apply to submit returns on a monthly basis to improve cash flow. For certain smaller businesses, they may also apply to submit returns on 6 months basis.

All GST returns have to be submitted within 30 days of the end of the relevant accounting period, together with any tax due. Businesses with direct debit arrangement facility (GIRO) with the tax authority get a further fifteen days (in addition to the normal 30 days) to pay the tax due.

Are penalties imposed for the late submission of returns/payment of tax?

Penalties may be imposed by the tax authority if GST returns are not submitted on time, or the related tax is not paid by the due date.

When payment is not received by the tax authority by the due date, a 5% penalty may be imposed. A further 2% additional penalty may be imposed 60 days after the 5% penalty is imposed, if the tax is still not paid.

The 2% penalty is imposed for each month that the tax remains unpaid. The total additional penalty that can be imposed is up to 50% of the tax overdue.

Are any other declarations required?

No.

Are penalties imposed in other circumstances?

Yes. A range of penalties can be imposed where businesses do not comply with the GST rules.

Civil penalties and interest can be applied for errors and omissions made on tax returns, or where the tax is paid late.

Penalties can also be applied where the business has failed to maintain adequate records, provide information (including additional declarations), or make repeated mistakes.

Criminal proceedings may be brought in the case of more serious matters.

Can the VAT incurred by overseas businesses be claimed if they are not registered in Singapore?

No.

What information must a VAT invoice show?

A valid tax invoice must show:

- the words 'Tax Invoice' in a prominent place
- an invoice number which is unique and sequential
- the seller's name and address
- the seller's GST registration number
- the invoice date
- the customer's name and address
- a description sufficient to identify the goods or services supplied to the customer
- for each description, the quantity of goods or the extent of services and the amount payable (excluding tax)
- any cash discount offered
- the total amount payable excluding tax, the rate of GST, the total tax chargeable and the total amount payable
- including tax shown separately (any such amount expressed in a currency other than Singapore currency, must also be expressed in Singapore currency)
- the breakdown of exempt, zero-rated or other supply, stating separately the gross amount payable in respect of each, if applicable.

Where a business makes supplies of goods or services where the amount invoiced including GST does not exceed SGD 1,000, a simplified tax invoice can be issued.

Tax invoices can be issued, received and stored in electronic format and there is no need to obtain prior approval from the tax authority (provided the conditions as prescribed by the tax authority are fulfilled). Electronic invoices must contain the same information as paper invoices. The method used to ensure the authenticity of origin, the integrity of content and legibility of the invoices is a business choice and can be achieved by any business controls which create a reliable audit trail between an invoice and a supply of goods or services.

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South Korea

Indirect tax snapshot

What are the current rate(s) of indirect tax?	• The standard VAT rate is 10% for most goods and services. • Zero-rating is applicable to traders who are residents or domestic corporations. Zero rating is also applicable to non-residents or foreign corporation from countries where the same treatment is available to Korean residents or corporations. Zero rated includes: – goods exported or sold to non-residents or foreign corporations to be delivered to a place designated by the non-residents or foreign corporations, subject to certain conditions – services rendered outside Korea – international transportation service by ships and aircraft – certain services supplied to non-residents or foreign corporations for foreign exchange earnings, subject to reciprocity rule whereby the counterparty country provides the same exemption from VAT or similar indirect taxes for services supplied to Korean residents or corporations.
Are there any confirmed or anticipated changes to these rates?	No.
What is the principal indirect tax?	Value Added Tax (VAT) is the principal indirect tax in South Korea. In addition, special consumption tax is levied on certain goods or services like luxury goods, passenger cars, fuels, green fee to golf club and casino, etc.
Is there a registration limit for the tax?	No, there is no registration limit for the tax.
Does the same registration limit apply to non-established businesses?	Not applicable.
Does a non-established person need to appoint a fiscal representative in order to register?	Non-resident supplier of electronic service (like game, music or video, etc. supplied by Internet) should appoint a fiscal representative to file VAT return and for correspondences with the tax authorities.
How often do returns have to be submitted?	Under the Korean VAT law, a company is required to file a VAT return on a quarterly basis, along with payment of the concerned VAT, if any. The VAT payable (or refundable) is determined by deducting the applicable purchase VAT from sales VAT.
Are penalties imposed for the late submission of returns/payment of tax?	Yes. If a VAT return, or the corresponding payment, is submitted late a penalty can be imposed.
Are any other declarations required?	Not applicable.
Are penalties imposed in other circumstances?	Yes. Various penalties can be imposed where businesses do not comply with the VAT rules.
Can the tax incurred by overseas businesses be claimed if they are not registered in your country?	Yes, in certain circumstances and subject to certain conditions.
Deduction of VAT	VAT on items below are not deductible: • expenditure without tax invoices and with tax invoices on which material information is omitted or incorrect • expenditure not related to VAT-leviable businesses • purchase, hire and maintenance of passenger cars not directly used for transportation business • disbursement of entertainment expenses • expenditure related to land • expenditure before filing an application for business registration.

What is the principal indirect tax?

Value Added Tax (VAT) is the main type of indirect taxation in South Korea.

VAT is an indirect tax which is charged on goods/services sold within Korea or imports to Korea by individuals or corporations. VAT paid on inputs (purchases) can be used as a credit against tax collected in connection with outputs (sales) or refundable, subject to certain conditions and restrictions.

The VAT rate is either 10% in most cases or 0% in certain cases like exports or services rendered to non-residents or foreign corporations for consideration received in foreign currencies.

Zero-rating

The following goods and services are VAT zero-rated.

Zero rated includes:

- goods exported or sold to non-residents or foreign corporations to be delivered to a place designated by the non-residents or foreign corporations, subject to certain conditions
- services rendered outside Korea
- international transportation service by ships and aircraft
- Certain services supplied to non-residents or foreign corporations for foreign exchange earnings, subject to reciprocity rule whereby the counterparty country provides the same exemption from VAT or similar indirect taxes for services supplied to Korean residents or corporations.

Exemption

The supply of the following goods or services, among others, is subject to exemption:

- land
- unprocessed agricultural or fishery products
- public transportation
- books and newspapers
- financial services
- certain personal services similar to labor
- medical services
- education services.

Input VAT incurred for VAT-exempted businesses is not refundable.

Is there a registration limit for the tax?

A trader who newly starts a business is required to register the required particulars of each business place within twenty days from the business commencement date. The particulars may be registered before the business commencement date.

The tax office having jurisdiction over the business place of the trader will issue a business registration certificate to the trader concerned.

A registered trader who has suspended or closed down a business or has a change in any of those registered particulars is required to make a report without delay to the competent tax office.

Special care for the administrative burden of VAT calculation

Under the Korean VATL, the simplified taxation would be allowed to an individual enterprise under certain circumstances whose turnover (including VAT) of the supply of goods or services in a calendar year is no bigger than KRW 48 million. In this regard, the VAT payable would be calculated as below.

VAT payable = A(simplified output VAT) – B (simplified input VAT)

A = Turnover (including VAT) in a calendar year x Average rate of value-added for each category of business (ranging from 5% through 30%) x Flat rate 10%

B = Input VAT on the tax invoice (if any) x Average rate of value-added for each category of business (ranging from 5% through 30%)

In addition to the above, under the current VAT law, the exemption from liability to pay VAT would be allowed to an individual enterprise whose turnover (including VAT) of the supply of goods or services in a calendar year is short of than KRW 24 million.

Does the same registration limit apply to non-established businesses?

Under the Korean VATL, the simplified taxation would be allowed to an individual enterprise.

Neither a non-resident business entity nor a non-resident individual without a permanent establishment in Korea is obliged to register for VAT purposes, other than non-resident suppliers of electronic services. If necessary, the tax authorities may give an identification number for administrative purposes.

Is there any specific legislation to tax non-resident supplies of electronically supplied/digital services to private consumers resident in your country?

Effective as of 1 July 2015, the revised Korean VATL requires a foreign service provider to register for and charge VAT on the supply of electronic services to customers in Korea (A foreign supplier includes a non-resident or a foreign corporation without a permanent establishment in Korea).

Definition of electronic service

Electronic service means the supply of:

- game, audio, video files, electronic documents or software, or similar items that are processed by optical or electronic means and produced or modified in the form of codes, letters, audio, and video, and any similar items
- the upgrade of such electronic service.

Registration requirement

VAT shall apply to electronic services rendered by foreign suppliers in overseas open market for domestic consumers, which will be regarded as being rendered in Korea. The registration requirement also applies to a foreign service provider who directly provides electronic services to its Korean consumers.

The registration is made with the Korean National Tax Service (NTS) in a simplified way through the NTS website within 20 days from the date of business commencement. For this purpose, foreign suppliers may need to appoint a fiscal representative.

Compliance

A registered foreign service provider must file VAT returns and pay VAT on a quarterly basis. The due date of filing is on or before the 25th day, following a quarter-end month. The foreign service provider is not required to issue a VAT invoice.

Does a non-established business need to appoint a fiscal representative in order to register?

Generally no. But it may be necessary in some cases where they claim refund of input VAT or complies with Korea VAT Act as non-resident supplier of electronic services.

How often do returns have to be submitted?

Taxable period

In general, the taxable period for VAT is six months. – the first period from 1 January to 30 June and the second period from 1 July to 31 December.

The initial taxable period for any trader establishing a new business is from the starting date of the business to the last day of the taxable period in which the starting date falls upon.

Where registration is made prior to the commencement of business, the taxable period begins with the date of registration. On the other hand, the last taxable period for any trader closing a business shall be from the beginning date of the taxable period upon which the closing date falls, to the date of closing.

Tax return and payment

Preliminary return and payment

A trader is required to file a return on the tax base and tax amount payable or refundable to the appropriate tax office within 25 days from the end of each preliminary return period. The preliminary taxable period for the first taxable period is from 1 January through 31 March and the preliminary taxable period for the second taxable period is from 1 July through 30 September.

A trader shall pay the tax amount payable for the preliminary return period to the appropriate tax office at the time of filing the return.

Final return and payment

A trader must file, to the competent tax office, a return on the tax base and the tax amount payable or refundable in respect of each taxable period within 25 days after the end of the taxable period concerned.

A trader is required to pay the tax amount payable to the competent tax office at the time of filing the return.

Are penalties imposed for the late submission of returns/ payment of tax?

Penalty taxes mentioned below may be imposed by the tax authority if VAT returns are not submitted on time, or the related tax is not paid by the due date:

- late filing of the return: 10% of the tax due
- late payment of the VAT due: 0.03% of the unpaid tax per day.

Are any other declarations required?

Not applicable.

Are penalties imposed in other circumstances?

Yes. A range of penalties can be imposed where businesses do not comply with the VAT rules.

Some of the penalty taxes under the VATL in Korea are as follows:

- penalty tax for non-registration: 1% of supply price
- penalty tax for late issuance of tax invoice: 1% of supply price
- penalty tax for non-issuance of tax invoice: 2% of supply price
- penalty tax for false tax invoice: 2% of supply price.

Can the VAT incurred by overseas businesses be claimed if they are not registered in South Korea?

Yes, it may be possible to reclaim the VAT incurred in certain circumstances.

When foreign companies or non-residents (foreign business operators) with no permanent establishment in Korea, do business outside Korea, and purchase or receive goods or services in Korea for their business purposes, the VAT may be refundable. However, this regulation applies only where the tax refundable exceeds KRW 300,000.

The following is a list of applicable services:

- food or lodging services
- advertisement services
- electricity and telecommunication services
- real estate leasing services
- office repairing services (in Korea)
- office equipment rental service.

In order to receive the VAT refund, foreign business operators must submit an application for the VAT refund by 30 June of the following year with the following attachments:

- one copy of the Certificate of Business Register (in English or Korean only)
- one copy of a transaction report
- the original copy of the tax invoice (including sales statements of credit cards, etc. which show the VAT amount and personal data of the person who received the supply).

What information must a VAT invoice show?

An enterprise supplying goods or services, should issue a VAT invoice to the purchaser under the Korean VATL. The contents of the invoice should contain:

Mandatory information requirements

- tax identification number and name of goods or service provider
- tax identification number of the purchaser of goods/services
- transaction price and the corresponding VAT amount
- date when the invoice is issued.

Non-mandatory information requirements

- address of goods/services provider
- name of goods/services provider and the address of the purchaser
- business type and business items
- name, quantity, and the unit cost of supplied items
- other particulars as prescribed by the 'Presidential Decree'.

Effective from 1 January 2010, all corporate taxpayers are obliged to issue electronic tax invoices, which are transmitted to the national tax service.

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Indirect tax snapshot

What are the current rate(s) of indirect tax?	• Value Added Tax (VAT): Charged at 15% on turnover from goods, services and Wholesale and Retail sale: – zero rate is applicable for exports – exempt supplies are listed in the Act. • Nation Building Tax (NBT): Charged at 2% on Turnover with limited input credit.
Are there any confirmed or anticipated changes to these rates?	No changes are anticipated in the rates.
What is the principal indirect tax?	Valued Added Tax is the principal indirect tax applied on supply of most goods and services in Sri Lanka.
Is there a registration limit for the tax?	Yes. For a quarter Rs.3Mn or for a year Rs.12 Mn. For Wholesale and Retail trade is Rs.12.5 Mn per quarter or 50 Mn per annum.
Does the same registration limit apply to non-established businesses?	Yes. The same limit is applicable to non-established businesses making taxable supplies in Sri Lanka.
Does a non-established person need to appoint a fiscal representative in order to register?	Yes, non established entities need to appoint, in writing, a tax representative to register for VAT on their behalf.
How often do returns have to be submitted?	Returns are submitted within 30 days of the end of the taxable period. (ie quarter or one month).
Are penalties imposed for the late submission of returns/payment of tax?	Yes. There is a fixed penalty of Rs.25,000/-. The instant penalty of 10%, and further penalty of 2% per month. Maximum penalty is limited to 100% of VAT payable.
Are any other declarations required?	Yes. Total input, output schedule for local purchases, imports, debit notes, credit notes and deemed input schedule for wholesale and retail suppliers has to be submitted to the Department of Inland Revenue.
Are penalties imposed in other circumstances?	There are many other penal provisions for non compliances.
Can the tax incurred by overseas businesses be claimed if they are not registered in your country?	No. To claim input tax in Sri Lanka, one has to be registered for VAT in Sri Lanka.

What is the principal indirect tax?

Value Added Tax (VAT) is the primary indirect tax in Sri Lanka.

VAT is a multi stage tax on value addition on goods or services. Generally the tax is charged on the value of supply at each stage of passing the goods and services upto the final consumer. The tax so collected is payable to the Government at the end of any specific period, after deducting input tax thereon. The cascading effect is minimized through the input credit mechanism in the VAT System.

VAT is charged, on every taxable supply of goods or services made in a taxable period by a Registered Person, in the course of carrying on or carrying out of a taxable activity by such person in Sri Lanka and on the importation of goods into Sri Lanka by any Person.

Accordingly, the Taxable activity:

i is carried on or carried out in Sri Lanka
ii should be in the course of carrying on or carrying out a taxable activity
iii there must be a taxable supply of goods or services
iv such supply should have been made by a Registered Person.

Therefore any taxable activity carried on or carried out in any other jurisdiction is not taxable under this Act.

'Taxable Activity' means:

i any activity carried on as a business, trade, profession or vocation or every adventure or concern in the nature of a trade
ii the provision of facilities to its members or others for a consideration and the payment of subscription in the case of a club, association or organization
iii anything done in connection with the commencement or cessation of any activity or provision of facilities referred to in (a) or (b)
iv the hiring or leasing of any movable property or the renting or leasing of immovable property or the administration of any property
v the exploitation of any intangible property such as patents, copyrights or other similar assets where such asset is registered in Sri Lanka or the owner of such asset is domiciled in Sri Lanka
vi wholesale or retail supply of goods
vii supply of Financial Services.

'Taxable Supply' means:

- any supply of goods or services made in Sri Lanka which is chargeable with tax and includes a supply taxable at the rate of zero percent and excludes Exempt Supplies.

'Time of Supply' is:

- the time at which the tax is chargeable and in other words the tax point.

Exempt supplies:

- no tax is charged on the supply of goods or services and on the importation of goods specified in the First Schedule to the Act.

Is there a registration limit for the tax?

Yes. Every person must register for VAT based on there turnover limits. If value of taxable supply of a person (other than wholesale or retail sale) exceeds Rs. 3 Mn in a period of three months or exceeds Rs. 12 Mn in a period of 12 months, such person has to Register for VAT.

In the case of Wholesale or Retail Traders, the registration threshold for a period of 3 months and 12 months are Rs.12.5 Mn and the Rs. 50 Mn. respectively.

Does the same registration limit apply to non-established businesses?

Yes. A non established business making taxable sales in Sri Lanka exceeding the threshold setout is expected to appoint, in writing an agent who will register and account for VAT on their behalf.

How often do returns have to be submitted?

All Registered Persons are required to file a VAT Return manually or electronically within 30 days from the end of the taxable period. There are two types of taxable periods:

1 a period of one month
  - SVAT Registered Person
    - where a person makes zero rated supplies;
    - where a person has commenced a business or any project and is still in the project implementation period (S.22(7) regd. Persons)
    - any other person registered under the Simplified Valued Added Tax (SVAT) System as a Registered Identified Purchaser
2 a period of three months: For all other Registered Persons who do not fall under category (a) above.

Are any other declarations required?

Yes. Total input, output schedule for local purchases, imports, debit notes, credit notes and deemed input schedule for wholesale and retail suppliers have to be submitted to the Department of Inland Revenue by electronically.

Are penalties imposed for the late submission of returns/ payment of tax?

Yes. There is a fixed penalty of Rs. 25,000/- or imprisonment for six month or both such fine and imprisonment for late submission of VAT Returns.

Any tax not paid on the due date, penalty on the defaulted tax amount is 10% instantly, and further penalty accrues from the due date @ 2% for each of the succeeding months.

Maximum penalty shall not exceed 100% of the amount of tax in default.

Are penalties imposed in other circumstances?

Yes. There are many other penal provisions for non compliances.

Other Penal Provisions

Every person who:

- fails to apply for Registration
- fails to notify the Commissioner General of any matters required to be notified.
- fails to issue a tax invoice
- issues more than one tax invoice for each taxable supply; or
- issues a tax invoice where such person is not, entitled to issue such tax invoice
- fails to furnish a return
- gives any incorrect information
- permits the payment to any other person
- willfully obstructs or delays the Commissioner General
- fails to maintain records
- not being a person registered under this Act, issues a tax invoice
- fails to comply with the requirements
- fails to furnish an annual adjustment.

is guilty of an offence under this Act, and is liable for a fine not exceeding twenty five thousand rupees, or to imprisonment of either description for a term not exceeding six months or both such fine and imprisonment.

Can the VAT incurred by overseas businesses be claimed if they are not registered in Sri Lanka?

No. An overseas business can claim input VAT in Sri Lanka, only if they have a tax representative who has Registered and accounts for output VAT on their behalf.

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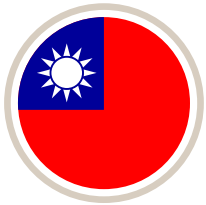

Taiwan

Indirect tax snapshot

What are the current rate(s) of indirect tax?	• Standard rate of 5% for all taxable supplies not otherwise specified. • Special rates for specified industries: – 2% for financial institutions – 20/25% for special food and beverage service enterprises – 1% for small traders. • VAT-exempted: includes certain essential and unprocessed foods, land, post office stamps, hospital care, educational services. • Zero-rated VAT: includes export of goods and services, sales made by duty free shops to passengers, sales made to business enterprises located in export zone or science park, international telecommunication related business, sales made by international transportation related business (subject to the same reciprocal treatment be given by counter country) and others.
Are there any confirmed or anticipated changes to these rates?	No.
What is the principal indirect tax?	The principal indirect tax in Taiwan is value added tax (VAT). It is charged on taxable supplies that take place in Republic of China (Taiwan).
Is there a registration limit for the tax?	Yes. VAT registration is needed if monthly turnover of taxable transactions in Taiwan exceeds NT$ 80,000 for selling goods or NT$ 40,000 for providing services.
Does the same registration limit apply to non-established businesses?	Yes.
Does a non-established person need to appoint a fiscal representative in order to register?	Yes, the non-established business entity needs to appoint a business agent to register VAT in Taiwan.
How often do returns have to be submitted?	Most businesses are required to submit VAT returns bi-monthly. Based on application this can be changed to monthly.
Are penalties imposed for the late submission of returns/payment of tax?	Yes. Late returns and late payment are subject to penalties. The penalty is based on 1% of the tax payable for every two days overdue, provided that the filing is less than 30 days past due. If filing is made after 30 days, there will be other penalties applicable. Late payment of tax is also subject to a 1% surcharge on late payment for every two days in arrears, starting from the day immediately following the date the time limit expires.
Are any other declarations required?	Not applicable.
Are penalties imposed in other circumstances?	Failure to register for VAT or failure to issue Government Unified Invoices in correct manner can also be subject to penalties.
Can the tax incurred by overseas businesses be claimed if they are not registered in your country?	No.

What is the principal indirect tax?

The main indirect tax in Taiwan is value added tax (VAT).

Article 1, of Value Added and Non-Value Added Tax law states 'Business tax, in the form of value-added or non-value-added, shall be levied in accordance with this Law on the sale of goods or services within the territory of the Republic of China (ROC) and the import of goods'.

Based on the above, VAT is charged on taxable supplies that take place in Republic of China (Taiwan). The fact that one party to the transaction may not be located in Taiwan is not relevant.

VAT registrants collect the VAT from counter parties to the transactions and pass on the tax to the government via VAT filings as required by local law.

Once an application has been approved for the set-up of a business entity, registrar of a company will automatically pass on related information to tax office for VAT registration. The tax office will notify responsible person of the profit seeking enterprise to report to tax office to purchase the first set of Government Unified Invoice (GUI) books.

District VAT officers on regular basis will also visit registered business entities in the district. If a business entity appears to be non-existing or non-trading, tax officer may at his or her discretion suspend an entity's right to purchase GUI invoice books.

Through control over the serial numbers on GUI, the government can track invoices issued by one business to another. Through cross checking VAT filings to income tax returns, it is difficult for businesses in Taiwan to under-report income.

Is there a registration limit for the tax?

Yes. VAT registration is needed if monthly turnover of taxable transactions in Taiwan exceeds NT$ 80,000 for selling goods or NT$ 40,000 for providing services.Failure to register for VAT is subject to a fine of NT$3,000 ~ NT$30,000.

Does the same registration limit apply to non-established businesses?

Yes.

Is there any specific legislation to tax non-resident supplies of electronically supplied/digital services to private consumers resident in your country?

Effective from 1 May 2017, foreign e-commerce operators having no fixed place of business in Taiwan but who provide services to individuals in Taiwan via the internet must register for VAT if their annual Taiwan sales exceed TWD 480,000 (Approximately USD 15,500).

Does a non-established business need to appoint a fiscal representative in order to register?

Yes, the non-established business entity needs to appoint a business agent to register for VAT in Taiwan. If such person is not appointed, the following people could be deemed to be the tax agent for the business entity:

- where the agent, in addition to representing its principal in the purchase of goods, is authorised to regularly represent the principal in making business arrangements and in signing contracts
- where the agent regularly keeps in store goods of its principal and delivers the same, for its principal, to others
- where the agent regularly accepts, for its principal, orders of goods.

How often do returns have to be submitted?

A VAT filing must be filed at least once every two month and is due on the 15th day following the end of the period. Zero rated taxpayer may apply to file VAT on a monthly basis.

Where the VAT refund is needed, the government will give priority assessment if the VAT filing has been audited by a CPA firm.

Are penalties imposed for the late submission of returns/ payment of tax?

Both late returns and late payment of tax are subject to penalties.

In the event that a business entity fails to file the sales amount or a detailed list of uniform invoices used within the time limit, the business entity shall be liable to a surcharge for late filing or non-filing:

- if the filing is less than 30 days past due, the surcharge shall be equivalent to 1% of the tax payable for every two days overdue. The administrative fine shall not be less than NT$1,200 or more than NT$12,000
- if the filing is in excess of 30 days past due, the business entity shall be liable to a non-filing surcharge equivalent to 30% of the tax payable, as determined by the competent tax authority. The amount of this surcharge shall not be less than NT$3,000 or more than NT$30,000
- where there is no tax payable, the surcharge for belated filing or non-filing shall be NT$1,200 and NT$3,000 respectively.

A taxpayer, failing to pay any tax or surcharge for late filing or non-filing within the specified time limit:

- if the payment made less than 30 days past due, it shall be subject to a 1% surcharge on late payment for every two days in arrears, starting from the day immediately following the date the time limit expires
- if the payment is late thirty days after the time limit, the taxpayer shall be pursued for payment of taxes owed and be fined no more than five times the amount of tax evaded, and the operation of the taxpayer's business may be suspended by the competent tax authority.

Furthermore, any amount of the above tax or surcharges shall be subject to interest charge calculated on a daily basis at the local bank's prevailing rate of one-year term time deposit.

Are any other declarations required?

Not applicable.

Are penalties imposed for the late submission of returns/ payment of tax?

Failure to register for VAT or failure to issue Government Unified Invoices in correct manner can also be subject to penalties.

Can the VAT incurred by overseas businesses be claimed if they are not registered in Taiwan?

In general, no.

What information must a VAT invoice show?

A GUI (VAT invoice) must show:

- an GUI number which is unique and sequential which is pre-printed on invoice book purchased from the government
- the purchaser's registered name
- the purchaser's GUI number
- the invoice date
- the customer's name and GUI number
- an item description sufficient to identify the goods or services supplied
- the quantity of goods or the extent of the services
- the unit price excluding VAT
- item subtotal
- the rate of VAT that applies to what's being sold
- the amount of VAT charged expressed in new Taiwan dollar
- the grand total of the transaction.

The GUI number is generally viewed as the identity number of a business entity in Taiwan.

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Thailand

Indirect tax snapshot

What are the current rate(s) of indirect tax?	• The Value Added Tax (VAT) rate is 7% for most of sales of goods, provision of services and imports. • A zero percent (0%)) VAT rate includes, but is not limited to, the following activities: (a) export of goods outside Thailand as well as services performed in Thailand and utilized in foreign countries; (b) aircraft or sea-vessels engaged in international transportation; (c) supply of goods and services to government agencies or state-owned enterprises; (d) supply of goods and services to the United Nations and its agencies; and (e) supply of goods and services between bonded warehouses or between enterprises located in a duty free zone (EPZs). • Exempt sales and services includes transactions such as: (a) unprocessed agricultural products and animals; (b) sale of fertilizers; (c) sale of fish meals and animal feeds; (d) sales of newspapers, magazines or textbooks; (e) provision of educational services; (f) provision of medical services; (g) provision of library, museum, or zoological garden services; (h) provision of domestic transport services.
Are there any confirmed or anticipated changes to these rates?	The statutory VAT rate is 10%. However, since its adoption the government has announced a reduced VAT rate of 7% for every year. The VAT rate will revert to 10% on 1 October 2019 unless further extended.
What is the principal indirect tax?	VAT is the principal indirect tax in Thailand. It is a broad-based tax on consumption. The liability for VAT lies with the vendor or the service provider during each stage of production and distribution in Thailand. Nonetheless, the actual incidence of the tax is normally borne by the ultimate consumer.
Is there a registration limit for the tax?	Yes. Any person or entity who regularly supplies goods and provides services in Thailand which is not exempt from VAT is required to register for VAT if its annual revenue exceeds Baht 1.8 million. An entity with less than this amount of annual revenue may also register for VAT.
Does the same registration limit apply to non-established businesses?	No. However, a non-established business however can register for VAT at its option.
Does a non-established person need to appoint a fiscal representative in order to register?	If the non-established person desires to register for VAT it must then appoint a VAT agent in Thailand.
How often do returns have to be submitted?	The VAT return together with payments, if any, must be submitted on a monthly basis.Where VAT maybe due on a 'self-assessed' basis a separate VAT return and payment must be made within seven days of the month following the transaction.
Are penalties imposed for the late submission of returns/payment of tax?	If a VAT return, or the corresponding payment, is submitted late a penalty and a surcharge will be imposed.
Are any other declarations required?	There is no another declaration required in Thailand.
Are penalties imposed in other circumstances?	Yes. Penalties can be imposed for a range of errors or omissions.
Can the tax incurred by overseas businesses be claimed if they are not registered in your country?	No. The VAT refund is available only to VAT-registered taxpayers in Thailand.

What is the principal indirect tax?

Value Added Tax (VAT) is the principal indirect tax in Thailand. It is a broad-based indirect tax on consumption. The liability for VAT lies with the vendor or the service provider for each stage of production and distribution in Thailand.

Nonetheless, the actual incidence of the tax is normally borne by the ultimate consumer. The transactions subject to VAT include sale of goods, provision of services and imports.

VAT returns are filed and VAT is paid on a monthly basis with the filing of a VAT return (Form PP-30). The VAT amount is generally calculated by the business on the basis of the selling price or charges at that particular stage. The monthly VAT liability is then computed by taking the difference between output VAT accrued on its sales for the month and any input VAT credits accrued on its purchases, including credits for prior months. Where the input tax exceeds the output tax either a request for refund can be made or the excess input tax can be carried forward into the future without limit.

The tax base of VAT for general goods and services is the total value received from the supply of goods or services. In addition, tax base also includes any Excise Tax that has been collected in connection with such supply (eg sale of motor vehicles). The tax base is exclusive of any discounts or allowances, but only if the discounts or allowances are clearly shown in the tax invoice.

There are two rates of VAT that are applied to goods and services in Thailand:

- the general rate (currently 7%)
- zero rated (0%).

Furthermore, some goods and services are exempt from VAT. In such case the VAT registrant may not claim any input tax credit such that VAT paid is a 'real cost'.

In addition, VAT is also paid at the time of import of goods into Thailand, with the input tax credit realized by the 'importer' of record.

All VAT registrants are required to post their VAT Certificate at their place of business.

Is there a registration limit for the tax?

Any person or entity that regularly supplies goods and provides services in Thailand which are not exempt from VAT is required to register as a VAT participant if its annual revenue exceeds Baht 1.8 million. A person or entity can still register for VAT even where its annual revenue is lower.

Furthermore, an importer is also subject to VAT in Thailand no matter whether it is a registered person or not. VAT will be collected by the customs department once goods are imported to Thailand.

In addition, an agent who sells goods or renders services on behalf of a trader not resident in Thailand is responsible for payment of VAT. For other non-resident traders, persons responsible for the operation of the business in Thailand on the trader's behalf, have a joint liability with the traders for the VAT. Otherwise, the resident buyer of the goods and services from the non-resident trader is required to pay the VAT (self-assessed or inverse VAT).

In the case where a VAT registrant wishes to open an additional place of business, it must notify the revenue department office not less than 15 days prior to the date of opening the additional place of business in order to obtain the VAT certificate for such place of business.

Does the same registration limit apply to non-established businesses?

No. A foreign business that is not established in Thailand and has no a permanent establishment or an agent in Thailand is not subject to VAT in Thailand. The foreign business, hence, is not required to register as a taxpayer in Thailand. However, if the foreign business carries on its business through a permanent establishment such as an agent, a subsidiary and a branch in Thailand, the VAT registration requirements shall be applied.

Furthermore, any person or entity who is liable to register VAT in Thailand must submit a registration form to the local Revenue Department Office either before the operation of business or within 30 days after the business's income reaches the threshold.

Is there any specific legislation to tax non-resident supplies of electronically supplied/digital services to private consumers resident in your country?

Even though the Revenue Department in Thailand released in January 2018 a second draft of the proposed tax legislative amendments relating to non-residents performing e-commerce operations available in Thailand, no legislation has yet been adopted.

The Thai Cabinet has also released proposed legislation that would require foreign entities that conduct e-commerce transactions in Thailand to register for VAT. This will require further legislation for final implementation and could conceivably be finalised within 2018.

Does a non-established business need to appoint a fiscal representative in order to register?

If a non-established business wishes still to register for VAT at its option, it must appoint a VAT agent to act on its behalf in the filing of monthly VAT returns. In such case the non-established business will then be able to offset any input VAT incurred for local purchases of goods and services against any output VAT collected on the sale of goods to Thai customers.

How often do returns have to be submitted?

The VAT return together with payments must be submitted on a monthly basis to the Thai Revenue Department within 15 days from the end of the month in which the VAT liability arises. A return must be filed regardless of whether there are any VAT transactions or not.

In case of self-assessed VAT, the VAT return together with payments must be submitted to the Thai revenue department at a local office within seven days from the end of the month in which the VAT liability arises.

For electronic filing of VAT returns a further eight days is allowed for the filing of the return and payment.

If a taxpayer has several places of business, separate returns must be filed at each local revenue department office unless the taxpayer has applied to the revenue department for authority to file a return and pay tax at a single local office.

Are penalties imposed for the late submission of returns/ payment of tax?

If a VAT return or the corresponding payment is submitted late a penalty and a surcharge will be imposed. If the taxpayer fails to file a tax return or a tax remittance return within the time limit, the penalty shall be twice the amount of tax payable or due in the tax month.

If the taxpayer files a tax return or a tax remittance return incorrectly or it contains errors affecting the amount of output tax, input tax or tax payable, the penalty shall be equal to the amount of the deficient output tax, the excess input tax or the tax additionally payable. However, if the tax payer amends the VAT return voluntarily, the taxpayer must pay penalty based on the number of days from the end of the time limit for paying VAT. The penalty rate can be as high as 20% of tax payable if the payment is made after 60 days from the end of the time limit for paying VAT.

In addition, a surcharge will be imposed when the taxpayer fails to pay or remit tax in full within the time limit. The surcharge is equal to 1.5% per month or fraction thereof of the amount of tax payable exclusive of penalties.

Are any other declarations required?

There is no another declaration required in Thailand.

Are penalties imposed in other circumstances?

Various penalties can be imposed where the taxpayer does not comply with the VAT rules. These include penalties for the failure to prepare and deliver a tax invoice to a purchaser; issuing a tax invoice, a debit note or a credit note without a lawful right to do so; using of a false tax invoice; failure to keep the copy of a tax invoice evidencing both input and output taxes; failure to prepare other records as required by law. The penalties can be imposed on both the taxpayer and its directors.

Can the VAT incurred by overseas businesses be claimed if they are not registered in Thailand?

No. The VAT incurred by overseas cannot be claimed if the business is not a VAT-registered taxpayer in Thailand.

What information must a VAT invoice show?

A VAT invoice shall contain at least the following particulars:

- the word, 'Tax invoice', in a conspicuous spot
- name, address and tax-payer identification number of the registrant issuing the vat invoice, and place of business as it appears in the VAT certification (head office or branch no. 0000X)
- name, address and tax-payer identification number of the purchaser of goods or the recipient of services and place of business as it appears in the VAT certification (head office, or branch no. 0000X)
- serial number of the vat invoice, and of the pad (if any)
- name, type, category, quantity, and value of goods and services
- amount of value added tax computed on the value of goods and services, which shall be clearly separated from such a value
- date of issuance of the vat invoice
- any other information specified by the Director-General (ie many documents issued in the same set is required to contain the passage 'Document issued as a set').

The above particulars in the VAT invoice shall be in Thai language with Thai currency unit, and using Thai or Arabic numerals. However, it is possible to issue the VAT invoice in English or other languages under the notification of the Director-General of Revenue on VAT (No.92).

In addition, a registrant carrying on business of selling goods or providing services by retail to a large number of customers shall have the right to issue a summary tax invoice. However, a registrant carrying on a retail business who wishes to use a cash registering machine for issuing a summary tax invoice shall file an application to Revenue Department for the use of such a machine.

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Indirect tax snapshot

What are the current rate(s) of indirect tax?	• Standard rate of 10% for most goods and services. • Reduced rate of 5% generally applies to the provision of essential goods and services, including clean water;; teaching aids; books; medicine and medical equipment,; scientific and technical services; unprocessed foodstuffs; sugar and its by-products; various agricultural products and services; and social housing. • Zero-rated applies to exported goods and services, including goods and services sold to overseas/ non-tariff areas and consumed outside Vietnam/in the tariff areas, goods processed for export or in-country export (subject to conditions); construction and installation in overseas and in non-tariff areas; marine and international transportation services. • Indirect tax exemption applies to certain agricultural products; fertilizer, feed for livestock, poultry, seafood and other animals; machinery and equipment specifically used for agriculture; goods/ services provided by individuals having annual revenue of VND100 million or below; transfer of land use rights; certain insurance services; financial and credit services; certain securities activities; medical services; the disabled and elderly care services; teaching and training services; printing and publishing newspapers and certain types of books; public transport; transfer of technology, software and software services; imports of machinery; equipment and material which cannot be produced in Vietnam for direct use in science research and technology development activities or for prospecting, exploration and development of oil and gas fields; goods imported for international non-refundable aid, including from Official Development Aid, foreign donations to government bodies and to individuals; exported natural resources processed or unprocessed where the total value of natural resources or minerals plus energy costs accounts for at least 51% of the cost of goods; exported goods which are directly and mainly processed from natural resources or minerals where the total value of natural resources or minerals plus energy costs accounts for at least 51% of the cost of goods. Under this treatment, no output Value Added Tax (VAT) shall be charged and the input VAT shall not be creditable, but considered as deductible expenses for Corporate Income Tax (CIT) purposes.
Are there any confirmed or anticipated changes to these rates?	Yes. The Ministry of Finance will submit a draft law on amending the current VAT laws for the Government's consideration with the following new points: • the standard VAT rate would be 12% from January 2019 or 12% from January 2019 and then 14% from January 2021 • the current VAT rate of 5% would be increased to 6% • certain goods and services which are currently subject to VAT rate of 5% would be subject to new standard VAT rate of 12% • for input VAT creditability, non-cash payment evidence is required for each payment of VND10million or above, instead of current threshold of VND20million • VAT refund would be granted to enterprises manufacturing and rendering services subject to VAT of 5% with outstanding input VAT in 12 consecutive months or 4 consecutive quarters.
What is the principal indirect tax?	VAT is the principal indirect tax in Vietnam. It is a tax on consumer expenditure and collected by registered businesses at each stage of the production and distribution supply chain.

Indirect tax snapshot

Is there a registration limit for the tax?	Yes. Entities trading/crafting gold, silver and gems; entities with an annual revenue less than VND1 billion, business households, foreign organizations doing business not regulated by Investment Law, entities not properly maintaining full books of accounts, invoices and documents and newly established entities (except the volunteer cases) shall declare VAT under direct method; in which, the VAT payable is equivalent to revenue multiply by specific ratio, depending on the business activities. Otherwise, business entities maintaining full books of accounts, invoices and documents with (i) annual revenue more than VND1 billion; and (ii) certain volunteer cases (subject to submission of Notification to the tax authority) shall declare VAT under the credit method. The VAT payable under the credit method is calculated by output VAT minus deductible input VAT. Of note, the VAT credit method can be more beneficial for the business entity that incurs input VAT frequently during its operations given that the business entity is allowed to claim a VAT in certain cases.
Does the same registration limit apply to non-established businesses?	No. The non-established businesses (eg foreign business individuals and foreign organization) earning Vietnam-sourced income shall subject to Foreign Contractor Tax (FCT), consist of Value Added Tax and CIT. There are three methods FCT declaration applicable to the non-established businesses, including deduction method, direct method and hybrid method (subject to conditions).
Does a non-established person need to appoint a fiscal representative in order to register?	Depending on the selection of FCT declaration method, the non-established businesses may need to appoint a fiscal representative in order to register.
How often do returns have to be submitted?	VAT returns can be submitted on either monthly or quarterly basic, depending on its annual revenue.
Are penalties imposed for the late submission of returns/payment of tax?	Yes. If a VAT return, or the corresponding payment, is submitted late, a penalty can be imposed.
Are any other declarations required?	No.
Are penalties imposed in other circumstances?	Yes. Penalty on incorrect tax declaration/tax evasion shall be imposed in the event of the tax authority identifying the additional tax liabilities upon the tax audit.
Can the tax incurred by overseas businesses be claimed if they are not registered in your country?	No. VAT incurred by overseas businesses cannot be claimed if they are not registered in Vietnam.
Deduction of VAT	In general, the input VAT is creditable if it meets the following requirements: • relevant to business activities • having sufficient legitimate invoice and vouchers • settlement via forms of non-cash payment for transaction more than VND20 million. The input VAT which is unable to meet the above criteria is not creditable for VAT calculation purpose, such as expense having invoice with wrong information of the business entity (ie name, address, tax code, etc.).

What is the principal indirect tax?

Value Added Tax (VAT) is an indirect tax which applies to products and services used for production, business and consumption in Vietnam; as well as on the duty paid value of imported goods; in which the importer must pay VAT to Customs Authority at the time of importing goods.

There are four applicable VAT rates in Vietnam, comprising of goods not subject to VAT, 0%, 5% and the standard rate of 10%, particularly:

- standard rate of 10% for most goods and services
- reduced rate of 5% generally applies to the provision of essential goods and services, including clean water;; teaching aids; books; medicine and medical equipment,; scientific and technical services; unprocessed foodstuffs; sugar and its by-products; various agricultural products and services; and social housing
- zero-rated applies to exported goods and services, including goods and services sold to overseas/non-tariff areas and consumed outside Vietnam/in the tariff areas, goods processed for export or in-country export (subject to conditions); construction and installation in overseas and in non-tariff areas; marine and international transportation services
- indirect tax exemption applies to certain agricultural products; fertilizer, feed for livestock, poultry, seafood and other animals; machinery and equipment specifically used for agriculture; goods/services provided by individuals having annual revenue of VND100 million or below; transfer of land use rights; certain insurance services; financial and credit services; certain securities activities; medical services; the disabled and elderly care services; teaching and training services; printing and publishing newspapers and certain types of books; public transport; transfer of technology, software and software services; imports of machinery; equipment and material which cannot be produced in Vietnam for direct use in science research and technology development activities OR for prospecting, exploration and development of oil and gas fields; goods imported for international non-refundable aid, including from official development aid, foreign donations to government bodies and to individuals; exported natural resources processed or unprocessed where the total value of natural resources or minerals plus energy costs accounts for at least 51% of the cost of goods; exported goods which are directly and mainly processed from natural resources or minerals where the total value of natural resources or minerals plus energy costs accounts for at least 51% of the cost of goods.

Under this treatment, no output VAT shall be charged and the input VAT is not creditable, but considered as deductible expenses for CIT purposes.

Is there a registration limit for the tax?

The current Vietnamese regulations provide two VAT calculation methods, as below:

VAT direct method:

The VAT direct method applies to business entities trading/crafting gold, silver and gems; business entities with an annual revenue subject to VAT less than VND1 billion (except the volunteer cases); business entities that do not maintain proper books of account and foreign organizations or individuals carrying out business activities in forms not regulated in the Law on Investment; and newly established business entities that do not voluntarily apply the VAT credit method.

The VAT payable under VAT direct method is equivalent to revenue multiply (x) by specific rate, depending on the business activities, including:

- 1% is for the business of 'distribution, supply of goods'
- 3% is for 'the production, transportation, service associated with goods , construction including of the material'
- 5% is for 'service, construction exclusive of material'
- 2% is for other business activities.

VAT credit method:

The VAT credit method applies to business entities maintaining full books of accounts, invoices and documents in accordance with the relevant regulations, including (i) business entities with annual revenue subject to VAT of VND1 billion or more; and (ii) newly established entities that voluntarily apply this method.

Under the VAT credit method, VAT payable is equivalent to output VAT minus (-) creditable input VAT.

The input VAT is creditable if it meets the following requirements:

- relevant to business activities
- having sufficient legitimate invoice and vouchers
- settlement via forms of non-cash payment for transaction more than VND20 million.

Of note, the VAT credit method can be more beneficial for the business entity that incurs input VAT frequently during its operations given that the business entity is allowed to claim a VAT refund in certain cases.

Does the same registration limit apply to non-established businesses?

The non-established businesses (eg foreign business individuals and foreign organization) earning Vietnam-sourced income shall subject to FCT, consist of VAT and CIT. There are three methods FCT declaration applicable to the non-established businesses as bellow:

Deduction method:

This method allows the non-established businesses to declare:

- VAT under the approach of crediting the input VAT against the output VAT
- CIT at the declaration of revenue and income similar to the local enterprises' application. Of note, only non-established businesses that meet some criteria, including FC's adoption of Vietnamese Accounting System, are allowed to apply this deduction method.

Direct method:

Under this method, the non-established business's VAT and CIT will be withheld by the Vietnamese customers at prescribed rates from the payments made to the non-established business. Various FCT rates are regulated under the nature of activities performed, including:

	VAT rate	CIT rate
Trading: distribution, supply of goods, materials, machinery and equipment in Vietnam	Exempt	1%
Services	5%	5%
Services together with supply of machinery and equipment	3%	2% (if contract doesn't separate the value of goods and services)
Restaurant, hotel and casino management services	5%	10%
Construction, installation without supply of materials or machinery, equipment	5%	2%
Construction, installation with supply of materials or machinery, equipment	3%	2%
Leasing of machinery and equipment	5%	5%
Leasing of aircraft, vessels (including components)	Not Specified	2%
Transportation	3%	2%
Interest	3%	5%
Royalties	Exempt	10%
Insurance	Exempt	5%
Re-insurance, commission for reinsurance	Exempt	0.1%
Transfer of securities	Exempt	0.1%
Financial derivatives	Exempt	12%
Manufacturing	Exempt	2%
Other business activities	Exempt	2%

Hybrid method:

This method is a combination of deduction method and direct method, ie allows the non-established business to declare VAT using creditable approach and CIT using direct method.

Is there any specific legislation to tax non-resident supplies of electronically supplied/digital services to private consumers resident in your country?

No.

Does a non-established business need to appoint a fiscal representative in order to register?

Only a non-established business with the selection of FCT deduction method and hybrid method is required to appoint a fiscal representative in order to register; given that under the direct method, the Vietnamese customers shall declare FCT return and withhold the relevant FCT payable from the payment paid to the non-established business for remittance to the state treasury.

How often do returns have to be submitted?

The business entity with an annual revenue more than VND50 billion is required to file VAT return and pay VAT payable on a monthly basis by the 20th day of the following month. Otherwise, the quarterly basis with the deadline by the 30th day of the following quarter shall be applied (inclusive of the newly established enterprise).

Are penalties imposed for the late submission of returns/payment of tax?

A default surcharge penalty may be imposed by the tax authority if VAT returns are not submitted on time, or the related tax is not paid by the due date, namely interest on late payment currently amounting to 0.03% per day.

Are any other declarations required?

No.

Are penalties imposed in other circumstances?

Yes. A range of penalties can be imposed where businesses do not comply with the VAT rules, including:

- a penalty on incorrect tax declaration leading to the under-declared VAT liabilities of 20% on the under-declared VAT liabilities
- a penalty on tax evasion from one to three times on the evaded tax liabilities.

Can the VAT incurred by overseas businesses be claimed if they are not registered in Vietnam?

No. VAT incurred by overseas businesses cannot be claimed if they are not registered in Vietnam.

What information must a VAT invoice show?

The business entities may use pre-printed invoices, self-printed invoices or electronic invoices to declare their VAT liability.

There are stipulated items that must be included and strictly reflected onto the invoice:

- an invoice number which is unique and sequential. The business entities are required to register/notify the invoice issuance to the tax authority
- the seller's name, address and tax code
- the invoice date
- the customer's name, address and tax code
- a description sufficient to identify the goods or services supplied to the customer
- the unit price or rate, excluding VAT
- the quantity of goods or the extent of the services
- the rate of VAT that applies to what's being sold
- the rate of any cash discount
- the total amount payable in VND, only certain business activities are allowed to issue invoice in foreign currency
- the signature and seal of the seller as well as the signature of the buyer.

Are there any current or anticipated Standard Audit File for Tax (SAF-T) or similar electronic/digital filing requirements eg invoice listing data file/real-time VAT reporting?

Vietnam – There is no SAF-T requirement in Vietnam. A draft Decree on electronic invoice has been released to collect comments from enterprises regarding the use of e-invoice from 2018. Accordingly, there would be two forms of invoice including paper invoice and e-invoice. The enterprises need to meet certain criteria to use e-invoice, such as: having e-signature, having sale software connected with accounting software, etc. Before using e-invoices, enterprises have to register with the tax authority via their electronic gateway. Periodically, the enterprises need to transfer the data to the tax authority in form of electronic data transfer of each invoice incurred in the month together with the relevant VAT return.

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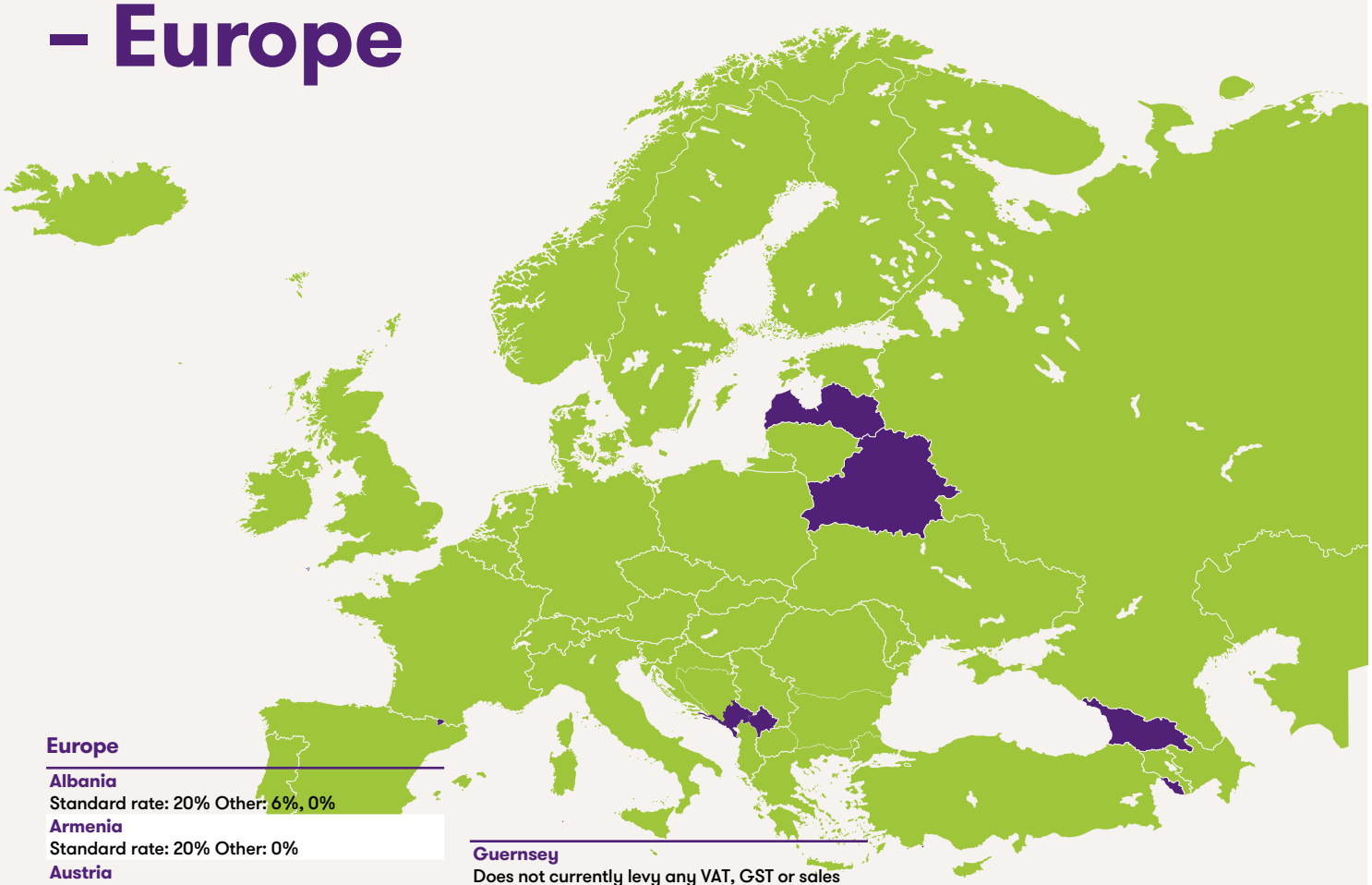
Indirect tax overview – Europe



Europe

Albania
Standard rate: 20% Other: 6%, 0%

Armenia
Standard rate: 20% Other: 0%

Austria
Standard rate: 20% Other: 10%, 13%

Azerbaijan
Standard rate: 18% Other: 0%

Belgium
Standard rate: 21% Other: 12%, 6%, 0%

Bosnia and Herzegovina
Standard rate: 17%

Bulgaria
Standard rate: 20% Other: 9%, 0%

Croatia
Standard rate: 25% Other: 13%, 5%, 0%

Cyprus
Standard rate: 19% Other: 9%, 5%, 0%

Czech Republic
Standard rate: 21% Other: 15%, 10%

Denmark
Standard rate: 25% Other: 5%, 0%

Estonia
Standard rate: 20% Other: 9%

Finland
Standard rate: 24% Other: 14%, 10%, 0%

France
Standard rate: 20% Other: 10%, 5.5%, 2.1% (other rates apply for Corsica and French overseas territories)

Georgia
Standard rate: 18% Other: 0%

Germany
Standard rate: 19% Other: 7%

Gibraltar
Does not currently levy any VAT, GST or sales tax

Greece
Standard rate: 24% Other: 13%, 6%

Guernsey
Does not currently levy any VAT, GST or sales tax

Hungary
Standard rate: 27% Other: 18%, 5%

Iceland
Standard rate: 24% Other: 11%, 0%

Ireland
Standard rate: 23% Other: 13.5%, 9%, 4.8%, 0%

Isle of Man
Standard rate: 20% Other: 5%, 0%

Israel
Standard rate: 17% Other: 0%

Italy
Standard rate: 22% Other: 10%, 5%, 4%, 0%

Jersey
Standard rate: 5% Other: 0%

Republic of Kazakhstan
Standard rate: 12% Other: 0%

Republic of Kosovo
Standard rate: 18% Other: 8%

Kyrgyzstan
Standard rate: 12% Other: 0%

Liechtenstein
Standard rate: 7.7% Other: 3.7%, 2.5%

Lithuania
Standard rate: 21% Other: 9%, 0%

Luxembourg
Standard rate: 17% Other: 14%, 8%, 3%

Republic of Macedonia
Standard rate: 18% Other: 5%

Malta
Standard rate: 18% Other: 7%, 5%, 0%

Moldova
Standard rate: 20% Other: 8%

The Netherlands
Standard rate: 21% Other: 6%, 0%

Norway
Standard rate: 25% Other: 15%, 12%, 0%

Poland
Standard rate: 23% Other: 8%, 5%

Portugal
Standard rate: 23% Other: 13%, 6% (other rates apply Madeira and Azores)

Romania
Standard rate: 19% Other: 9%, 5%

Russia
Standard rate: 18% Other: 10%, 0%

Serbia
Standard rate: 20% Other: 10%, 0%

Slovakia
Standard rate: 20% Other: 10%

Slovenia
Standard rate: 22% Other: 9.5%

Spain
Standard rate: 21% Other: 10%, 4%

Sweden
Standard rate: 25% Other: 12%, 6%

Switzerland
Standard rate: 7.7% Other: 3.7%, 2.5%

Turkey
Standard rate: 18% Other: 8%, 1%

Ukraine
Standard rate: 20% Other: 7%, 0%

United Kingdom
Standard rate: 20% Other: 5%, 0%

Uzbekistan
Standard rate: 20% Other: 0%

Key highlights: Europe

Italy is introducing mandatory B2B e-invoicing with effect 1 January 2019.

UK VAT registered businesses will need to submit their VAT returns electronically via an API link from 1 April 2019 under the 'Making Tax Digital' initiative.

Hungary introduced a real-time reporting requirement in relation to invoice data. With effect 1 July 2018, invoices now need to be supplied to the Hungarian National Tax and Customs Administration in XML format.

The UK will leave the European Union on 29 March 2019. After this 'Brexit', the UK and EU have agreed a transitional period until December 2020 which cover various VAT procedures.

The Spanish tax authorities have announced that they have started to impose penalties for the non-compliance with the Immediate Supply of Information on VAT (SII) requirement.

Customs and trade: Europe

Europe, underpinned by the European Union (EU), has a deep integration into global markets in part due to the openness of its trade regime. The EU, as collective, and non-EU member countries continue to pursue even more preferential international trade agreements and international trade preferences.

The importance of Europe's pursuit of open markets and frictionless international trade should not be taken lightly, particularly as the World Trade Organizations (WTO) Doha Development Round is still nowhere near being concluded and agreed, having commenced in November 2001. As a consequence of this breakdown of multilateral trade negotiations, the importance of European countries concluding their own preferential trade agreements and trade preferences should not be underestimated.

Key multilateral European trade blocs

There are many trade blocs within Europe, the following summary aims to just highlight those that are considered key. You should however not limit yourself to these trade blocs, and may well want to consider the other trade agreements and trade preferences that are available.

The European Union

The EU is the single regional bloc with the largest number of member states (28).[1] Established in 1951 by six neighbouring states as the European Coal and Steel Community (ECSC), evolved into the European Economic Community (EEC), and then the European Community (EC), which subsequently transformed into the EU.

The European Free Trade Association (EFTA)

EFTA is the intergovernmental organisation of the member states of Iceland, Liechtenstein, Norway and Switzerland.

It was established in 1960 by its then seven-member states for the promotion of free trade and economic integration between its members. Austria, Denmark, Portugal, Sweden and the United Kingdom of the founding membership subsequently left to join the EU.

The member states have fostered and developed open markets, and consequently the level of trade is more than would be expected of a collective population of less than 14 million. EFTA is the ninth largest trader in the world in merchandise trade and the fifth largest in trade in services. Due to its members' proximity EFTA is also the third most important trading partner in goods for the EU and the second most important when it comes to services.

EU and the Turkish Customs Union

The EU and Turkey concluded a Customs Union agreement that came into force on 31 December 2015. This agreement covers all industrial goods but does not address agriculture (except processed agricultural products), services or public procurement. In addition, bilateral trade concessions apply to agricultural as well as coal and steel products.

Turkey is the EU's fourth largest export market and the fifth largest provider of imports, whilst the EU is by far Turkey's top import and export partner.

Turkey has been a candidate country to join the EU since 1999, and is a member of the Euro-Mediterranean partnership.

The EU'S Free Trade Agreement Negotiations

The EU is currently pursuing Free Trade Agreement (FTA) negotiations with 29 countries, across the six territories of Asia, Latin America, North America, Oceania, South Mediterranean and the Middle East.

It includes, amongst others, the United States, Japan, the People's Republic of China, Australia, and New Zealand.

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[1] The EU member states currently are Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, The Netherlands, and the United Kingdom.

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Tax

Regulation

Globe

Albania

Indirect tax snapshot

What are the current rate(s) of VAT?	• Standard rate of 20% for most goods and services. • Reduced rate of 6% for accommodation services and agro-tourism (as from 1 January 2019). • Zero-rated goods and services treated as exports or services outside Albania and for some other goods and services. VAT exempt, for financial, education, media, advertising services etc.
Are there any confirmed or anticipated changes to these rates?	A reduced rate of 6% will apply from 1 January 2019 to agro-tourism.
What is the principal indirect tax?	Value Added Tax (VAT) is the principal indirect tax in Albania. It is a tax on consumer expenditure, and is collected on business transactions and imports.
Is there a registration limit for the tax?	Yes. It relates to the annual turnover of taxable transactions in Albania, and once the limit has (or will be) reached it is necessary to register.
Does the same registration limit apply to non-established businesses?	No. There is no limit for registration for non-established business in Albania and they will need to register as soon as they start to make taxable transactions in Albania.
Does a non-established person need to appoint a fiscal representative in order to register?	In certain circumstances, a non-established person may be directed by Albanian tax authority to appoint a fiscal representative.
How often do returns have to be submitted?	Most businesses are required to submit VAT returns on monthly basis. Returns can also be submitted covering a three month periods for small entities.
Are penalties imposed for the late submission of returns/payment of tax?	Yes. If a VAT return, or the corresponding payment, is submitted late a penalty can be imposed.
Are any other declarations required?	Yes, expect of the VAT return the taxpayers should electronically submit the purchase and sales ledger.
Are penalties imposed in other circumstances?	Yes. Penalties can be imposed for a range of errors or omissions.
Can the tax incurred by overseas businesses be claimed if they are not registered in your country?	No. Non-registered businesses may not obtain refunds of VAT, incurred in Albania.
Deduction of VAT	VAT non-deductible expenses: • representative expenses up to 0.3% of the taxpayer annual turnover • oil or gas expenses for non-business related purposes. • cars or other transport vehicles for non-business related purposes. Other expenses for non-business related purposes.

What is the principal indirect tax?

Value Added Tax (VAT) is the main type of indirect taxation in Albania.

It is a tax on consumption which is applied during the production and distribution process to most goods and services. It is also applied to goods, and certain services, entering the country. Although VAT is ultimately borne by the consumer by being included in the price paid, the responsibility for charging, collecting and paying it to the tax authority at each stage of the process rests with the business making the supply in the sale.

A business registered for the tax will charge VAT (output tax) on its sales, and incur VAT (input tax) on its purchases (including any VAT paid at importation). The difference between the output tax and the deductible input tax in each accounting period will be the amount of VAT payable by the business to the tax authority. Where the input tax exceeds the output tax, a refund can be claimed.

There are three rates of VAT that are applied to goods and services in Albania; the standard rate, the reduced rate, and the zero rated. In addition, some goods and services are exempted from the tax.

Most goods imported into Albania from outside are subject to VAT. The tax will have to be paid by the importer at the time of importation. Where the importation is for business purposes the importer has to be registered for VAT, it may be possible to reclaim the tax (subject to certain rules).

It is also important to note the interaction between VAT and Customs duty. Customs duty is levied across Albania at the place where goods are imported into the community. It is therefore very important to ensure that the correct rate of duty is applied. VAT is charged on the value of the importation, including any custom duty.

Is there a registration limit for the tax?

It relates to the annual turnover of taxable transactions in Albania, and once the limit has (or will be) reached it is necessary to register.

A 'person' who either makes or intends to make taxable supplies of goods or services in the course or furtherance of a business must register for VAT if the value of its taxable supplies in Albania exceeds the annual registration limit of ALL 2M or is expected to exceed the limit in the near future. A business can register on a voluntary basis even if the registration limit has not been exceeded. For these purposes, a 'person' includes any legal entity. A penalty may be imposed by the tax authority if a business fails to register at the correct time.

The supply of free professional services in finance, accounting, consulting, law, IT, nursing, pharmacy, medicine , engineering, architecture etc., has no limit for VAT registration, the registration for VAT purposes is required regardless the annual turnover.

Does the same registration limit apply to non-established businesses?

No there is no registration limit for businesses that are not established in Albania.

The non-established business must register by a fiscal representative as soon as they commence trading in Albania when registration is required by the Council of Ministers.

When the service is supplied by a non-established business to taxable entity, and the place of supply is Albania, registration is not required in case of the service is subject of withholding tax and the reverse-charge mechanism is applied.

Goods imported to Albania from non-established entities to taxable or non –taxable persons, are VAT chargeable at applicable rate at customs duty.

In case of the service is supplied by a non-established business to non-taxable persons in Albania, the service is subject of VAT in Albania.

Is there any specific legislation to tax non-resident supplies of electronically supplied/digital services to private consumers resident in your country?

With effect from 30.01.2015, with regard to services and goods supplied electronically from established or non – established businesses to private consumers (B2C), the local VAT is chargeable at the applicable rate in Albania.

Electronically supplied/digital services

- Transfers and concessions of copyrights, patents, licenses, trademarks and other similar rights.
- Leases of movable commodities, with the exception of transport vehicles.
- Publicity services.
- Services of consultants, lawyers, accountants, engineers, design services.
- Data and information processing.
- Staffing.
- Telecommunication services.
- Electronically supplied services. web-site, web-hosting, maintenance services, software services.
- Radio-television broadcasting services.
- Access services in transmission and distribution networks of natural gas and electricity.

With regard to electronically supplied goods and services to natural persons in Albania that are not-subject to Albanian VAT, every transaction exceeding the threshold of €22 becomes subject to VAT. This tax is payable through the simplified declaration in the electronic customs system.

Does a non-established business need to appoint a fiscal representative in order to register?

The tax authority in Albania may direct a person to appoint a VAT representative to act on his behalf for VAT purposes where the person:

- is a taxable person or makes taxable supplies in Albania
- is not established and does not have a 'fixed establishment' in Albania
- in the case of an individual, he does not have his 'usual place of residence' in Albania.

The VAT representative, must be resident in Albania and may act on behalf of the taxable person for all purposes related to VAT and is directly responsible for compliance with all VAT obligations.

How often do returns have to be submitted?

VAT returns cover an accounting period of one month, ending on the last day of a calendar month.

VAT purchase and sales books have to be submitted electronically by the 10th of the following month. VAT returns and payments have to be submitted electronically, within 14 days of the following month.

Businesses that had a taxable turnover from ALL 2 M to 5 M, must submit VAT returns quarterly. VAT purchase and sales books have to be submitted electronically by the 10th of April, July, September, and January. The payment for the quarter is then made when the return is submitted within 14 days 10th of April, July, September and January.

Are penalties imposed for the late submission of returns/ payment of tax?

A default surcharge penalty may be imposed by the tax authority if VAT returns are not submitted on time, or the related tax is not paid by the due date.

For late submission of VAT returns, a penalty amounting to ALL 5,000 shall be applied to all taxpayers registered for CIT purpose and the other taxpayers will be liable to the penalty amounting to ALL 5,000.

The late payment of the VAT obligation, an interest of 0.06% is calculated per each day of delay up to a maximum of 365 days.

Are any other declarations required?

Taxpayers that are registered for VAT in Albania are required to complete and submit the purchase and sales books each month. The deadline for submission purchase and sales ledger is 10th of the following month.

Are penalties imposed in other circumstances?

Yes. A range of penalties can be imposed where businesses do not comply with the VAT rules.

If the taxpayers do not issue the fiscal invoice it will be subject to a penalty 100% of the under-declared tax for the first time.

For the second time:

- a taxpayer not registered for VAT purposes, will be obliged to register as VAT-payer
- a taxpayer registered for VAT purposes and subject to the simplified profit tax on small businesses, will be obliged to register as CIT-payer
- a taxpayer registered for VAT and CIT purposes will be immediately included in the list of 'risk taxpayers' for the risk analysis performed by tax authorities when selecting taxpayers for a tax audit.

For the third time, the taxpayer will be considered to commit tax evasion. For the transportation of goods not accompanied by tax documents:

- taxpayers not registered for VAT purposes, will be obliged to register as VAT-payers, to issue an 'invoice issued by the buyer' and will be subject of penalties of 100%
- taxpayers registered for VAT purposes, will be obliged to issue an 'invoice issued by the buyer', will be subject of re-assessment of the sales up to the market value of the goods, as well as of penalties of 100%.

Can the VAT incurred by overseas businesses be claimed if they are not registered in Albania?

Foreign entities that are not registered for tax purposes in Albania, VAT cannot be claimed.

What information must a VAT invoice show?

A VAT invoice should show:

- an invoice serial number which is unique and sequential;
- an invoice number which is sequential
- the invoice date
- the seller's name, address and phone number.

Are there any current or anticipated Standard Audit File for Tax (SAF-T) or similar electronic/digital filing requirements eg invoice listing data file/real-time VAT reporting?

In Albania there is no any Standard Audit File for Tax or similar electronic filing.

For further information on indirect tax in the Albania please contact:

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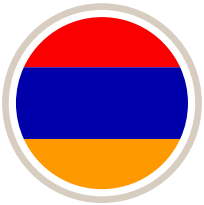

Armenia

Indirect tax snapshot

What are the current rate(s) of VAT?	• Standard rate of 20% for goods and services. • Zero-rated goods and services applicable mainly for export of goods and services.
Are there any confirmed or anticipated changes to these rates?	No
What is the principal indirect tax?	Value Added Tax (VAT) is state tax in the Armenia. It is a tax on consumer expenditure, and is collected on business transactions and imports.
Is there a registration limit for the tax?	New registered legal entities automatically become VAT taxpayers unless they submit application on becoming turnover taxpayer by the time set by tax code. Turnover tax payers become VAT taxpayers when their taxable turnover for the past calendar year exceeds a threshold of 115 million Armenian Dram' (AMD) (from 2019 threshold will be 58.35mlm).
Does the same registration limit apply to non-established businesses?	No.
Does a non-established person need to appoint a fiscal representative in order to register?	No.
How often do returns have to be submitted?	Returns should be submitted on a monthly basis.
Are penalties imposed for the late submission of returns/payment of tax?	Yes. If a VAT return, or the corresponding payment, is submitted late a penalty can be imposed.
Are any other declarations required?	Yes. In case of import/export from EAEU countries.
Are penalties imposed in other circumstances?	Yes. Penalties can be imposed for the certain cases prescribed by Legislation.
Can the tax incurred by overseas businesses be claimed if they are not registered in your country?	No
Deduction of VAT	• By those who are not deemed to be VAT payers. • Where passenger motor vehicles have been acquired and/or imported not for the purpose of sales. • Where the acquired and/or imported goods, accepted works and/or received services are attributed to the transaction pertaining to the tax invoice issued in violation of one of the restrictions prescribed by tax code. • Where the acquired and/or imported goods, accepted works and/or received services are attributed to transactions exempt from VAT.

What is the principal indirect tax?

VAT is a state tax, which is charged on the final consumption of certain goods and services in the home market but is collected at every stage of production and distribution. Liability for VAT rests with the person supplying the taxable goods or services. The final consumer bears the actual burden of the tax and pays on the value added to the goods or services.

Armenia uses the input-output model. An individual entrepreneur or legal entity (tax agent) accounts for output VAT after deducting VAT paid on their inputs.

Usually the following transactions are VAT taxable:

- the supply of goods and services where the place of supply is in Armenia (including free of charge or partly free of charge supply)
- the importation of goods.

Under the local customs legislation, individuals should pay VAT when the amount or quantity of imported goods exceeds limits defined by legislation.

Services supplied in Armenia by non-residents that are not registered in Armenia are subject to reverse charge VAT.

Is there a registration limit for the tax?

New registered taxpayers automatically become VAT payable unless they submit application on becoming turnover tax payer within the time set by legislation. Turnover tax payers become VAT taxpayers when their taxable turnover exceeds AMD 115 million (from 2019 threshold decreased to 58.35 mln) .

There are some peculiarities for becoming VAT payable irrespective of this threshold, this is when:

- the taxpayer imports or manufactures excise tax taxable goods
- the 20% or more of the charter capital of the company belongs to the other company or entrepreneur (this applies to both parties)
- the 20% or more of the charter capital of the company belongs to an individual having 20% or more participation in the charter capital of another company (this applies to both parties)
- the parties are determined as a related parties.

The Turnover tax payers whose turnover is less then AMD 115 million may voluntarily become a VAT payer by applying to the tax authorities.

Does the same registration limit apply to non-established businesses?

No.

Is there any specific legislation to tax non-resident supplies of electronically supplied/digital services to private consumers resident in your country?

No.

Does a non-established business need to appoint a fiscal representative in order to register?

No.

How often do returns have to be submitted?

VAT returns are submitted monthly.

A VAT return should be submitted within 20 days following the end of the reporting period.

Are penalties imposed for the late submission of returns/ payment of tax?

The legislation defines the following types of penalties where the VAT return submission has been delayed:

- a penalty of AMD 10,000 to 20,000 for the delayed tax return submission
- a penalty at the rate of 5% of the outstanding VAT amount will be imposed per each 15 day period after the deadline (the penalty amount should not exceed the outstanding VAT amount).

In cases of late payment of VAT fines, interest will be calculated at the rate of 0.075% for each day of delay

Are any other declarations required?

In case of import/export from EAEU countries tax payers are obliged to submit additional report.

Are penalties imposed in other circumstances?

If during the tax audit the tax authorities identify that the tax liability presented in the taxpayer's return is understated, a penalty at the rate of 50% will be imposed of the assessed tax.

Can the VAT incurred by overseas businesses be claimed if they are not registered in Armenia?

No.

What information must a VAT invoice show?

The VAT invoice should include the following information:

- the invoice number and date
- the seller's name and address and VAT registration number
- the customer's name and address
- denomination and quantity of goods, or the type and volume of services
- the prices of goods or services as well as the total value (excluding VAT)
- the VAT amount (as a separate line).

Are there any current or anticipated Standard Audit File for Tax (SAF-T) or similar electronic/digital filing requirements eg invoice listing data file/real-time VAT reporting?

In Armenia VAT returns should be submitted only electronically through online reporting system of Tax Inspection. Each taxpayer has its user page in reporting system where they can login through login and password and submit tax report electronically.

VAT invoices also should be issued on-line/real time through an e-invoicing system.

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Austria

Indirect tax snapshot

What are the current rate(s) of indirect tax?	• Standard rate of 20% for most goods and services. • Reduced rate of 13% for example for living animals, works of art or activities of artists and accommodation in hotels. • Reduced rate of 10% for example for food and beverages or rent for dwellings.
Are there any confirmed or anticipated changes to these rates?	The reduced rate of 13% for accommodation in hotels shall be reduced to 10% with effect from 1 Nov 2018. This decision was made by the Austrian government on 28 Feb 2018, but the law has not passed the Austrian parliament yet.
What is the principal indirect tax?	Value Added Tax (VAT) is the principal indirect tax in Austria. It is a tax on consumer expenditure, and is collected on business transactions and imports.
Is there a registration limit for the tax?	Yes. It relates to the annual turnover of taxable transactions in Austria, and once the limit has (or will be) reached it is necessary to register.
Does the same registration limit apply to non-established businesses?	No. There is no registration limit for businesses that are not established in Austria and they will need to register as soon as they start to make taxable transactions. If the foreign entrepreneur makes no supplies in Austria or makes only supplies for which the tax liability is shifted to the recipient of the supply, then he may not be obliged to file a VAT return under certain conditions.
Does a non-established person need to appoint a fiscal representative in order to register?	In certain circumstances, a non-established person may have to appoint a fiscal representative in Austria.
How often do returns have to be submitted?	Most businesses are required to submit VAT returns on a monthly basis.
Are penalties imposed for the late submission of returns/payment of tax?	Yes. If a VAT return, or the corresponding payment, is submitted late a penalty can be imposed.
Are any other declarations required?	Yes. Additional declarations have to be submitted in respect of certain supplies made to customers who are registered for VAT elsewhere in the European Union (EU). Declarations also have to be submitted in certain circumstances in connection with goods moving to or from the EU.
Are penalties imposed in other circumstances?	Yes. Penalties can be imposed for a range of errors or omissions.
Can the tax incurred by overseas businesses be claimed if they are not registered in your country?	Yes, in certain circumstances and subject to certain conditions.
Deduction of VAT	VAT can basically be deducted as input VAT by businesses which carry out supplies of goods and services subject to VAT. An input VAT deduction is however not allowed for the following goods or services: • goods that are used for less then 10% for economic activities • expenditures that are predominantly not deductible for (corporate or personal) income tax purposes • expenditures related to purchase, lease and operating of passenger cars (except electric cars).

What is the principal indirect tax?

VAT is the main type of indirect taxation in Austria and in other EU countries.

It is a tax on consumption which is applied during the production and distribution process to most goods and services. It is also applied to goods and certain services, entering the country. Although VAT is ultimately borne by the consumer by being included in the price paid, the responsibility for charging, collecting and paying it to the tax authority at each stage of the process rests with the business making the supply ie the sale.

A business registered for the tax will charge VAT (output tax) on its sales and incur VAT (input tax) on its purchases (including any VAT paid at importation). The difference between the output tax and the deductible input tax in each accounting period will be the amount of VAT payable by the business to the tax authority. Where the input tax exceeds the output tax, a refund can be claimed.

Even if an entrepreneur conducts his business from abroad, certain transactions may be taxable in Austria (notably the supply of goods and services, the intra-EU acquisition of goods, imports). Where the supply of goods occurs in Austria or the supply of services is made in Austria (ie the place of supply of goods or services is in Austria) such supply is, in principle, taxable in Austria as well. The standard VAT rate is 20%, the reduced rates are 13% and 10%.

Businesses that make exempt supplies are unable to claim all of the input tax that they incur, so the VAT paid to suppliers will be a 'real' cost.

Most goods imported into Austria from outside the EU are subject to import VAT. The tax will have to be paid by the importer at the time of the customs clearance. Where the importation is for business purposes and the importer is registered for VAT, it may be possible to reclaim the tax (subject to certain rules).

It is also important to note the interaction between VAT and customs duty. Customs duty is levied across the EU at the place where goods are imported into the community. It is levied in order to bring the cost of goods produced outside the EU up to the same level as those produced within it. Once duty (and VAT) has been paid by the importer, the goods are in 'free circulation' and they can then be released for use in the home market. Unlike other indirect taxes, such as VAT, once duty has been paid it is not usually recoverable by the importer. It therefore represents a bottom line cost to the importing business if it cannot be passed on in higher prices. It is therefore very important to ensure that the correct rate of duty is applied. VAT is charged on the value of the importation, including any custom duty.

Other indirect taxes

In addition to VAT, a number of other indirect taxes are levied on certain transactions with specific products. An excise duty is levied on mineral oil, tobacco, alcohol and alcoholic beverages.

Means of transport

Furthermore, an additional turnover tax (Normverbrauchsabgabe) is levied on the supply of cars and motorcycles, mainly designed for the transport of passengers. The taxable event is defined as either the supply to the final consumer or the first licensing of the passenger car for general traffic. A number of exemptions are provided for (eg export supplies). The tax rate depends on the volume of CO2 emissions.

Other transactions subject to the following indirect taxes are in principle exempt from VAT:

- the immovable property acquisition tax (Grunderwerbsteuer), which is levied on the transfer of immovable property in Austria. The normal tax rate amounts to 3.5%, with lower rates applying to donations and heritages
- insurance tax (Versicherungssteuer) on the consideration for insurance protection on the basis of an insurance contract.

Is there a registration limit for the tax?

A 'person' who either makes or intends to make taxable supplies of goods or services in the course business must register for VAT if the value of its taxable supplies in Austria exceeds the annual registration limit of €30,000, or is expected to exceed the limit in the near future. A business can register on a voluntary basis even if the registration limit has not been exceeded.

For these purposes, a 'person' includes any legal entity. Therefore, once a person is registered for VAT, all of his business activities will be covered by the registration – even if the nature of some of those activities is very different.

Two or more corporate bodies can be registered as a VAT group (Organschaft):

- each of the corporate bodies needs to be established, or has a fixed establishment in Austria
- any legal entity that is controlled by a third party may qualify as an integrated company. A legal entity is not considered independent if that legal entity and its decisions are controlled or determined by the will of another entrepreneur to an extent that the legal entity lacks the capacity of self-determination (financial, economic and organizational integration).

If a VAT group is established, the business activity of the integrated company is attributed to the parent company: the business of the integrated company and the parent company form one single enterprise for VAT purposes. The VAT returns filed by the parent company also comprise of the enterprise of the integrated company and its taxable supplies. 'Supplies' between the integrated company and the parent company and vice versa are not taxable, ie they are outside the scope of VAT.

A corporate body cannot be treated as a member of more than one VAT group at a time.

The main advantage of a VAT group registration is that, apart from a few limited exceptions, any supply of goods or services by a member of the group to another member of the group is disregarded for VAT purposes. This reduces the risk of VAT being accidentally omitted on supplies between separately registered connected companies.

A penalty may be imposed by the tax authority if a business fails to register at the correct time.

Does the same registration limit apply to non-established businesses?

The normal VAT registration limit does not apply to businesses who are not established in Austria. For businesses making taxable supplies in Austria, they will need to register for VAT as soon as they commence trading in Austria, irrespective of the level of turnover.

If the foreign business makes no supplies in Austria or only makes supplies for which the tax liability is shifted to the recipient of the supply, then they are obliged to file a VAT return in cases where:

- they owe a tax as the recipient of a supply (reverse-charge system)
- they owe a tax on the basis of invoicing under Sec. 11 (12) and (14) of the VAT Act
- they are requested to file by the tax office.

Registration for VAT in Austria may also be required where a non-established EU business is involved with distance selling. Distance selling occurs when a taxable supplier in one EU country supplies and delivers goods to a customer in another EU country who is not registered or liable to be registered

for VAT. Such customers are known as non-taxable persons, and include private individuals and businesses and other organizations that are not registered for VAT (either because of their size, or the fact that they are exempt from having to register due to the nature of their activities). The common examples of distance sales are goods supplied by mail order and via the internet.

Each EU country has the option of applying a distance selling threshold of either €35,000 or €100,000 per calendar year, or the equivalent in its own currency. Austria has adopted an annual threshold of €35,000.

Distance sales from another EU country to non-taxable persons in Austria will be subject to VAT at the appropriate rate in the supplier's country. However, once the value of those distance sales to Austria exceeds the Austrian threshold of €35,000:

- the supplier becomes liable to register for VAT in Austria
- Austria becomes the place of supply
- any further sales to customers in Austria are subject to Austrian VAT.

Suppliers can choose Austria as the place where the goods are supplied by registering for VAT voluntarily before the threshold is reached.

Is there any specific legislation to tax non-resident supplies of electronically supplied/digital services to private consumers resident in your country?

Electronically supplied services and digital services to private consumers resident in Austria are taxable where the consumer resides.

Does a non-established business need to appoint a fiscal representative in order to register?

A person needs to appoint a VAT representative in Austria to act on his behalf for VAT purposes if:

- the person is established in a country or territory which is not an EU country (or part of such a country), and
- it appears to the Austrian tax authority that there is no provision for mutual assistance similar to that which provided between Austria and other EU countries, and
- the person carries out deliveries or services subject to Austrian VAT to non-taxable persons, or
- the person makes intra-community deliveries or acquisitions.

How often do returns have to be submitted?

VAT returns normally cover an accounting period of one calendar month (pre-declaration period). The period amounts to the quarter of a calendar year (three calendar months) if the consideration for supplies of goods and services did not exceed €100,000 in the preceding calendar year. It is, however, possible to opt for a monthly pre-declaration period for the entire assessment period if the entrepreneur files a pre-declaration in time for the first calendar month.

The entrepreneur must file a pre-declaration of VAT with the competent tax office by the 15th day (due date) of the calendar month which is the second month following the end of the pre-declaration period (calendar month) for the levying of VAT in respect of that entrepreneur. The pre-declaration is treated as a tax return. The entrepreneur must effect payment of VAT as assessed for the purposes of the pre-declaration on the due date.

The obligation to file a pre-declaration is waived if:

- the entrepreneur's turnover of the preceding year did not exceed €30,000 and the prepayment calculated is paid by the due date or if no prepayment is due
- the entrepreneur effects only tax-exempt supplies and no prepayment or input tax surplus arises for the respective pre-declaration period.

However, a pre-declaration must be filed if the entrepreneur is instructed by the tax office to do so.

The entrepreneur must effect the prepayment within the time limit prescribed for the filing of the pre-declaration.

Are penalties imposed for the late submission of returns/ payment of tax?

If the pre-payment is not effected on time, a penalty for late payment (Säumniszuschlag) amounting to 2% of the VAT not paid on time will be assessed.

If VAT returns are not filed in time and this failure is not excusable, the tax authority may impose a penalty (Verspätungszuschlag) amounting up to 10% of the assessed VAT.

Are any other declarations required?

Businesses that are registered for VAT in Austria and carry out supplies of goods or services to taxable persons in other EU countries are required to complete and submit EC Sales Lists (ESLs). The ESLs must show details of the recipients of the goods and services.

Generally, the ESLs must be submitted each calendar month. Only if the entrepreneur files quarterly (instead of monthly) VAT returns the ESLs must be submitted quarterly as well.

In addition, if the value of the intra-EU trade in goods dispatched or arriving from other EU– state is above an annual threshold, a supplementary declaration (referred to as an Intrastat declaration) has to be submitted for either or both.

These declarations have to be submitted on a monthly basis.

Are penalties imposed in other circumstances?

Yes. A range of penalties can be imposed where businesses do not comply with the VAT rules.

Civil penalties and interest can be applied for errors and omissions made on tax returns, or where the tax is paid late. Penalties can also be applied where a business has failed to maintain adequate records, provide information (including additional declarations), or makes repeated mistakes.

Criminal proceedings may be brought in the case of more serious matters.

Can the VAT incurred by overseas businesses be claimed if they are not registered in Austria?

Yes, it may be possible to reclaim the VAT incurred in certain circumstances.

Two schemes exist, one for businesses established in the EU and another for businesses established elsewhere.

VAT-refund for foreign entrepreneurs who are established within the EU

Foreign entrepreneurs who are established within the EU, but who have neither their registered office nor a fixed establishment within the Austrian territory may claim their input VAT in electronic form via the national electronic system of the member state of fixed establishment (Art 7 of the directive 2008/9/EC) if they:

- make no taxable transactions in Austria
- effect only tax-exempt transport of goods or only tax-exempt transport of passengers by ship or aircraft
- make only supplies for which the tax liability is shifted to the recipient of the supply (supplies under the reverse charge system according to the second sentence of Sec.19 (1)).

The amount refundable is determined by the deduction rules that apply in the country making the refund.

The refund period must not cover more than one calendar year or less than three calendar months (unless it is covering the remainder of a calendar year). The claim has to be made by 30 September of the year following that in which the VAT was incurred.

VAT-refund for foreign entrepreneurs who are not established within the EU

Foreign entrepreneurs who are not established within the EU and have neither their registered office nor a fixed establishment within the Austrian territory, may claim their input VAT by completing the forms as noted below and enclosing the original invoices and imports documents for which the refund is requested in original and forwarding them to the Austrian tax office Graz-Stadt if:

- they make no taxable transactions in Austria
- they effect only tax-exempt transport of goods or only tax-exempt transport of passengers by ship or aircraft
- they make only supplies for which the tax liability is shifted to the recipient of the supply (supplies under the reverse charge system according to the second sentence of Sec.19 (1))
- they render only electrical services from a third country to non-entrepreneurs and have applied the special scheme under TITLE XII Chapter 6 of the VAT Directive 2006/112/EC.

The claim form, the certificate of entrepreneurial status, the invoices and import documents must be sent as originals to the tax office before the 30 June the following year.

The amount to be refunded must at least be €400. This does not apply if the refund period is the calendar year or the last period of a calendar year. For these refund periods the amount to be refunded must be at least €50.

What information must a VAT invoice show?

If the invoice does not contain all of the following data, it will be insufficient for the deduction of input VAT:

- the name and the address of the entrepreneur performing the supply of goods or services
- the name and the address of the customer (recipient of the supply of goods or services)
- the VAT identification number of the recipient provided that the consideration exceeds €10,000, the supplying entrepreneur has place of residence or fixed establishment in Austria and the recipient is an entrepreneur
- the amount and the commercially used description or name of the supplied goods and/or the type and the scope of the supplied services
- the date of the supply of goods or services or the period over which the supply of services extends
- the consideration for the supply, the applicable VAT rate and in the case of an exemption, a reference that the supply is subject to an exemption rule
- the amount of VAT payable on the basis of the consideration in euros
- the date of the issuance of the invoice
- a consecutive number in one or more numerical sequences which is assigned only once for the purpose of identifying the invoice; foreign entrepreneurs need their own number range for supplies in Austria
- the VAT identification number of the issuer of the invoice; the obligation to indicate the VAT identification number exists only where the entrepreneur makes supplies of goods or services which entitle to deduction of input VAT.

Where an invoice does not exceed €400, the name and address of the recipient is not a prerequisite and it is sufficient for the total amount (consideration including VAT) and the rate of VAT to be referred to separately.

VAT invoices can be issued, received and stored in an electronic format and there is no need to inform the tax authority. Electronic invoices must contain the same

information as paper invoices. The method used to ensure the authenticity of origin, the integrity of content and legibility of the invoices is a business choice and can be achieved by any business controls which create a reliable audit trail between an invoice and a supply of goods or services.

Are there any current or anticipated Standard Audit File for Tax (SAF-T) or similar electronic/digital filing requirements eg invoice listing data file/real-time VAT reporting?

No current obligation and no anticipated changes at the moment.

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Azerbaijan

Indirect tax snapshot

What are the current rate(s) of VAT?	• Standard rate of 18% for most goods and services. • Zero-rated goods and services which includes international and transit cargo and passenger transportation's, exports of goods, financial services.
Are there any confirmed or anticipated changes to these rates?	The last changes to the tax law has been adopted starting from 1 January 2017. The Ministry of Taxes is planning to submit new changes for the tax code in January 2019.
What is the principal indirect tax?	Value Added Tax (VAT) is the principal indirect tax in Azerbaijan. It is a tax on consumer expenditure, and is collected on business transactions and imports.
Is there a registration limit for the tax?	An individual or legal entity whose taxable sales amount is more than AZN 200,000 in a consecutive 12-month period must register for VAT. The tax law also permits voluntarily registration for VAT purposes.
Does the same registration limit apply to non-established businesses?	There is no same registration limit for businesses that are not established in the Azerbaijan. When services are provided by non-established businesses in Azerbaijan the local tax resident receiving the goods or services will withhold at the source of payment and remit VAT to state budget.
Does a non-established person need to appoint a fiscal representative in order to register?	No.
How often do returns have to be submitted?	All businesses are required to submit VAT returns on a monthly basis.
Are penalties imposed for the late submission of returns/payment of tax?	Yes. If VAT return is submitted late and VAT payments are overdue a penalty can be imposed. For late submission of the return fixed penalty of AZN 40 is applied and for the overdue payment of the VAT the 50% of the overdue VAT and daily interest of 0.1% is applied to the overdue amount.
Are any other declarations required?	No.
Are penalties imposed in other circumstances?	Yes. Penalties can be imposed for a range of errors or omissions.
Can the tax incurred by overseas businesses be claimed if they are not registered in your country?	No.
Deduction of VAT	Deduction of VAT is not allowed for the follwoing: • If the purchases has been made by the VAT exempted taxpayers or simplified taxpayers • For the expenditures paid or deposite to the bank account of supplier in cash • For the expenditures related to the entertainment, amusement as well as food and accommodation provided to employees except of such type of expenses related to offshore crews and preventive health food within established regulatory norms.

What is the principal indirect tax?

Value Added Tax (VAT) is the main type of indirect taxation in Azerbaijan.

It is a tax on consumption which is applied during the production and distribution process to most goods and services. It is also applied to goods, and certain services, entering the country. Although VAT is ultimately borne by the consumer by being included in the price paid, the responsibility for charging, collecting and paying it to the tax authority at each stage of the process rests with the business making the supply, ie the sale.

A business registered for the tax as a VAT taxpayer will charge VAT (output tax) on its sales, and incur VAT (input tax) on its purchases (including any VAT paid at importation). The difference between the output tax and the deductible input tax in each accounting period will be the amount of VAT payable by the business to the tax authority. Where the input tax exceeds the output tax, a refund can be netted off against other taxes or claimed to be paid back.

A transaction is within the scope of Azerbaijan VAT if the following conditions are met:

- it is a supply of goods or services (Under the Tax Code, the supply of goods/provision of services and import of goods are subject to VAT. Taxable transactions do not include services provided or work completed outside Azerbaijan)
- it is an import of goods
- it takes place in the Azerbaijan
- it is made by a taxable person (for these purposes, a taxable person is a person or entity who is registered for VAT in the Azerbaijan)
- it is made in the course or furtherance of any business carried on by that person or entity.

There are two rates of VAT that are applied to goods and services in Azerbaijan; the standard rate of 18% and the zero rates. In addition, some goods and services are VAT exempted.

Businesses exempted from VAT are unable to claim all of the input tax that they incur, so the VAT paid to suppliers will be a 'real' cost.

Most of the goods imported to Azerbaijan are subject to VAT. The tax will have to be paid by the importer at the time of importation. Where the importation is for business purposes and the importer is registered for VAT, it is possible to reclaim the VAT.

Is there a registration limit for the tax?

A 'person' who either makes or intends to make taxable supplies of goods or services in the course or furtherance of a business in the republic of Azerbaijan for the cumulative period of not less than 90 days within any 12 months must register a permanent establishment to be registered for VAT if the value of its taxable supplies in the Azerbaijan exceeds the annual registration limit which is AZN 200 000 for 12 consecutive months, or is expected to exceed the limit in the near future or as simplified taxpayer. A business can register on a voluntary basis even if the registration limit has not been exceeded.

For these purposes, a 'person' includes any not registered in Azerbaijan foreign legal entity. Therefore, once a person is registered for VAT, all business activities will be covered by the registration – even if the nature of some of those activities are very different.

A penalty may be imposed by the tax authority if a business fails to register at the correct time.

Does the same registration limit apply to non-established businesses?

The VAT registration requirement do not apply to businesses which are not established in Azerbaijan, with the reservation that the taxable supplies are provided within 30 days. Those businesses will need to register for VAT as soon as they commence taxable supplies in the Azerbaijan what will require to have a permanent establishment.

The responsibility to report and remit the VAT for non-established businesses in Azerbaijan is with the resident Customers which are committed to report in the monthly tax return their transactions with non established entities and withheld VAT at the source of payment.

For the businesses involved with distance selling a VAT is applied and remitted by the local Customer. If the local Customer is not registered for the tax purposes of view and represents a retail private consumer the bank will charge the VAT to the Client at the source of payment. The common examples of distance sales are goods supplied by mail order and via the internet.

Distance sales by non-resident to individual retail consumers in Azerbaijan also will be subject to VAT at the rate of 18% and will be charged by the banks in Azerbaijan at the source of payment.

Is there any specific legislation to tax non-resident supplies of electronically supplied/digital services to private consumers resident in your country?

Supplies made by non-residents without permanent establishment in Azerbaijan for the goods and services via e-commerce, digital services and providing services electronically to private consumers located in Azerbaijan which are not registered for VAT purposes are subject to VAT. The exemption is purchase of airline tickets and booking of hotel accommodation services outside of territories of the Azerbaijan Republic. Therefore B2C supplies of electronically supplied services to customers in Azerbaijan mostly are subject to VAT.

Does a non-established business need to appoint a fiscal representative in order to register?

No, there is no such requirement in Azerbaijan as the VAT is withheld by the established business.

How often do returns have to be submitted?

VAT returns normally cover an accounting period of one month, ending on the last day of a calendar month.

All VAT returns have to be submitted for each accounting period which is a calendar month not later than the 20th day of the month following the accounting period and pay the tax due on a monthly basis.

The requirement to submit returns on a monthly basis do not apply to the taxpayers with sole activity of importing goods into the Azerbaijan Republic. The VAT on taxable import is calculated and collected by customs agencies.

Are penalties imposed for the late submission of returns/ payment of tax?

A fixed penalty may be imposed by the tax authority if VAT returns are not submitted on time. If the related tax is not paid by the due date the 50% of the amount not paid and interest for each day of the payment delay is applied.

Are any other declarations required?

No.

Are penalties imposed in other circumstances?

Yes. A range of penalties can be imposed where businesses do not comply with the VAT rules.

Civil penalties and interest can be applied for errors and omissions made in tax returns, or where the tax is paid late. Penalties can also be applied where the business has failed to maintain adequate records, provide information (including additional declarations), or makes repeated mistakes based on the off-site tax audit made by the Ministry of taxes.

Can the VAT incurred by overseas businesses be claimed if they are not registered in Azerbaijan?

No. There is no cross border refund available.

What information must a VAT invoice show?

A VAT invoice must show:

- name of seller and buyer
- tax identification number of seller and buyer
- description of the goods supplied, work performed and services rendered sufficient to identify the goods or services supplied to the customer
- amount of the payment for the taxable operation, as well as volume of the taxable operation
- excise amount on excise goods
- tax amount payable on the given taxable operation
- date of issuing the electronic tax invoice
- number of the electronic tax invoice
- position, full name of the executive who signed the invoice
- the time of supply (also known as tax point) if this is different from the invoice date
- the customer's name and address
- the rate of any cash discount
- the total amount of VAT charged expressed in sterling.

For each different type of item listed on the invoice, the following must be shown:

- the unit price or rate, excluding VAT
- the quantity of goods or the extent of the services
- the rate of VAT that applies to what's being sold
- the total amount payable, excluding VAT.

Where a VAT invoice includes zero-rated or exempt goods or services, it must:

- show clearly that there is no VAT payable on those goods or services
- show the total of those values separately.

VAT invoices are issued, received, accepted and stored in electronic format in the government tax system accessed by the electronic signature by the taxpayer. Electronic tax invoices must contain the same information as paper invoices.

Are there any current or anticipated Standard Audit File for Tax (SAF-T) or similar electronic/digital filing requirements eg invoice listing data file/real-time VAT reporting?

The VAT invoices are issued and electronically exchanged in the government online tax system accessed by each taxpayer with electronic signature. All the records for VAT invoices VAT reports are monitored and recorded by the Ministry of taxes in a real time.

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Indirect tax snapshot

What are the current rate(s) of indirect tax?	• Standard rate of 21% for most goods and services. • Reduced rate of 12% for some goods and services including restaurant and catering services (drinks excluded), coals and solid fuels derived from coal, phytopharmaceutical products, margarine, tyres for agricultural machines, housing as part of social policy. • Reduced rate of 6% applies for most food and drinks, pharmaceutical products and medical aids, external defibrillators, personal hygiene protection, printed newspapers, magazines and books (including illustrated ones), original works of art, automobiles for disabled persons, renovation works with respect to old buildings (at least 10 years old), renting of furnished lodgings with or without breakfast by hotel operators, the granting of the right to enter institutes for cultural, sport or entertainment purposes (eg concert tickets). • Zero rate applies to a very limited number of goods (under certain conditions: newspapers and magazines appearing at least 48 times a year, scrap and recycling products).
Are there any confirmed or anticipated changes to these rates?	No.
What is the principal indirect tax?	Value Added Tax (VAT) is the principal indirect tax in the Belgium. It is a tax on consumer expenditure and is collected on business transactions, imports and intra-EU transfer of own goods (eg stock transfer).
Is there a registration limit for the tax?	In principle, no. However, for companies established in Belgium there is a special regime, the so-called small enterprises regime. Small enterprises whose annual turnover is below €25,000 (excl. VAT) can benefit from a VAT exemption on the performed supplies of goods and services (without VAT deduction right). Some goods and services and sectors are excluded from the special regime (eg immovable work sector, hospitality sector, tobacco products).
Does the same registration limit apply to non-established businesses?	No. In principle there is no registration limit for businesses that are not established in Belgium and they will need to register as soon as they start to make taxable transactions. However, for occasional/one-off transactions a simplified procedure exists, with a licence for non-registration and filing of a special (one-off) VAT return. For businesses involved with 'distance sales' made to Belgian consumers (B2C) a threshold of €35,000 (excl. VAT) applies.
Does a non-established person need to appoint a fiscal representative in order to register?	Only companies established outside the EU are obliged to appoint a responsible (fiscal) representative. EU companies can choose between a direct VAT identification and appointing a responsible (fiscal) representative.
How often do returns have to be submitted?	In principle, a monthly VAT return should be submitted. In case the annual turnover realized in Belgium does not exceed €2.5 million (€250,000 for specific business sector), then quarterly VAT returns may be filed (by option). However, if the turnover for the intra-Community supplies exceeds €50,000 in one quarter, a monthly VAT return (and ESL return) should be submitted in any case.
Are penalties imposed for the late submission of returns/payment of tax?	Yes. If a VAT return, or the corresponding payment, is submitted late a penalty can be imposed.

Indirect tax snapshot

Are any other declarations required?	For EU-trade: additional declarations have to be submitted regarding supplies made to taxable customers registered for VAT in another EU country (the so-called 'ESL return'). In addition, a statistical declaration for EU sales of goods will have to be submitted if certain thresholds are met for the arrival (so-called intrastat arrival) or dispatch (so-called intrastat dispatch). For non-EU trade: declarations have to be submitted related to goods moving to or from the EU (export or import declaration). For local Belgian trade: an additional declaration has to be submitted for local sales in Belgium, invoiced to a taxable customer with a Belgian VAT number (the so-called yearly sales listing).
Are penalties imposed in other circumstances?	For a range of errors and omissions resulting in non-compliance with the VAT rules, administrative VAT penalties can be imposed. There are two types of VAT penalties: 1. (reduced) proportional penalties 2. lump-sum penalties. In addition to the penalties, interest for late payment are charged at 0.8% per month. In cases of spontaneous VAT correction (ie prior to any intervention/question from any tax authority) no proportional penalty will be due, but still a lump-sum penalty could be imposed. In principle, the non-reduced proportional penalty amounts to 200% of the VAT (eg non-payment of VAT due, irregular recovery of VAT, non-issue of sales invoices or issue of incorrect sales invoices, incorrect import documents). The lump-sum penalties are generally between €50 and €5,000, eg late filing of the VAT return. Under certain conditions, reduced proportional penalties are foreseen in the VAT legislation.
Can the tax incurred by overseas businesses be claimed if they are not registered in your country?	In certain circumstances and subject to certain conditions (when no taxable turnover in Belgium) a VAT refund request can be submitted by both EU (procedure under Directive 2008/09/EC) and non-EU businesses (13th Directive 86/560/EEC). For both EU and non-EU businesses the request should be submitted before 30 September of the year following the year of the expenses. In Belgium it is not required that the concerned non-EU country would allow a similar VAT refund of incurred 'non-EU VAT' for a Belgian company (no reciprocity condition).

What is the principal indirect tax?

Value Added Tax (VAT) is the principle type of indirect taxation in the Belgium and in other European Union (EU) countries.

It is a tax on consumption which is applied during the production and distribution process of most goods and services. It is applied on goods and certain services entering Belgium as well as supplies of goods and services located in Belgium. Although VAT is ultimately borne by the consumer as it is included in the price paid, the responsibility for charging, collecting and paying it to the tax authority at each stage of the process rests with the business making the supply of goods or services.

A transaction is within the scope of Belgian VAT and should be reported in the Belgian VAT return if the following conditions are met:

- it concerns one of the four taxable transactions: supply of goods, supply of services, intra-Community supply or importation. A supply of goods is defined as a transfer of the power to dispose over a good pursuant to a contract for consideration. A supply of services is defined as any transaction which is not considered as a supply of goods. An intra-Community supply is a supply of goods with transportation of these goods to another EU member state. An importation of goods means that non-EU goods are brought in 'free circulation' and they can then be released for use in the home market
- it takes place in Belgium
- it is made by a taxable person
- it is made in the course or furtherance of any business carried on by that person or entity.

A business registered for the VAT will charge VAT (output VAT) on its sales (unless payment of the Belgian VAT is shifted to the customer -) and will incur VAT (input VAT) on its purchases (including any VAT paid at importation). The difference between the output VAT and the deductible input VAT in each accounting period (ie month or quarter) will result in either a:

- a VAT amount payable by the business to the VAT authority
- VAT credit amount, for which a refund can be claimed at the end of the quarter
- zero balance (eg when only incoming transactions for which the VAT should be self-accounted for and only VAT exempt outgoing transactions are performed).

There are four rates of VAT that are applied to goods and services in Belgium: the standard rate (21%), the reduced rate (6%), intermediate rate (12%) and a zero rate. Also a range of VAT exemptions apply, some with a VAT deduction right (such as export and intra-Community supplies) and some without VAT deduction right (such as financial and insurance services, medical services, rent of real estate (with exceptions) and cultural and sport related services). Businesses that make exempt supplies without VAT deduction right are unable to claim all of the input tax that they incur, so the VAT paid to suppliers will be a 'real' cost.

Most goods imported into Belgium from outside the EU are subject to VAT. The import VAT will have to be paid by the importer at the time of importation. When the importation is for business purposes and the importer is registered for VAT, it may be possible to reclaim the VAT via the Belgian VAT return (subject to certain rules). Under certain conditions an import VAT deferral licence (so-called ET 14.000 licence) can be requested. This means that the import VAT is to be declared by the importer under a 'self-assessment' scheme: the VAT payable and the deductible VAT will be mentioned in the same Belgian VAT return. This system avoids pre-financing of the Belgian VAT by the importer.

It is also important to note the interaction between VAT and customs duty. Customs duty is levied across the EU at the place where goods are imported into the community. It is levied in order to bring the cost of goods produced outside the EU up to the same level as those produced within the EU. Once customs duties (and VAT) have been paid by the importer, the goods are in 'free circulation' and can then be released for use in the home market. Unlike other indirect taxes, such as VAT, once the custom duty has been paid, it is usually not recoverable by the importer. Consequently, it therefore represents a bottom line cost to the importing business, if it cannot be passed on in higher prices. VAT is charged on the value of the importation, including any customs duty.

Is there a registration limit for the tax?

In Belgium, there is no registration limit for VAT. However, for companies established in Belgium, there is a special regime, the so-called 'small enterprises regime'. Such mall enterprises whose annual turnover is below €25,000 (excl.VAT, threshold since 1 January 2016) can benefit from a VAT exemption on the performed supply of goods and services (without VAT deduction right). Some goods and services and sectors are excluded from the special regime (eg immovable work sector, hospitality sector, tobacco products).

However, foreign taxable persons cannot apply this special VAT regime.

A lump-sum penalty may be imposed by the tax authorities, if a taxable person fails to register at the appropriate time, as well as lump-sum penalties per VAT return, yearly sales listing and intra-Community supply listing not submitted for the related period.

For these purposes, a 'taxable person' includes any legal entity, also non-profit organisations, which meets the conditions to be regarded as acting in a business capacity are subject to VAT.

Two or more corporate bodies can be registered together as a VAT group if:

- each of the bodies is established, or has a fixed establishment, in Belgium
- they comply with the three 'control and links' test, ie financial, organisational and economical link
- all bodies should qualify as VAT taxable persons. One single VAT return should be submitted for the VAT group.

A corporate body cannot be a member of more than one VAT group at a time. The main advantage of a VAT group is that in principle any supply of goods or services by a member of the group to another member is disregarded for VAT purposes. This results in advantages: (1) VAT optimised structuring for immovable property within the group, (2) avoidance of double) VAT deduction limitation, (3) optimising VAT pre-financing and (4) avoidance of VAT risk for intra-group transactions. There are also some disadvantages, for example all VAT group members (including former members) are jointly and severally liable for the VAT debt of the group during the period of their membership. Consequently, any decision on whether a VAT group is opportune should be taken with care.

Does the same registration limit apply to non-established businesses?

Foreign taxable persons cannot apply the special so-called small enterprises regime VAT regime.

All non-established businesses require to be registered for VAT in Belgium as soon as they commence trading in Belgium, irrespective of the level of turnover (except for distance selling).

For occasional/one-off transactions a simplified procedure exists with a licence for non-registration and filing of a special (one-off or a few) VAT return. In such case no Belgian VAT number (only a so called 'reference number') will be assigned and Belgian input VAT will be recoverable via the special (one-off or few) VAT return.

In some cases, a special registration procedure can be applied for organisers of events such as conferences in Belgium. One of the conditions to apply this special procedure is that the Belgian turnover can not be more than €200.000 on a yearly basis. In such case, special returns will have to be filed to pay the VAT due and deduct the incoming VAT.

Registration for VAT in Belgium may also be required where a non-established EU business is involved with distance selling. Distance selling occurs when a taxable supplier in one EU country supplies and delivers goods to a non-taxable customer in another EU country who is not (liable to be) VAT registered. Non-taxable customers include private individuals, and businesses and other organisations not registered for VAT (either because of their size or the fact that they are exempt from having to register due to the nature of their activities). Under a certain threshold these distance sales will be subject to VAT at the appropriate rate in the suppliers' country. Belgium has adopted for an annual threshold of €35,000 (excl VAT) for distance selling Suppliers can still opt to make Belgium the place of supply before the threshold is reached (by means of voluntary VAT registration). In any case, once the value of those distance sales to Belgium exceeds the indicated threshold:

- the supplier is obliged to register for VAT in Belgium
- the place of supply is Belgium
- any further sales to non-taxable customers in Belgium are subject to Belgian VAT.

Is there any specific legislation to tax non-resident supplies of electronically supplied/digital services to private consumers resident in your country?

The place of supply for 'electronically supplied services' provided to private consumers (B2C) is the Member State where the consumer is established. This Member State determines amongst others the applicable VAT rate.

Suppliers have the choice to either register for VAT in each Member State where their customers reside, or elect to register under the EU VAT MOSS simplification scheme in a single Member State.

A taxable person can operate MOSS in Belgium in the following cases:

1 taxable person with head office in Belgium
2 taxable person with head office outside EU, but with permanent establishments in EU including Belgium
3 taxable person with head office outside EU, without permanent establishment in EU.

The MOSS cannot be used to report local sales to customers in a Member State in which suppliers of electronically supplied services are established.

Does a non-established business need to appoint a fiscal representative in order to register?

Foreign companies that perform taxable transactions in Belgium in principle need to obtain a Belgian VAT number. More specifically, an individual VAT number is required. In that respect, EU companies can choose between a direct VAT identification and appointing a fiscal representative. Non-EU companies are obliged to appoint a fiscal representative.

For certain limited transactions instead of requesting an individual VAT number, the Belgian VAT reporting can be done under a special global VAT registration number (BE 0796.5 or BE 0796.6) assigned to a global fiscal representative. This is the case for example for:

- importation followed by a local supply of the same (untreated) goods
- non-Community goods sold under a VAT warehouse regime.

Under this system the global VAT representative will submit a single VAT return for multiple taxable persons.

For occasional/one-off transactions, a simplified procedure exists with a licence for non-registration and filing of a special (one-off or few) VAT return (see above).

How often do returns have to be submitted?

In principle, a monthly VAT return has to be submitted. However, if the annual turnover realised in Belgium does not exceed €2.5 million, quarterly VAT returns may be filed (option). At the moment that the amount of intra-Community supplies of goods exceeds the threshold of €50,000 per quarter, monthly ESLs and monthly VAT returns have to be submitted.

For companies trading in certain products a monthly VAT return is obligatory if the annual turnover is more than €250,000 (ie energy products, mobile phones and computers and their peripherals, accessories and components, as well as land vehicles).

All VAT returns have to be submitted within 20 days after the end of the relevant accounting period (month or quarter), together with the payment of any VAT amount due. Where VAT recoverable exceeds VAT payable, a refund of VAT will, in principle, will be paid by the VAT authorities on a quarterly basis (a special box is to be ticked on the VAT return).

Businesses that are regularly in a net repayment position (because of the nature of their outgoing activities) can ask for a monthly VAT recovery licence. This will be the case when a taxable person mainly exports or supplies goods to other member states, but also in cases where a refund position is caused by reverse charge, an authorisation may be granted for monthly refunds (license for monthly VAT refund).

Where VAT payable exceeds VAT recoverable, the difference has to be paid by the 20th of the month following the tax period (month or quarter). If the VAT return for the third quarter (quarterly submission regime) or for November (monthly submission regime) results in a VAT-payable position, an advance VAT payment is due in December. As such there are two methods for calculation: (second payment of the latest VAT amount due (November) or actual calculation of the VAT amount due after compensation with the deductible VAT for the period 1 October until 20 December (quarterly regime) or 1 until 20 December (monthly regime)).

Are penalties imposed for the late submission of returns/ payment of tax?

For the late filing of a VAT return, the Belgian VAT authorities can impose a VAT penalty of €100 per VAT return with a maximum of €1,000.

For late payment of the VAT amount due, in principle (only) interests for late payment at 0.8% per month will be imposed. Please note the VAT code also foresees that a VAT penalty of 20% can be imposed. If several VAT returns are outstanding, a special VAT account is opened. As from this date, the VAT penalty of 20% on the VAT amount due will be claimed in practice and is accumulated with interests for late payment at 0.8% per month. In such cases the directors are jointly and severally liable with the company.

Are any other declarations required?

Businesses registered for VAT purposes in Belgium and making supplies of goods or services to recipients registered for VAT in another EU country are required to submit EC Sales Lists (ESLs). The ESLs have to mention the VAT number of the recipients of the goods or services.

At the moment that the amount of intra-Community supplies of goods exceeds the threshold of €50,000 per quarter, monthly ESLs have to be submitted. Below the threshold, quality ESLs may be submitted (by option) unless the company is obliged or is filing monthly VAT returns (threshold of €2.5 million). The ESL has to be filed no later than the 20th of the month following the month or quarter concerned. Where a VAT payer has no supplies of goods and/or services to other member states, no ESL has to be filed for that particular month or quarter. In case of a VAT group, each member of the VAT group has to submit its own ESL.

In addition, if the value of the intra-EU transactions of goods dispatched to or arriving from another EU country is above the annual threshold (resp. €1,000,000 and €1,500,000) , a supplementary declaration (the so-called intrastat arrival and dispatch declaration) has to be submitted. on a monthly basis.

Finally, each year a listing of the supplies to Belgian customers registered with a VAT number in Belgium has to be filed (the so-called 'yearly sales listing'). This yearly sales listing includes the following information:

- the VAT number of the clients
- the total turnover per client
- the total amount of VAT.

The yearly sales listing has to be filed by 31 March of the following year. If no supplies to Belgian customers registered with VAT in Belgium have been made during a year, the VAT authorities have to be notified (by ticking a box on the VAT return or nil yearly sales listing).

In case of a VAT group, each member of the VAT group has to submit its own annual sales listing.

Are penalties imposed in other circumstances?

For a range of errors and omissions resulting in non-compliance with the VAT rules, administrative VAT penalties can be imposed. There are two types of VAT penalties: (reduced) proportional penalties and lump-sum penalties. In addition to the penalties, interests for late payment at 0.8% per month can be claimed. In case of a spontaneous VAT correction (ie prior to any intervention/question of any tax authority) no proportional penalty will be due, but still a lump-sum penalty could be imposed .

In case the infraction was committed with the intention to evade VAT or to facilitate VAT evasion, the 200% VAT penalty will be claimed. In other cases, reduced proportional VAT penalties apply, ranging between 5% and 100% (for some breaches, a difference is made whether it concerns the first, second or next breach). Criminal proceedings and penal sanctions may arise in the case of more serious matters (eg fraud).

The Belgian VAT legislation foresees amongst others the following VAT penalties:

	Penalty
Non (or late) payment of Belgian VAT	20%
Non-issuance of an invoice	100%
Certain incorrect invoice statements	100%
Non-issuance import document	25%
Incorrect application of the reverse charge mechanism	20%
Incorrect VAT deduction	10%
Non-reporting of transactions (without VAT due)	10%

Additional penalties
Lump-sum penalties ranging between €50 and €5,000 are foreseen for other breaches of the VAT code. The penalty will dependon the nature and severity of the breach (eg €3,000 for the non-filing of the yearly sales listing and €250 per invoice with a maximum of €5,000 per breach for mistakes regarding obligatory (but not highly essential) invoice statements. For other breaches such as a failure to maintain adequate records, not providing information (including answering to questions of the VAT authorities) or (repeated) mistakes in the VAT reporting other lump sum penalties can be imposed.

Can the VAT incurred by overseas businesses be claimed if they are not registered in Belgium?

Only in case a foreign company is not obliged to register for VAT purposes in Belgium, it is possible to reclaim the VAT incurred in certain circumstances and considering Belgian VAT deduction limitation rules.

Two schemes exist, one for businesses established in the EU (procedure under Directive 2008/09/EC, formerly 8th Directive procedure) and another for businesses established outside the EU (13th VAT Directive 86/560/EEC). In both cases the claim has to be made by 30 September of the following year. . The claim period in Belgium is from 1 January to 31 December each year (or at least per quarter with exception for the remainder of the year).

Businesses established in the EU

The EU cross border refund scheme is available in all EU member states, and enables a business established in another EU country to recover Belgian VAT incurred. To be eligible to make a claim, the claimant has to be a taxable person established in an EU member state other than the one from which the claim is sought. In addition, the claimant:

1 may not be registered, liable or eligible to be registered in the member state from which he is claiming the refund
2 may not have a fixed establishment, seat of economic activity, place of business or other residence there.

The claim is submitted electronically in the country of establishment and will subsequently be sent over to the VAT authority from whom the repayment is being sought. The refund period could not cover more than one calendar year or less than three calendar months – unless it is covering the remainder of a calendar year. The minimum amount for a refund application is €400 (unless if the application relates to a total calendar year or the remainder of a calendar year: minimum of €50). The amount that is refundable is determined by the Belgian VAT deduction limitation rules. The general threshold for the submission of an electronic copy of an invoice is where the taxable basis on the invoice or import document is €1,000 or more (€250 for invoices relating to fuel costs). The serial number used in the application form should be included on the documents.

Businesses established outside the EU

Businesses established outside of the EU can, subject to certain conditions, also reclaim the VAT incurred on imports into Belgium or purchases of goods and services used in Belgium. The scheme is available to any person carrying on a business when being established outside the EU, provided that in the period of the claim:

1 they were not registered or liable to be registered for VAT in Belgium
2 they were not established in any EU country.

The minimum amount for a refund application is €200 (unless if the application relates to a total calendar year or the remainder of a calendar: minimum of €25). A specific paper claim form has to be submitted to Belgium VAT authority no later than 30 September of the following year.

What information must a VAT invoice show?

A VAT invoice has to show:

- an invoice number which is unique and sequential
- the seller's name,address and VAT registration number
- the invoice date
- the date of taxable event if it differs from the invoice date
- the customer's name, address and VAT registration number (if any)
- a proper description sufficient to identify the goods or services supplied to the customer
- the rate of any cash discount
- per VAT rate the total amount of VAT charged expressed in Euros.

For each different type of item listed on the invoice, the following has to be shown:

- the unit price or rate, excluding VAT
- the quantity of goods or the extent of the services
- the applicable VAT rate
- the total amount payable (taxable amount), excluding VAT.

Where a VAT invoice includes zero-rated or exempt goods or services, it has to:

- refer to the reason for not charging VAT (such as reference to the article of VAT exemption in the Belgian VAT code or VAT Directive)
- refer to the reverse charge mechanism if the VAT is due by the customer (invoice reference:'btw verlegd')
- show the total of those values separately.

Electronic invoices have to contain the same information as paper invoices. The method used to ensure the authenticity of origin, the integrity of content and legibility of the invoices is a business choice and can be achieved by any business controls which create a reliable audit trail between an invoice and a supply of goods or services. There is no need to request for a special license to the VAT authorities.

Are there any current or anticipated Standard Audit File for Tax (SAF-T) or similar electronic/digital filing requirements eg invoice listing data file/real-time VAT reporting?

In Belgium there are currently no SAF-T or other similar electronical protocols foreseen and neither has there been any announcement of implementation in that respect.

For further information on indirect tax in Belgium please contact:

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Bosnia and Herzegovina

Indirect tax snapshot

What are the current rate(s) of VAT?	• Standard rate of 17% for most goods and services.
Are there any confirmed or anticipated changes to these rates?	No.
What is the principal indirect tax?	Value Added Tax (VAT) is the principal indirect tax in Bosnia and Herzegovina. It is a tax on consumer expenditure, and is collected on business transactions and imports.
Is there a registration limit for the tax?	Yes. It relates to the annual turnover of taxable transactions in Bosnia and Herzegovina, and once the limit has (or will be) reached it is necessary to register.
Does the same registration limit apply to non-established businesses?	No. There is no registration limit for businesses that are not established in the Bosnia and Herzegovina and they will need to register as soon as they start to make taxable transactions. Different registration requirements also apply to businesses involved with 'distance sales' made within the European Union (EU), eg mail order and internet sales.
Does a non-established person need to appoint a fiscal representative in order to register?	In certain circumstances, a non-established person may be directed by the Bosnia and Herzegovina tax authority to appoint a fiscal representative.
How often do returns have to be submitted?	Most businesses are required to submit VAT returns covering three month accounting periods. Returns can also be submitted on a monthly basis.
Are penalties imposed for the late submission of returns/payment of tax?	Yes. If a VAT return, or the corresponding payment, is submitted late a penalty can be imposed.
Are any other declarations required?	Yes. Additional declarations have to be submitted in respect of certain supplies made to customers who are registered for VAT elsewhere in the EU. Declarations also have to be submitted in certain circumstances in connection with goods moving to or from the EU.
Are penalties imposed in other circumstances?	Yes. Penalties can be imposed for a range of errors or omissions.
Can the tax incurred by overseas businesses be claimed if they are not registered in your country?	Yes, in certain circumstances and subject to certain conditions.
Deduction of VAT	Expenditures not related to business operations. Situations in which indirect tax will not be transferred to another participant in the market, etc.

What is the principal indirect tax?

Value Added Tax (VAT) is the main type of indirect taxation in Bosnia and Herzegovina.

It is a tax on consumption which is applied during the production and distribution process to most goods and services. It is also applied to goods, entering the country. Although VAT is ultimately borne by the consumer by being included in the price paid, the responsibility for charging, collecting and paying it to the tax authority at each stage of the process rests with the business making the supply ie the sale.

A business registered for the tax will charge VAT (output tax) on its sales, and incur VAT (input tax) on its purchases (but not for all purchases, because VAT cannot be incured for purchases not relatet to business). The difference between the output tax and the deductible input tax in each accounting period will be the amount of VAT payable by the business to the tax authority. Where the input tax exceeds the output tax, a refund can be claimed.

A transaction is within the scope of Bosnia and Herzegovina VAT if the following conditions are met:

- it is a supply of goods or services. Although the term 'supply' is not defined in the legislation, it has a broad interpretation.
- it takes place in Bosnia and Herzegovina
- it is made by a taxable person. For these purposes, a taxable person is a person or entity who is registered for VAT in Bosnia and Herzegovina, or has a liability to become registered
- it is made in the course or furtherance of any business carried on by that person or entity.

There is only one rate of VAT that is applied to goods and services in Bosnia and Herzegovina.

Businesses that make exempt supplies are unable to claim all of the input tax that they incur, so the VAT paid to suppliers will be a 'real' cost.

Most goods imported into Bosnia and Herzegovina are subject to VAT. The tax will have to be paid by the importer at the time of importation. Where the importation is for business purposes and the importer is registered for VAT, it may be possible to reclaim the tax (subject to certain rules).

It is also important to note the interaction between VAT and Customs duty. Customs duty is levied across Bosnia and Herzegovina at the place where goods are imported into the country. It is levied in order to bring the cost of goods produced outside Bosnia and Herzegovina up to the same level as those produced within it. Once duty (and VAT) has been paid by the importer, the goods are in 'free circulation' and they can then be released for use in the home market. Unlike other indirect taxes, such as VAT, once duty has been paid it is not usually recoverable by the importer. It therefore represents a bottom line cost to the importing business if it cannot be passed on in higher prices. It is therefore very important to ensure that the correct rate of duty is applied. VAT is charged on the value of the importation, including any custom duty.

Is there a registration limit for the tax?

A 'person' who either makes or intends to make taxable supplies of goods or services in the course or furtherance of a business must register for VAT if the value of its taxable supplies in Bosnia and Herzegovina exceeds the annual registration limit, or is expected to exceed the limit in the near future. A business can register on a voluntary basis even if the registration limit has not been exceeded.

For these purposes, a 'person' includes any legal entity. Therefore, once a person is registered for VAT, all of his business activities will be covered by the registration – even if the nature of some of those activities are very different.

A penalty may be imposed by the tax authority if a business fails to register at the correct time.

Does the same registration limit apply to non-established businesses?

Bosnia and Herzegovina VAT Law stipulates a possibility of having a tax representative for non-established businesses. On the other hand other laws require establishing at least a business unit in order to operate in Bosnia and Herzegovina.

Is there any specific legislation to tax non-resident supplies of electronically supplied/digital services to private consumers resident in your country?

As mentioned above there are other laws for taxing resident and non-resident supplies. These are direct tax laws, especially income tax law. On the other hand there is a possibility to avoid this taxation if there is bilateral agrement between Bosnia and Herzegovina and a country where company is resident, on avoidind double taxation. Certain criteria must be met in order not to be taxed it this situation.

Does a non-established business need to appoint a fiscal representative in order to register?

Yes.

How often do returns have to be submitted?

VAT returns normally cover an accounting period of 60 days latest after the date of submiting the monthly VAT form. A company whose main business is export can get return within 30 days upon submiting the VAT form.

Are penalties imposed for the late submission of returns/ payment of tax?

A default surcharge penalty may be imposed by the tax authority if VAT returns are not submitted on time, or the related tax is not paid by the due date.

Are any other declarations required?

If there is relation between contractor and sub-contractor, VAT duty lies within contractor. In this situation, contractor fills special form attached to regular VAT monthy form.

Are penalties imposed in other circumstances?

Yes. A range of penalties can be imposed where businesses do not comply with the VAT rules.

Can the VAT incurred by overseas businesses be claimed if they are not registered in Bosnia and Herzegovina?

Yes, it may be possible to reclaim the VAT incurred in certain circumstances.

- If they procure goods or services for which VAT is deductible if they were registered in Bosnia and Herzegovina
- If in case of services VAT had not already been paid by company provided with the service.

What information must a VAT invoice show?

A VAT invoice must show:

- an invoice number which is unique and sequential
- the seller's name and address
- the seller's VAT registration number
- the invoice date
- the time of supply (also known as tax point) if this is different from the invoice date
- the customer's name and address
- a description sufficient to identify the goods or services supplied to the customer
- the rate of any cash discount
- the total amount of VAT charged expressed in sterling.

For each different type of item listed on the invoice, the following must be shown:

- the unit price or rate, excluding VAT
- the quantity of goods or the extent of the services
- the rate of VAT that applies to what's being sold
- the total amount payable, excluding VAT.

Where a VAT invoice includes zero-rated or exempt goods or services, it must:

- show clearly that there is no VAT payable on those goods or services
- show the total of those values separately.

Are there any current or anticipated Standard Audit File for Tax (SAF-T) or similar electronic/digital filing requirements eg invoice listing data file/real-time VAT reporting?

Not applicable.

For further information on indirect tax in Bosnia and Herzegovina please contact:

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Indirect tax snapshot

What are the current rate(s) of VAT?	• Standard rate of 20% for most goods and services. • Reduced rate of 9% for accommodation provided at hotels and similar establishments, including the provision of vacation accommodation and letting out of places for camping sites or caravan sites. • Zero-rated goods and services include international transport of passengers, international transport of goods, supply for handling of goods etc.
Are there any confirmed or anticipated changes to these rates?	No.
What is the principal indirect tax?	Value Added Tax (VAT) is the principal indirect tax in Bulgaria. It is a tax on consumer expenditure, and is collected on business transactions and imports.
Is there a registration limit for the tax?	Yes. It relates to the a turnover of taxable transactions amounting to BGN 50.000 for a period covering last 12 calendar months for taxable deliveries. As soon as the threshold is exceeded, it is obligatory for the taxpayer to apply for VAT registration. Nevertheless, at the same time option is provided for voluntary registration regardless of the turnover threshold. This means that each person who performs independent economic activity can register under the VATA(Value Added Tax Act).
Does the same registration limit apply to non-established businesses?	Yes.
Does a non-established person need to appoint a fiscal representative in order to register?	If the entity is registered in another Member State the fiscal representative is not mandatory but is still an option.
How often do returns have to be submitted?	On a monthly basis. Deadline for the current month's VAT files is 14th day of the month following the respective tax period/month.
Are penalties imposed for the late submission of returns/payment of tax?	Yes. If a VAT return, or the corresponding payment, is submitted late a penalty can be imposed.
Are any other declarations required?	Yes, VIES and Intrastat declarations in the respective cases.
Are penalties imposed in other circumstances?	Yes, a penalty can be imposed in case of non-submission, late submission or improper declarations.
Can the tax incurred by overseas businesses be claimed if they are not registered in your country?	Yes, in certain circumstances and subject to certain conditions.
Deduction of VAT	Major restrictions of VAT deductions are as follows: • goods or services are intended for effecting of any exempt supplies • goods or services are intended for supplies effected free of charge or for activities other than the economic activity of the person • goods or services are intended for business entertainment purposes • a motorcycle or a passenger car has been acquired, or imported, the goods or services are intended for maintenance, repair, improvement and operation of motorcycles and passenger cars, including for spare parts, supply of fuel and lubricant materials; the goods have been confiscated, or the building has been demolished as unlawfully constructed.

What is the principal indirect tax?

Value Added Tax (VAT) is the main type of indirect taxation in the Bulgaria

VAT taxation under Bulgarian tax law is regulated by VATA (Value Added Tax Act)>

This type of indirect tax is payable monthly for all supplies of goods or services for any intra-European Union acquisition whose place of performance is within the country, carried out by a registered person, as well as for import of goods. The tax is levied on the consumption thereof and the group of turnover taxes. The VAT model under Bulgarian law follows the common VAT regime within the EU model, where personal expenses are taxable by applying the credit (invoice) method. According to this method, each stage of production of goods or services and the implementation thereof to end users is chargeable with VAT on the entire value of the supply, such that through the mechanism of tax credit the final price of the goods or services includes a single VAT charge in the amount of the respective tax rate.

A taxable person is any person who independently carries out an economic activity, whatever the purpose and results of that activity, as well as any person who performs accidental onerous intra-European Union supplies of new transport vehicles. 'Independent economic activity' are the activities of producers, traders and persons supplying services, including mining and agriculture, as well as the practice of a liberal profession, including as private enforcement agents and notaries.

In the cases of trading goods, which are transported between two different member states, the following regimes are applicable, known as:

- intra-Community supply and intra-Community acquisition when the parties of the transaction are persons registered for VAT purposes
- distance sales when the goods are delivered by a VAT registered person to persons not registered for VAT purposes, who are established at the territory of another member state
- supply of goods subject to assembly and/or installation when the goods, which are delivered at the territory of another member state, must be assembled or installed by the supplier.

The companies (persons not registered under the VATA) and the tax non-liable legal entities must pay themselves the VAT when acquiring excisable goods from VAT registered person in other member states (suppliers).

During import the tax is charged by the customs authorities, and the export of goods is defined as supplies, subject to taxation with zero rate, that are entitled to tax credit.

The rules for tax base formation stipulate that this base does not include the penalties and interests for delay, except for those of sanctioning character. There is also no regulation of the tax base in the case of selling at a loss (except for the cases explicitly stipulated by law).

Is there a registration limit for the tax?

Subject to mandatory registration under VATA (Value Added Tax Act) is any person having a taxable turnover of 50 000 BGN or more for a period not longer than the last 12 consecutive months prior to the current month. The person is obliged within 14 days as of the expiry of the tax period in which it reached such turnover to file an application for VAT registration.

The registration requirement shall apply to each non-taxable legal person and taxable person which is not registered under VATA, and which effects intra-European Union acquisition of goods.

An obligation to submit an application for registration under VATA shall arise for the acquisition by which the total value of taxable intra-European Union acquisitions exceeds BGN 20 000/EUR 10 225.84 The intra-European Union acquisition by which the said threshold is exceeded shall be liable to tax under this Act.

A penalty may be imposed by the tax authority if a business fails to register at the correct time.

Nevertheless, at the same time option is provided for voluntary registration regardless of the turnover made. This means that each person who performs independent economic activity can register under the VATA (Value Added Tax Act).

Does the same registration limit apply to non-established businesses?

A tax liable person – an EU member – that is not registered under VATA in Bulgaria and supplies goods to a person not registered under VATA in Bulgaria (distance sales) should obtain a VAT registration in Bulgaria if the total amount of supplies for a period of one year exceeds the statutory threshold of 70,000 BGN/35 790 EUR.

The registration requirement shall apply to each non-taxable legal person and taxable person which is not registered under VATA, and which effects intra-European Union acquisition of goods. An obligation to submit an application for registration under VATA shall arise for the acquisition by which the total value of taxable intra-European Union acquisitions exceeds BGN 20 000/EUR 10 225.84 The intra-European Union acquisition by which the said threshold is exceeded shall be liable to tax under this Act.

A penalty may be imposed by the tax authority if a business fails to register at the correct time.

Nevertheless, at the same time option is provided for voluntary registration regardless of the turnover made. This means that each person who performs independent economic activity can register under the VATA (Value Added Tax Act).

Is there any specific legislation to tax non-resident supplies of electronically supplied/digital services to private consumers resident in your country?

B2C supplies of electronically supplied services to customers in BG are subject to BG VAT. To ensure compliance with this, suppliers have the choice to either register for VAT in each Member State where their customers reside, or elect to register under the EU VAT MOSS simplification scheme in a single Member State (where they are established). Businesses with multiple establishments in the EU can choose which Member State to operate MOSS (the Member State of Identification). However, the MOSS cannot be used to report local sales to customers in a Member State in which suppliers of electronically supplied services have a fixed establishment. Non-EU suppliers without an establishment in a Member State are free to select a Member State of their choosing to operate MOSS and become their Member State of Identification.

Does a non-established business need to appoint a fiscal representative in order to register?

Any non-resident person, who has a fixed establishment within the territory of the country from which the said person carries out economic activity and who satisfies the conditions of VATA for compulsory registration or for optional registration, shall be registered through the agency of an accredited representative, with the exception of branches of non-residents which shall be registered according to the standard procedure.

Where a person is established in another Member State or in a third country with which Bulgaria has signed legal assistance instruments, the fiscal representative is not mandatory but it is still an option.

How often do returns have to be submitted?

VAT registered entities are required to file a monthly return within 14h day of the month following the respective tax period (month).

The VAT must be paid by the same date.

Please note that if the due date falls on a weekend or public holiday then the due date will be the next working day.

Are penalties imposed for the late submission of returns/ payment of tax?

Any person, who while obligated to do so, fails to submit a VAT return shall be liable to a fine, applicable to legal persons and sole traders, of BGN 500 or exceeding this amount but not exceeding BGN 10,000.

Any registered person who, while obligated to do so, fails to charge tax within the time limits provided, shall be liable to a fine applicable to legal persons and sole traders, equivalent to the amount of the uncharged tax but not less than BGN 500. In case of repeated violation, the amount of the fine or pecuniary penalty shall be in the double amount of the uncharged tax but not less than BGN 1,000.

Are any other declarations required?

If the value of the intra-EU trade in goods dispatched or arriving from other EU is above an annual threshold, a supplementary declaration (referred to as an Intrastat declaration) has to be submitted for either or both. These declarations have to be submitted on a monthly basis.

Any registered person should submit a VIES declaration if for the tax period has – performed supplies of goods or services to a merchant registered for VAT purposes in another Member State, including in case of transfer of its own goods, or has participated as an intermediary in a trilateral transaction between VAT registered merchants in other Member States.

Are penalties imposed in other circumstances?

Yes. A range of penalties can be imposed where businesses do not comply with the VAT rules.

Civil penalties and interest can be applied for errors and omissions made on tax returns, or where the tax is paid late. Penalties can also be applied where the business has failed to maintain adequate records, provide information (including additional declarations), or makes repeated mistakes.

Criminal proceedings may be brought in the case of more serious matters.

Can the VAT incurred by overseas businesses be claimed if they are not registered in Bulgaria?

Yes, it may be possible to reclaim the VAT incurred in certain circumstances.

Two schemes exist, one or businesses established in the EU and another for businesses established elsewhere.

The EU cross border refund scheme is available in all EU member States, and enables a business established in an EU country to recover VAT incurred in another member State. To be eligible to make a claim, the claimant must be a taxable person established in an EU member State other than the one from which the claim is to be sought. In addition, the claimant:

- must not be registered, liable, or eligible to be registered in the member State from which he is claiming the refund
- must have no fixed establishment, seat of economic activity, place of business or other residence there
- during the refund period he must not have supplied any goods or services in the member State of refund, apart from certain limited exceptions.

The amount that is refundable is determined by the deduction rules that apply in the country making the refund. The claim is submitted electronically to the tax authority from whom the repayment is being sought.

The refund period must not cover more than one calendar year or less than three calendar months – unless it is covering the remainder of a calendar year. The claim has to be made by 30 September of the year following that in which the VAT was incurred.

Businesses established outside of the EU can, subject to certain conditions, also reclaim the VAT incurred on imports into BG or purchases of goods and services used in BG. The scheme is available to any person carrying on a business established in a third country ie outside the EU, provided that in the period of the claim:

- they were not registered or liable to be registered for VAT in Bulgaria.
- they made no supplies of goods and services in the Bulgaria other than certain specified exceptions
- where the taxpayer is established in a third country having a comparable system of turnover taxes, unless the Bulgarian tax authority allows otherwise, that country provides reciprocal arrangements for refunds to be made to taxable persons established in Bulgaria.

The claim period in Bulgaria is until 30 June each year. Claim forms have to be submitted to the Bulgrian tax authority no later than six months from the end of the relevant designated year is by 31 December each year.

What information must a VAT invoice show?

An invoice shall mandatorily state:

1 title of document
2 sequential ten-character number, containing only Arabic numerals, based on one or more series depending on the reporting needs of the taxable person, which identifies uniquely the invoice
3 date of issue
4 name and address of the supplier
5 supplier's identification number/the VAT registration No.
6 name and address of the recipient of the supply
7 recipient's identification number or, respectively, the number referred to in Article 84 of the Tax and Social Insurance Procedure Code, where the recipient is a person not registered under this Act, identification number for VAT purposes, where the recipient is registered in another Member State, another number for identification of the person, where such a number is required according to the legislation of the State where the recipient is established
8 quantity and type of the goods, type of the service
9 date on which the chargeable event for the supply occurred, or date on which the payment was received
10 unit price net of the tax and the taxable amount of the supply, as well as any trade discounts and rebates allowed, unless included in the unit price
11 rate of the tax and, when the rate is zero, the grounds for application of the said rate, as well as the grounds for not charging tax
12 amount of tax
13 amount payable, if other than the sum of the taxable amount and of the tax
14 the circumstances which define the goods as a new means of transport: applicable to an intra-European Union supply of new means of transport.

Where a person effects distance selling of goods, is registered for VAT purposes in another Member State, and the place of supply under the terms of distance selling is within the territory of that other Member State, the invoice shall mandatorily state:

1 the person's identification number for VAT purposes issued by that other Member State;
2 the rate of tax applicable to the supply in that other Member State;
3 the amount of tax due on the supply.

When the registered person who is an intermediary in a triangular operation documents a supply of goods effected to the acquirer in the triangular operation, the invoice shall state Article 141 2006/112/EC as grounds for not charging tax.

Where the tax is chargeable from the recipient, the invoice shall not state the amount of tax and the rate of tax. In such case, recorded in the invoice shall be 'reverse charge', as well as the grounds for this.

The amount in the invoice may be stated in any currency, provided that the taxable amount and the amount of the tax are stated in Bulgarian leva.

Every taxable person must assure, applying a method of his/its own choice, from the moment of issuance until the end of the period of storage the authenticity of origin, the integrity of content and the readability of the invoices and the notifications to them issued thereby or on his/its behalf as well as the invoices and notifications received thereby, no matter whether they are on hard copy or in electronic form.

Documenting of supplies with electronic invoices and electronic notifications to invoices shall be carried out, provided that such documenting is accepted by the recipient with a written or tacit consent.

The taxable person shall ensure the authenticity of origin, the integrity of content and the readability of the invoice or the notification thereto by exercising any type of control over the economic activity, creating a reliable audit trail between the invoice or the notification to the invoice and the supply of the goods or services.

Are there any current or anticipated Standard Audit File for Tax (SAF-T) or similar electronic/digital filing requirements eg invoice listing data file/real-time VAT reporting?

No.

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Indirect tax snapshot

What are the current rate(s) of VAT?	• Standard rate of 25% for most goods and services. • Reduced rate of 5% for some goods including bread, milk, certain books, prescription medicines, medical equipment, movie theater tickets, certain newspapers, scientific magazines. • Reduced rate of 13% for some goods and services including accommodation services, certain newspapers, edible oils and fats, baby food, water (not in packaging), concert tickets. • Zero-rated goods and services include mostly public interest activities (postal services, medical care, supplies related to social care, educational services, etc).
Are there any confirmed or anticipated changes to these rates?	No.
What is the principal indirect tax?	Value Added Tax (VAT) is the principal indirect tax in the Croatia. It is a tax on consumer expenditure, and is collected on business transactions and imports.
Is there a registration limit for the tax?	Yes. It relates to the annual turnover of taxable transactions in Croatia, and once the limit has (or will be) reached it is necessary to register.
Does the same registration limit apply to non-established businesses?	No. There is a different registration limit for businesses that are not established in Croatia and they will need to register as soon as they reach or expect to reach that limit. Different registration requirements also apply to businesses involved with 'distance sales' made within the European Union (EU), eg mail order and internet sales.
Does a non-established person need to appoint a fiscal representative in order to register?	Non-EU businesses are required to appoint a fiscal representative. EU businesses are not required to appoint a fiscal representative.
How often do returns have to be submitted?	Most businesses are required to submit VAT returns covering one month accounting periods. Returns can also be submitted on a quarterly basis but only for resident entities established in Croatia and have annual turnover below HRK 800,000.
Are penalties imposed for the late submission of returns/payment of tax?	Yes. If a VAT return, or the corresponding payment, is submitted late a penalty can be imposed.
Are any other declarations required?	Yes. Additional declarations have to be submitted in respect of certain supplies made to customers who are registered for VAT elsewhere in the EU. Declarations also have to be submitted in certain circumstances in connection with goods moving to or from the EU.
Are penalties imposed in other circumstances?	Yes. Penalties can be imposed for a range of errors or omissions.
Can the tax incurred by overseas businesses be claimed if they are not registered in your country?	Yes, in certain circumstances and subject to certain conditions.
Deduction of VAT	VAT cannot be deducted in relation to: • purchase and renting of sea vessels for entertainment, airplanes, cars and other vehicles for personal transportation and accompanying goods and services. As of 1 January 2018, VAT from purchasing of vehicles and related costs can be deducted up to 50% • representation (hosting of business partners, gifts to business partners, settling vacation, entertainment expenses for business partners, expenses in relation to renting cars, sea vessels, airplanes, vacation houses etc.).

What is the principal indirect tax?

Value Added Tax (VAT) is the main type of indirect taxation in Croatia and in other European Union (EU) countries.

It is a tax on consumption which is applied during the production and distribution process to most goods and services. It is also applied to goods, and certain services, entering the country. Although VAT is ultimately borne by the consumer by being included in the price paid, the responsibility for charging, collecting and paying it to the tax authority at each stage of the process rests with the business making the supply, ie the sale.

A business registered for the tax will charge VAT (output tax) on its sales, and incur VAT (input tax) on its purchases (including any VAT paid at importation). The difference between the output tax and the deductible input tax in each accounting period will be the amount of VAT payable by the business to the tax authority. Where the input tax exceeds the output tax, a refund can be claimed.

A transaction is within the scope of Croatian VAT if the following conditions are met:

- it is a supply of goods or services
- it takes place in Croatia
- it is made by a taxable person. For these purposes, a taxable person is a person or entity who is registered for VAT in Croatia, or has a liability to become registered
- it is made in the course or furtherance of any business carried on by that person or entity.

There are four rates of VAT that are applied to goods and services in Croatia; the standard rate of 25%, the reduced rates of 5% and 13%, and the zero rate. In addition, some goods and services are VAT exempt.

Businesses that make exempt supplies are unable to claim all of the input tax that they incur, so the VAT paid to suppliers will be a 'real' cost.

Most goods imported into Croatia from outside the EU are subject to VAT. The tax will have to be paid by the importer at the time of importation. Where the importation is for business purposes and the importer is registered for VAT, it may be possible to reclaim the tax (subject to certain rules).

It is also important to note the interaction between VAT and customs duty. Customs duty is levied across the EU at the place where goods are imported into the community. It is levied in order to bring the cost of goods produced outside the EU up to the same level as those produced within it. Once duty (and VAT) has been paid by the importer, the goods are in 'free circulation' and they can then be released for use in the home market. Unlike other indirect taxes, such as VAT, once duty has been paid it is not usually recoverable by the importer. It therefore represents a bottom line cost to the importing business if it cannot be passed on in higher prices. It is therefore very important to ensure that the correct rate of duty is applied. VAT is charged on the value of the importation, including any custom duty.

Is there a registration limit for the tax?

A 'person' who either makes or intends to make taxable supplies of goods or services in the course or furtherance of a business must register for VAT if the value of its taxable supplies in Croatia exceeds the annual registration limit of HRK 300,000, or is expected to exceed the limit in the near future. A business can register on a voluntary basis even if the registration limit has not been exceeded.

For these purposes, a 'person' includes any legal entity. Therefore, once a person is registered for VAT, all of his business activities will be covered by the registration – even if the nature of some of those activities is very different.

A penalty may be imposed by the tax authority if a business fails to register at the correct time.

Does the same registration limit apply to non-established businesses?

The normal VAT registration limit does not apply to businesses who are not established in Croatia, but for the purposes of the tax are making taxable supplies there. Those businesses will need to register for VAT as soon as they reach the prescribed limit of taxable deliveries to Croatia. Also, entities performing certain business activities will have to register for VAT irrespective of the level of turnover.

Registration for VAT in Croatia may also be required where a non-established EU business is involved with distance selling. Distance selling occurs when a taxable supplier in one EU country supplies and delivers goods to a customer in another EU country who is not registered or liable to be registered for VAT. Such customers are known as non-taxable persons, and include private individuals and businesses and other organisations that are not registered for VAT (either because of their size, or the fact that they are exempt from having to register due to the nature of their activities). The common examples of distance sales are goods supplied by mail order and via the internet.

Each EU country has the option of applying a distance selling threshold of either €35,000 or €100,000 per calendar year, or the equivalent in its own currency. Croatia has adopted an annual threshold of HRK 270,000.

Distance sales from another EU country to non-taxable persons in Croatia will be subject to VAT at the appropriate rate in the supplier's country. However, once the value of those distance sales to Croatia exceeds the Croatian threshold of HRK 270,000:

- the supplier becomes liable to register for VAT in Croatia
- Croatia becomes the place of supply
- any further sales to customers in Croatia are subject to Croatian VAT.

Suppliers can choose to make Croatia the place where the goods are supplied by registering for VAT voluntarily before the threshold is reached.

Is there any specific legislation to tax non-resident supplies of electronically supplied/digital services to private consumers resident in your country?

With effect 1 January, 2015, Article 58 of Directive 2006/112/EC was amended. The rules determining the place of supply of electronically supplied services supplied to private consumers (B2C) changed from the Member State where the supplier belongs (ie where established) to the Member State of the consumer. The result of this is that local VAT is chargeable at the applicable rate in each of the Member States in which electronically supplied services are made (ie where the customer belongs). Therefore B2C supplies of electronically supplied services to customers in Croatia are subject to Croatian VAT.

To ensure compliance with this, suppliers have the choice to either register for VAT in each Member State where their customers reside, or elect to register under the EU VAT MOSS simplification scheme in a single Member State (where they are established). Businesses with multiple establishments in the EU can choose which Member State to operate MOSS (the Member State of Identification). However, the MOSS cannot be used to report local sales to customers in a Member State in which suppliers of electronically supplied services have a fixed establishment. Non-EU suppliers without an establishment in a Member State are free to select a Member State of their choosing to operate MOSS and become their Member State of Identification. This has been implemented in the Croatian VAT legislation.

Does a non-established business need to appoint a fiscal representative in order to register?

Non-established entities seated in the EU can appoint a fiscal representative in Croatia, but are not obliged.

Non-established entities seated outside of the EU have to appoint a fiscal representative in order to register.

How often do returns have to be submitted?

VAT returns normally cover an accounting period of one month, ending on the last day of a calendar month.

All VAT returns have to be submitted within 20 days of the end of the relevant accounting period (ie by the 20th of the month or the previous month), whereas any tax liability is due by the end of the month for the previous month. All returns and payments have to be submitted electronically. Since usually there is a few days delay from the day the payment is made abroad until it is visible on the Croatian Tax Authorities account, it is advisable that the VAT payments are made a few days prior to the end of the month, thus avoiding any potential penalty interest.

Are penalties imposed for the late submission of returns/payment of tax?

A penalty interest is charged automatically in the Croatian Tax Authorities' system if tax is not paid by the due date. The legislation also prescribes penalties for late submission/payment of tax, however, this is not the case in general practice.

Are any other declarations required?

Businesses that are registered for VAT in Croatia, and make supplies of goods or services to traders registered for the tax in other EU countries are required to complete and submit EC Sales Lists (ZP form). The ZP must show details of the recipients of the goods and services and is submitted on a monthly basis.

Generally, ZP's are only submitted for months in which there were supplies made to other EU countries, ie nil supplies do not have to be reported.

EC Purchase Lists (PDV-S form) is submitted for EC acquisitions from other EU countries. PDV-S form has to be submitted on a monthly basis except when there were no acquisitions during the month in which case a nil return does not have to be submitted.

In case the taxable persons, registered for VAT purpose in Croatia, performs supply of goods to the other taxable persons in Croatia, than a so called INO-PPO form also needs to be filed. The reverse charge mechanism should than be applied and the outgoing invoices should be issued using the foreign (EU) VAT number and stating the following sentence: Reverse charge according to Article 75.2 of a Croatian Value-Added Act. The same as in case of EC Sales and Purchase Lists, in case there weren't any such transactions performed in the respective month, than it should not be submitted.

In addition, if the value of the intra-EU trade in goods dispatched or arriving from other EU is above an annual threshold, a supplementary declaration (referred to as an Intrastat declaration) has to be submitted for either or both. These declarations have to be submitted on a monthly basis.

Are penalties imposed in other circumstances?

Yes. A range of penalties can be imposed where businesses do not comply with the VAT rules.

Penalties and interest can be applied for errors and omissions made on tax returns, or where the tax is paid late. Penalties can also be applied where the business has failed to maintain adequate records, provide information (including additional declarations), or makes repeated mistakes.

Criminal proceedings may be brought in the case of more serious matters.

Can the VAT incurred by overseas businesses be claimed if they are not registered in Croatia?

Yes, it may be possible to reclaim the VAT incurred in certain circumstances.

Two schemes exist, one or businesses established in the EU and another for businesses established elsewhere.

The EU cross border refund scheme is available in all EU member States, and enables a business established in an EU country to recover VAT incurred in another member State. To be eligible to make a claim, the claimant must be a taxable person established in an EU member State other than the one from which the claim is to be sought. In addition, the claimant:

- must not be registered, liable, or eligible to be registered in the member State from which he is claiming the refund
- must have no fixed establishment, seat of economic activity, place of business or other residence there
- during the refund period he must not have supplied any goods or services in the member State of refund, apart from certain limited exceptions.

The amount that is refundable is determined by the deduction rules that apply in the country making the refund. The claim is submitted electronically to the tax authority from whom the repayment is being sought.

The refund period must not cover more than one calendar year or less than three calendar months – unless it is covering the remainder of a calendar year. The claim has to be made by 30 September of the year following that in which the VAT was incurred.

Businesses established outside of the EU can, subject to certain conditions, also reclaim the VAT incurred on imports into Croatia or purchases of goods and services used in Croatia. The scheme is available to any person carrying on a business established in a third country, ie outside the EU, provided that in the period of the claim:

- he was not established in Croatia, ie no seat or permanent establishment in Croatia; no residence nor habitual abode in Croatia in cases where there is no seat or permanent establishment in Croatia
- he made no supplies of goods and services in Croatia other than certain specified exceptions
- where he is established in a third country having a comparable system of turnover taxes, unless the Croatian tax authority allows otherwise, that country provides reciprocal arrangements for refunds to be made to taxable persons established in Croatia.

The deadline for the submission of VAT refund request for businesses from third countries is 30 June in the year following the year to which the VAT refund request relates.

The deadline for the submission of VAT refund request for businesses from other EU countries is 30 September in the year following the year to which the VAT refund request relates. In this case the VAT refund request is submitted electronically via the VAT refund portal.

What information must a VAT invoice show?

A VAT invoice must show:

- an invoice number
- the seller's name and address
- the seller's VAT registration number
- the invoice date
- the time of supply (also known as tax point) if this is different from the invoice date
- the customer's name and address
- the customer's VAT registration number
- the rate of any discounts
- the total amount of VAT charged expressed in Croatian Kuna.

For each different type of item listed on the invoice, the following must be shown:

- the unit price or rate, excluding VAT
- the quantity of goods or the extent of the services
- the rate of VAT that applies to what's being sold
- the total amount payable, excluding VAT.

Where a VAT invoice includes zero-rated or exempt goods or services, it must:

- show clearly that there is no VAT payable on those goods or services
- show the total of those values separately.

Where a business makes retail sales and makes a sale of goods or services for HRK 700 or less including VAT, a simplified VAT invoice can be issued.

VAT invoices can be issued, received and stored in electronic format and there is no need to tell the tax authority. Electronic invoices must contain the same information as paper invoices. The method used to ensure the authenticity of origin, the integrity of content and legibility of the invoices is a business choice and can be achieved by any business controls which create a reliable audit trail between an invoice and a supply of goods or services.

Are there any current or anticipated Standard Audit File for Tax (SAF-T) or similar electronic/digital filing requirements eg invoice listing data file/real-time VAT reporting?

There aren't any such requirements at the moment; however, Croatia is discussing on adopting such procedures in the future.

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Indirect tax snapshot

What are the current rate(s) of VAT?	• Standard rate of 19% for most goods and services. • Higher reduced rate of 9% for some services including hotel accommodation and hospitality. • Lower reduced rate of 5% applies to services which include food for human consumption, medicines, renovation of private dwellings and the purchase of new immovable property which is the principal place of residence in Cyprus, subject to conditions. • Zero-rated goods and services include supplies related to commercial shipping and exports.
Are there any confirmed or anticipated changes to these rates?	No.
What is the principal indirect tax?	Value Added Tax (VAT) is the principal indirect tax in Cyprus. It is a tax on consumer expenditure, and is collected on business transactions and imports.
Is there a registration limit for the tax?	Yes. It relates to the turnover of taxable transactions in Cyprus at any point in the previous 12 months, and once the limit has (or will be within 30 days) reached it is necessary to register.
Does the same registration limit apply to non-established businesses?	Yes, the same registration limits apply to non-established business. Different registration requirements also apply to businesses involved with 'distance sales' made within the European Union (EU) eg mail order and internet sales.
Does a non-established person need to appoint a fiscal representative in order to register?	In certain circumstances, a non-established person may be directed by the Cyprus tax authority to appoint a fiscal representative.
How often do returns have to be submitted?	Businesses are required to submit VAT returns covering three month accounting periods.
Are penalties imposed for the late submission of returns/payment of tax?	Yes. If a VAT return, or the corresponding payment, is submitted late a penalty is imposed.
Are any other declarations required?	Yes. Additional declarations have to be submitted in respect of certain supplies made to customers who are registered for VAT elsewhere in the EU and in certain circumstances for goods moving to or from the EU. Declarations also have to be submitted for supplies of electronic, telecommunications or broadcasting services supplied to consumers in the EU.
Are penalties imposed in other circumstances?	Yes. Penalties can be imposed for a range of errors or omissions.
Can the tax incurred by overseas businesses be claimed if they are not registered in your country?	Yes, in certain circumstances and subject to certain conditions.
Deduction of VAT	The following are examples of expenditure for which VAT cannot be deducted: • expenditure which is not incurred for business purposes • expenditure which relates to most exempt supplies • input VAT which relates to supplies of gifts under certain conditions • entertainment expenses for persons other than employees or directors • input VAT on the cost of saloon vehicles.

What is the principal indirect tax?

Value Added Tax (VAT) is the main type of indirect taxation in Cyprus and in other European Union (EU) countries.

It is a tax on consumption which is applied during the production and distribution process to most goods and services. It is also applied to goods, and certain services, entering the country. Although VAT is ultimately borne by the consumer by being included in the price paid, the responsibility for charging, collecting and paying it to the tax authority at each stage of the process in most cases rests with the business making the supply ie the sale.

A business registered for the tax will charge VAT (output tax) on its sales, and incur VAT (input tax) on its purchases (including any VAT paid at importation). The difference between the output tax and the deductible input tax in each accounting period will be the amount of VAT payable by the business to the tax authority. Where the input tax exceeds the output tax, a refund can be claimed.

A transaction is within the scope of Cyprus VAT if the following conditions are met:

- it is a supply of goods or services
- it takes place in Cyprus
- it is made by a taxable person. For this purpose, a taxable person is a person or entity who is or ought to be registered according to the provisions of the Cyprus VAT law
- it is made in the course of furtherance of a business.

There are four rates of VAT that are applied to goods and services in Cyprus; the standard rate, the higher reduced rate, the lower reduced rate and the zero rate. In addition, some goods and services are exempt from the tax.

Businesses that make exempt supplies in most cases are unable to claim all of the input tax that they incur, so the VAT paid to suppliers will be a 'real' cost.

Most goods imported into Cyprus from outside the EU are subject to VAT. The tax will have to be paid by the importer at the time of importation. Where the importation is for business purposes and the importer is registered for VAT, it may be possible to reclaim the tax (subject to certain rules).

It is also important to note the interaction between VAT and Customs duty. Customs duty is levied across the EU at the place where goods are imported into the community. It is levied in order to bring the cost of goods produced outside the EU up to the same level as those produced within. Once duty (and VAT) has been paid by the importer, the goods are in 'free circulation' and they can then be released for use in the common market.

Unlike other indirect taxes, such as VAT, once duty has been paid it is not usually recoverable by the importer.

It therefore represents a bottom line cost to the importing business if it cannot be passed on in higher prices. It is therefore very important to ensure that the correct rate of duty is applied. VAT is charged on the value of the importation, including any custom duty.

Is there a registration limit for the tax?

A 'person' who either makes or intends to make taxable supplies of goods or services in the course or furtherance of a business must register for VAT if the value of its taxable supplies in Cyprus exceeds the annual registration limit, or is expected to exceed the limit in the near future. A business can register on a voluntary basis even if the registration limit has not been exceeded.

For these purposes, a 'person' includes any legal entity. Therefore, once a person is registered for VAT, all of his business activities will be covered by the registration – even if the nature of some of those activities are very different.

A penalty may be imposed by the tax authority if a business fails to register at the correct time.

Group registration

Two or more corporate bodies can be registered together as a VAT group if:

- each of the bodies is incorporated in Cyprus
- there are financial, economic and organisational ties. Financial ties exist where certain elements of 'control' exist between the members, economic ties exist where the nature of the activities of the parties are similar or supplementary and organisational ties exist where there is a common management/governance structure.

A corporate body cannot be treated as a member of more than one VAT group at a time.

The main advantage of a VAT group registration is that, apart from a few limited exceptions, any supply of goods or services by a member of the group to another member of the group is disregarded for VAT purposes. This reduces the risk of VAT being accidentally omitted on supplies between separately registered connected companies.

However, there are some disadvantages and any decision on whether to group register should be taken with care. For example, all VAT group members (including former members) are jointly and severally liable for the VAT debt of the group during the period of their membership.

Does the same registration limit apply to non-established businesses?

The same registration limit applies to a non-established business.

Registration for VAT in Cyprus may also be required where a non-established EU business is involved with distance selling. Distance selling occurs when a taxable supplier in one EU country supplies and delivers goods to a customer in another EU country who is not registered or liable to be registered for VAT. Such customers are known as non-taxable persons, and include private individuals and businesses and other organisations that are not registered for VAT (either because of their size, or the fact that they are exempt from having to register due to the nature of their activities). The common examples of distance sales are goods supplied by mail order and via the internet.

Each EU country has the option of applying a distance selling threshold of either €35,000 or €100,000 per calendar year, or the equivalent in its own currency. Cyprus has adopted an annual threshold of €35,000s which equates to the lower threshold.

Distance sales from another EU country to non-taxable persons in Cyprus will be subject to VAT at the appropriate rate in the suppliers country. However, once the value of those distance sales to Cyprus exceeds the Cypriot threshold of €35,000:

- the supplier becomes liable to register for VAT in Cyprus
- Cyprus becomes the place of supply
- any further sales to customers in Cyprus are subject to Cypriot VAT.

Suppliers can choose to make Cyprus the place where the goods are supplied by registering for VAT voluntarily before the threshold is reached.

Does a non-established business need to appoint a fiscal representative in order to register?

The VAT authority in Cyprus may direct a person to appoint a VAT representative to act on his behalf for VAT purposes where the person:

- is a taxable person, or without being a taxable person carries out taxable supplies or acquires goods in Cyprus from other member states
- is not established, and does not have a 'fixed establishment' in Cyprus
- is established in a country or territory which is not an EU country (or part of such a country) and where it appears to the Cypriot authorities that there is no provision for mutual assistance similar to that which provided between Cyprus and other EU countries
- in the case of an individual, he does not have his 'usual place of residence' in Cyprus.

How often do returns have to be submitted?

VAT returns normally cover an accounting period of three months, ending on the last day of a calendar month.

All VAT returns have to be submitted within 40 days following the end of the relevant period.

Are penalties imposed for the late submission of returns/ payment of tax?

A default surcharge penalty is imposed by the tax authority if VAT returns are not submitted on time, or the related tax is not paid by the due date.

There is a late submission penalty of €51 if a VAT return is not submitted on time. There is also a default surcharge for late payment equal to 10% of the unpaid tax. Interest is imposed on the unpaid tax and late payment surcharge according to

the government interest rate which is announced each year (currently 3.5% per annum). This is calculated on a monthly basis.

Are any other declarations required?

Businesses that are registered for VAT in Cyprus, and make supplies of goods or services to traders registered for the tax in other EU countries are required to complete and submit EC Sales Lists (ESLs). The ESLs must show details of the recipients of the goods and services.

ESL's must be submitted on a monthly basis, by the 15th of the following month, regardless of the value of goods or services which are supplied.

In addition, if the value of the intra-EU trade in goods dispatched or arriving from other EU Member States is above an annual threshold, a supplementary declaration (referred to as an Intrastat declaration) has to be submitted for either or both. These declarations have to be submitted on a monthly basis, by the 10th of the following month.

Businesses which supply electronic, telecommunications or broadcasting services to consumers residing in the EU are required to report these supplies to each Member State via the Mini One-Stop Shop (MOSS). The submission and payable VAT for these supplies is made quarterly and are due 20 days following the end of each quarter.

Are penalties imposed in other circumstances?

Yes. A range of penalties can be imposed where businesses do not comply with the VAT rules.

Civil penalties and interest can be applied for errors and omissions made on tax returns, or where the tax is paid late. Penalties can also be applied in certain situations including where the business has failed to maintain adequate records, provide information (including additional declarations), issue a legal receipt or comply with any of the directions or regulations of the commissioner.

Criminal proceedings may be brought in the case of more serious matters.

Can the VAT incurred by overseas businesses be claimed if they are not registered in Cyprus?

Yes, it may be possible to reclaim the VAT incurred in certain circumstances.

Two schemes exist, one for businesses established in the EU and another for businesses established elsewhere.

The EU cross border refund scheme is available in all EU member States, and enables a business established in another EU country to recover VAT incurred in Cyprus. To be eligible to make a claim, the claimant must be a taxable person established in an EU member State other than Cyprus and in addition the claimant:

- must not be registered, liable, or eligible to be registered in Cyprus
- must have no fixed establishment, seat of economic activity, place of business or other residence in Cyprus
- during the refund period they must not have supplied any goods or services in Cyprus.

The amount that is refundable is determined by the deduction rules that apply in Cyprus and the claim is submitted electronically to the tax authority from whom the repayment is being sought.

The refund period must not cover more than one calendar year or less than three calendar months – unless it is covering the remainder of a calendar year. The claim has to be made by 30 September of the year following that in which the VAT was incurred.

Businesses established outside of the EU can, subject to certain conditions, also reclaim the VAT incurred on imports into Cyprus or purchases of goods and services used in Cyprus. The scheme is available to any person carrying on a business established in a third country ie outside the EU, provided that in the period of the claim:

- they were not registered or liable to be registered for VAT in Cyprus
- they were not established in any EU country
- they made no supplies of goods and services in Cyprus
- where they are established in a third country having a comparable system of turnover taxes, unless the Cyprus tax authority allows otherwise, that country provides reciprocal arrangements for refunds to be made to taxable persons established in Cyprus.

The claim period in Cyprus is from 1 January to 31 December each year. Claim forms have to be submitted to the Cyprus tax authority no later than 30 September of the following year.

What information must a VAT invoice show?

A VAT invoice must normally show:

- an invoice number which is unique and sequential
- the invoice date
- the seller's name and address
- the seller's VAT registration number
- the time of supply (also known as tax point) if this is different from the invoice date
- the customer's name and address
- the customer's VAT registration number where applicable
- a description sufficient to identify the goods or services supplied to the customer
- for each description the number of goods or the unit price or the extent of services, the VAT rate and the net payable in Euro
- the total net amount without VAT
- the portion of any discount offered
- analysis of each VAT rate and the total amount payable thereon, for each rate
- the total amount of VAT in Euro
- where any of the margin schemes are used adequate reference should be made on the invoice, eg Margin Scheme – Travel Agents
- where the cash accounting scheme is used the invoices should state 'Cash Accounting Scheme'
- where self billing is being applied the invoices should state 'Self Billing'
- where the recipient in another Member State is responsible for accounting for the tax the invoice should state 'Reverse Charge'.

Where a VAT invoice includes zero-rated or exempt goods or services, it must:

- show clearly that there is no VAT payable on those goods or services
- show the total of those values separately.

VAT invoices can be issued, received and stored in electronic format and there is no need to notify the tax authority.

Electronic invoices must contain the same information as paper invoices. The method used to ensure the authenticity of origin, the integrity of content and legibility of the invoices is a business choice and can be achieved by any business controls which create a reliable audit trail between an invoice and a supply of goods or services.

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Indirect tax snapshot

What are the current rate(s) of VAT?	• Standard rate of 21% for most goods and services. • Reduced rate of 15% for some goods and services including food and accommodation services. • Reduced rate of 10% for foodstuff marked as essential child nutrition, pharmaceutical products and books, newspapers and magazines.
Are there any confirmed or anticipated changes to these rates?	No.
What is the principal indirect tax?	Value Added Tax (VAT) is the principal indirect tax in the Czech Republic. It is a tax on consumer expenditure, and is collected on business transactions and imports. Another indirect tax contributing into the Czech state budget is excise duty.
Is there a registration limit for the tax?	Yes. It relates to the annual turnover of taxable transactions in the Czech Republic, and once the limit (CZK 1,000,000) has been reached, it is necessary to register.
Does the same registration limit apply to non-established businesses?	No. There is no registration limit for businesses that are not established in the Czech Republic and they will need to register as soon as they start to make taxable transactions in CZ (exceptions apply). Different registration requirements also apply to businesses involved with 'distance sales' made within the European Union (EU) eg mail order and internet sales.
Does a non-established person need to appoint a fiscal representative in order to register?	The concept of a fiscal representative does not exist in the Czech VAT law.
How often do returns have to be submitted?	Businesses are required to submit VAT returns covering one month accounting period.
Are penalties imposed for the late submission of returns/payment of tax?	Yes. If a VAT return, or the corresponding payment, is submitted late a penalty will be imposed (late submission penalty and/or late payment interest).
Are any other declarations required?	Yes. EC sales lists (ECSL) have to be submitted in respect of certain supplies made to customers who are registered for VAT elsewhere in the EU. ECSL also have to be submitted in certain circumstances in connection with goods moving to or from the EU. A VAT Control Statement (the report where majority of incoming and outgoing VAT related transactions have to be reported individually in the electronic way) was introduced in 2016. The obligation to file a control statement is incurred by persons registered for VAT in the Czech Republic as taxpayers, both Czech and foreign entities, who in a monitored tax period: • declare output tax • carried out a taxable supply under the regime of local reverse charge • claim input tax deductions • carried out a supply under a special regime for investment gold. Legal persons have to submit the VAT control statement no later than the 25th day after the end of each month. Natural persons have to submit the VAT control statement on the same day as their VAT return (no later than the 25th day after the taxable period: month or quarter, or special taxable period eg in the insolvency proceedings etc.).

Indirect tax snapshot

Are penalties imposed in other circumstances?	Yes. A 20% penalty is assessed from the amount of tax additionally assessed or VAT claim additionally reduced.
Can the tax incurred by overseas businesses be claimed if they are not registered in your country?	Yes, in certain circumstances and subject to certain conditions based on Directive 2008/9/EC. VAT is paid back to entities from all EU countries and very limited amount of third countries.
Deduction of VAT	The VAT cannot be deducted from refreshment (beverage, meals, etc.), from supplies not used for the business purposes and from supplies used for VAT exempt supplies with no right to VAT deduction.

What is the principal indirect tax?

Value Added Tax (VAT) is the main type of indirect taxation in the Czech Republic and in other European Union (EU) countries.

It is a tax on consumption which is applied during the production and distribution process to most goods and services. It is also applied to goods, and certain services, entering the country. Although VAT is ultimately borne by the consumer by being included in the price paid, the responsibility for charging, collecting and paying it to the tax authority at each stage of the process rests with the business making the supply, ie the sale.

A business registered for the tax will charge VAT (output tax) on its sales, and incur VAT (input tax) on its purchases (including any VAT paid at importation). The difference between the output tax and the deductible input tax in each accounting period will be the amount of VAT payable by the business to the tax authority. Where the input tax exceeds the output tax, a refund can be claimed.

A transaction is within the scope of Czech VAT if the following conditions are met:

- it is a supply of goods or services, acquisition of goods from other EU member states and import of goods,
- it takes place in the Czech Republic,
- it is made by a taxable person (a taxable person is a person making business independently),
- it is made in the course of any business carried on by that person or entity,
- it is provided for a consideration.

There are three rates of VAT that are applied to goods and services in the Czech Republic; the standard rate and two reduced rates. In addition, some goods and services are exempted from the tax.

Businesses that make exempt supplies with no right to the VAT claim are unable to claim all or a part of the input tax that they incur, so the VAT paid to suppliers will be a 'real' cost.

Most goods imported into the Czech Republic from outside the EU are subject to VAT. The tax will have to be paid by the importer at the time of importation. Where the importation is for business purposes and the importer is registered for VAT, it may be possible to reclaim the tax (subject to certain rules).

It is also important to note the interaction between VAT and Customs duty. Customs duty is levied across the EU at the place where goods are imported into the community. It is levied in order to bring the costs of goods produced outside the EU up to the same level as those produced within it. Once duty (and VAT) has been paid by the importer, the goods are in 'free circulation' and they can then be released for use in the home market. Unlike other indirect taxes, such as VAT, once duty has been paid it is not usually recoverable by the importer. It therefore represents a bottom line cost to the importing business if it cannot be passed on in higher prices. It is therefore very important to ensure that the correct rate of duty is applied. VAT is charged on the value of the importation, including any custom duty.

Another important Czech Republic indirect tax is excise duty levied on tobacco, beer, wine, spirits and crude oil products.

Is there a registration limit for the tax?

A 'person' who either makes or intends to make taxable supplies of goods or services in the course of a business must register for VAT if the value of its taxable supplies in the Czech Republic exceeds the annual registration limit of CZK 1,000,000 (approximately €40,000). A business can register on a voluntary basis even if the registration limit has not been exceeded.

For these purposes, a 'person' includes any legal entity. Therefore, once a person is registered for VAT, all of their business activities will be covered by the registration – even if the nature of some of those activities are very different.

Two or more corporate bodies can be registered together as a VAT group if:

- each of the bodies is established, or has a fixed establishment for the VAT purposes, in the Czech Republic,
- the bodies are related through capital with the share exceeding 40% (or voting rights exceeding 40%) or are controlled by the same person.

A corporate body cannot be treated as a member of more than one VAT group at a time.

The main advantage of the VAT group registration is that supplies of goods or services by a member of the group to another member of the group are disregarded for the VAT purposes. This may prove advantageous if some of the members of the VAT group do not have full VAT claim entitlement and from the VAT cash flow point of view.

However, there are some disadvantages and any decision on whether to group register should be taken with care. For example, all VAT group members (including former members) are jointly and severally liable for the VAT debt of the group during the period of their membership.

Potential VAT that should have been and penalty will be assessed by the tax authority if a business fails to register at the correct time.

Does the same registration limit apply to non-established businesses?

Normal VAT registration limit does not apply to businesses that are not established in the Czech Republic, but for the purposes of the tax are making taxable supplies there. Those businesses will need to register for the VAT as soon as they commence trading in the Czech republic, irrespective of the level of turnover (certain exceptions, however, do apply).

Registration for the VAT in the Czech Republic may also be required where a non-established EU business is involved with the distance selling. Distance selling occurs when a taxable supplier in one EU country supplies and delivers goods to a customer in another EU country who is not registered or liable to be registered for the VAT. Such customers are known as non-taxable persons, and include eg private individuals or entities not established for making profit. Common examples of distance sales are goods supplied by mail order and via the internet.

Each EU country has the option of applying a distance-selling threshold of either €35,000 or €100,000 per calendar year, or the equivalent in its own currency. The Czech Republic has adopted an annual threshold of CZK 1,140,000 (approximately €45,000).

Distance sales from another EU country to non-taxable persons in the Czech Republic will be subject to VAT at the appropriate rate in the supplier's country. However, once the value of those distance sales to the Czech Republic exceeds the Czech threshold of CZK 1,140,000:

- the Czech Republic becomes the place of supply
- the supplier becomes liable to register for VAT in the Czech Republic
- any further sales to customers in the Czech Republic will be subject to the Czech VAT.

Suppliers can choose to make the Czech Republic the place where the goods are supplied by registering for VAT voluntarily before the threshold is reached.

Is there any specific legislation to tax non-resident supplies of electronically supplied/digital services to private consumers resident in your country?

With effect from 1 January, 2015, Article 58 of the Directive 2006/112/EC was amended. The rules determining the place of supply of electronically supplied services supplied to private consumers (B2C) changed from the Member State where the supplier belongs (ie where established) to the Member State of the consumer. The result of this is that local VAT is chargeable at the applicable rate in each of the Member States in which electronically supplied services are made (ie where the customer belongs). Therefore, B2C supplies of electronically supplied services to customers in the Czech Republic are subject to Czech VAT. To ensure compliance with this regulation, suppliers have the choice to either register for VAT in each Member State where their customers reside, or to opt for registering under the EU VAT MOSS simplification scheme in a single Member State (eg where they are established). Businesses with multiple establishments in the EU can choose in which Member State to operate MOSS (the Member State of Identification). However, the MOSS cannot be used to report local sales to customers in a Member State in which suppliers of electronically supplied services have a fixed establishment. Non-EU suppliers without an establishment in a Member State are free to select a Member State of their choosing to operate MOSS and become their Member State of Identification.

Does a non-established business need to appoint a fiscal representative in order to register?

The concept of a fiscal representative is not defined in the Czech Republic VAT law. However, the non-established business may arrange for a representative based on a power of attorney.

How often do returns have to be submitted?

Most commonly, VAT returns have to be submitted on a monthly basis. Based on application and meeting certain conditions required the entity may apply for a quarterly tax period. All VAT returns have to be submitted within 25 days after the end of the relevant tax period, together with any tax due.

Are penalties imposed for the late submission of returns/ payment of tax?

A penalty will be imposed by the tax authority if VAT returns are not submitted on time, or the related tax is not paid by the due date.

If the VAT return is not filed in time a 0.05% tax liability (maximum 5%) per day penalty is imposed from the 6th working day. Delayed payment interest is assessed in the annual rate of the Czech National Bank repo rate plus 14% (currently approximately 14-15% in total annually) and is imposed from the 5th working day after the due date.

Are any other declarations required?

Businesses that are registered for VAT in the Czech Republic, and make supplies of goods or services to entities registered for the tax in other EU countries are required to complete and submit EC Sales Lists (ECSL). The ECSL must show details of the recipients of the goods and services.

Generally, the ECSL must be submitted each calendar month. If just services under the reverse charge regime are supplied the ECSL is submitted in the same period as the tax return.

In addition, if the value of the intra-EU trade in goods dispatched or arriving from other EU is above an annual threshold, a supplementary declaration (referred to as an Intrastat declaration) has to be submitted for either or both. These declarations have to be submitted on a monthly basis.

As of January 2016 the taxable persons registered for the VAT in the Czech Republic are obliged to submit VAT Control Statement in addition to regular VAT return. In this statement, detailed data about the individual VAT related output and input transactions are reported.

Are penalties imposed in other circumstances?

Besides penalties stated above, a penalty is imposed if tax is additionally assessed by the tax authority. This penalty amounts to 20% of the tax additionally assessed or VAT claim reduced by the tax administrator. Criminal proceedings may be brought in the case of matters that are more serious. If VAT Control Statement is not submitted on time the following penalties will be imposed:

- CZK 1,000, if it is submitted after the due date without a call from the tax administrator
- CZK 10,000, if it is submitted within the deadline given by the tax administrator
- CZK 30,000 if the corrective VAT Control Statement is not submitted although a call to submit it has been issued by the tax administrator
- CZK 50,000 if the regular VAT Control Statement is not submitted nor is submitted after a call of the tax administrator.

A tax administrator imposes a fine up to CZK 50,000 to the entity that upon a call does not amend incorrect data submitted through the Control Statement. A fine up to CZK 500,000 will be assessed to the entity that by not filing a Control Statement complicates or foils the administration of taxes.

Can the VAT incurred by overseas businesses be claimed if they are not registered in the Czech Republic?

Yes, it is possible to reclaim CZ VAT incurred in certain circumstances.

Two schemes exist, one for businesses established in the EU and another for businesses established elsewhere.

The EU cross border refund scheme is available in all EU member States, and enables a business established in an EU country to recover VAT incurred in another member State. To be eligible to make a claim in CZ, the claimant must be a taxable person established in an EU member State, and:

- must have no fixed establishment, seat of economic activity, place of business or other residence in CZ
- during the refund period the claimant must not have supplied any goods or services in CZ, apart from certain limited exceptions.

The amount refundable is determined by the VAT deduction rules that apply in CZ. The claim is submitted electronically from the member State where the entity is established to the Czech tax administration.

The refund period must not cover more than one calendar year or less than three calendar months – unless it is covering the remainder of a calendar year. The claim has to be made by 30 September of the year following that in which the VAT has been incurred.

Businesses established outside of the EU can, subject to certain conditions, also reclaim the VAT incurred on imports into the Czech Republic or purchases of goods and services used in the Czech Republic. The scheme is available to any person carrying on a business established in a third country ie outside the EU, provided that in the period of the claim the person:

- did not have a VAT establishment in the EU
- made no supplies of goods and services in the Czech Republic other than certain specified exceptions
- established in a third country that does not assess a comparable turnover taxes or that country provides reciprocal arrangements for refunds to be made to taxable persons established in the Czech Republic.

The number of countries eligible for this refund is very limited (Switzerland, Norway and Macedonia).

What information must a VAT invoice show?

A VAT invoice must show:

- invoice number
- seller's name and address
- seller's VAT number
- invoice date
- date of supply (also known as tax point) if this is different from the invoice date
- customer's name and address
- customer's VAT number
- description sufficient to identify the goods or services supplied to the customer
- unit price exclusive of tax; also discount, if is not included in the unit price
- tax base
- tax rate
- total amount of VAT in CZK.

The invoice shall also include the following information:

- a reference to the relevant provisions of the CZ VAT Act, provision of the EU regulation or other information indicating that a transaction is exempt if it is exempt from VAT
- 'Self-billing' if the person for whom the transaction is carried out, is empowered to issue a tax invoice
- 'Reverse charge' if the person liable to pay tax is the person for whom the transaction was carried out.

VAT invoices can be issued, received and stored in an electronic format. Electronic invoices must contain the same information as paper invoices. The method used to ensure the authenticity of origin, the integrity of content and legibility of the invoices is a business choice and can be achieved by any methods that create a reliable audit trail between an invoice and a supply of goods or services.

Are there any current or anticipated Standard Audit File for Tax (SAF-T) or similar electronic/digital filing requirements eg invoice listing data file/real-time VAT reporting?

Currently not in CZ. The Control Statement is a detailed list of the individual VAT related transactions submitted electronically to the tax authority usually once a month.

Since 2016, the sales paid by cash, credit or debit card, cheque, gift card or similar instrument have to be recorded electronically and immediately (or within 48 hours during an internet outage) sent to the government database (electronic registration of sales – EET). A code confirming the registration of the sale is then immediately printed on the receipt.

The EET is mandatory for both individual entrepreneurs and legal entities selling goods or services in specific industries. After the launch in 2016, electronic registration of sales became mandatory for accommodation and restaurant services. In 2017, retail and wholesale traders had to join the system.

Transportation, agricultural, regulated professions (tax advisors, auditors, doctors, etc.) and craftsman services were planned to join the EET in 2018, however, this intention was annulled by a decision of the Court and no other date is currently determined.

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Denmark

Indirect tax snapshot

What are the current rate(s) of VAT?	• Standard rate of 25% for most goods and services. • Reduced (effective) rate of 5% for artists' own art objects sold for the first time. • Zero-rated supplies – newspapers and other supplies that mostly relate to international trade.
Are there any confirmed or anticipated changes to these rates?	No.
What is the principal indirect tax?	Value Added Tax (VAT) is the principal indirect tax in Denmark. It is a tax on consumer expenditure and is collected on business transactions and imports.
Is there a registration limit for the tax?	Yes. It relates to the annual turnover of taxable transactions in Denmark, and once the limit has (or will be) reached it is necessary to register. The registration threshold for VAT registration is an annual turnover of DKK 50,000 (About €6,700) and applies to traders who are established in Denmark.
Does the same registration limit apply to non-established businesses?	No. There is no registration limit for businesses that are not established in Denmark and they will need to register as soon as they start to make taxable transactions. Different registration requirements also apply to businesses involved with 'distance sales' made within the European Union (EU), eg mail order and internet sales.
Does a non-established person need to appoint a fiscal representative in order to register?	In certain circumstances, a non-established person outside of the EU may be directed by the Danish tax authority to appoint a fiscal representative.
How often do returns have to be submitted?	Most businesses are required to submit VAT returns covering three-month accounting periods. Returns can also be submitted on a monthly or biannual basis.
Are penalties imposed for the late submission of returns/payment of tax?	Yes. The most typical VAT related offenses are errors caused by negligence (eg failure to meet deadlines), which may cause minor surcharges for reminders etc. In cases of late payment, interest will also be due.
Are any other declarations required?	Yes. Additional declarations must be submitted in respect of certain supplies made to customers who are registered for VAT elsewhere in the EU. This reporting system is known as 'sales listings' or 'EU sales listings' in the common language. Declarations also must be submitted in certain circumstances in connection with goods moving to or from the EU.

Indirect tax snapshot

Are penalties imposed in other circumstances?	Yes. Penalties can be imposed for a range of errors or omissions.
Can the tax incurred by overseas businesses be claimed if they are not registered in your country?	Yes, in certain circumstances and subject to certain conditions.
Deduction of VAT	Non-deductible input VAT: • acquisition and operation of passenger cars equipped for the carriage of no more than nine persons (special rules apply to long-term leasing). However, this does not apply to the cost of crossing the fixed link over the Øresund into Sweden, for traders who trade in or hire out motor vehicles or who operate driving schools • purchase of commercial and cargo vehicles, (eg a van or lorry) with a total permissible weight of not more than three tons, if it is not exclusively used in connection with the trader's deductible supplies of goods and services. VAT on costs related to operation can usually be fully deducted. • purchases made for the benefit of the employees (staff) or the owners of a business (eg food, meals, accommodation etc.) • entertainment, hotel accommodation, restaurant services and gifts. A special rule applies whereby • ¼ of the VAT amount paid for restaurant services are deductible. 100% of the VAT on purchases etc. related to hotel accommodation is deductible, provided that the costs relate strictly to business purposes. VAT on costs of entertainment and gifts are not deductible • acquisition and operation of premises for the trader's owner and staff • payment in kind of the trader's staff • acquisition and operation of crèches, kinder gardens, recreational centers, holiday homes, summer cottages, and similar for the trader's staff.

What is the principal indirect tax?

Value Added Tax (VAT) is the main type of indirect taxation in Denmark and in other European Union (EU) countries.

It is a tax on consumption which is applied during the production and distribution process to most goods and services. It is also applied to goods, and certain services, entering the country. Although VAT is ultimately borne by the consumer by being included in the price paid, the responsibility for charging, collecting and paying it to the tax authority at each stage of the process rests with the business making the supply, ie the sale.

A business registered for the tax will charge VAT (output tax) on its sales and incur VAT (input tax) on its purchases (including any VAT paid at importation). The difference between the output tax and the deductible input tax in each accounting period will be the amount of VAT payable by the business to the tax authority. Where the input tax exceeds the output tax, a refund can be claimed.

A transaction is within the scope of Danish VAT if the following conditions are met:

- it is a supply of goods or services. Although the term 'supply' is not defined in the legislation, it has a broad interpretation
- it takes place in Denmark
- it is made by a taxable person. For these purposes, a taxable person is a person or entity who is registered for VAT in Denmark, or has a liability to become registered
- it is made in the course or furtherance of any business carried on by that person or entity.

There are three rates of VAT that are applied to goods and services in Denmark; the standard rate, the reduced rate, and the zero rate. In addition, some goods and services are exempted from the tax.

Businesses that make exempt supplies are unable to claim all the input tax that they incur, so the VAT paid to suppliers will be a 'real' cost.

Most goods imported into Denmark from outside the EU are subject to VAT. The tax will have to be paid by the importer at the time of importation. Where the importation is for business purposes and the importer is registered for VAT, it may be possible to reclaim the tax (subject to certain rules).

It is also important to note the interaction between VAT and Customs duty. Customs duty is levied across the EU at the place where goods are imported into the community. It is levied in order to bring the cost of goods produced outside the EU up to the same level as those produced within it. Once duty (and VAT) has been paid by the importer, the goods are in 'free circulation' and they can then be released for use in the home market. Unlike other indirect taxes, such as VAT, once duty has been paid it is not usually recoverable by the importer. It therefore represents a bottom line cost to the importing business if it cannot be passed on in higher prices. It is therefore very important to ensure that the correct rate of duty is applied. VAT is charged on the value of the importation, including any custom duty.

Is there a registration limit for the tax?

A 'person' who either makes or intends to make taxable supplies of goods or services in the course or furtherance of a business must register for VAT if the value of its taxable supplies in Denmark exceeds the annual registration limit of DKK 50,000 (approximately €6,700), or is expected to exceed the limit in the near future. A business can register on a voluntary basis even if the registration limit has not been exceeded.

For these purposes, a 'person' includes any legal entity. Therefore, once a person is registered for VAT, all his business activities will be covered by the registration – even if the nature of some of those activities is very different.

Two or more taxable persons (corporate bodies) can be registered together as a VAT group if:

- each of the bodies is established, or has a fixed establishment, in Denmark
- they must carry out non-taxable or non-economic activities
- the entities (eg a parent company) directly or indirectly holds 100% of shares of the other entities.

A corporate body cannot be treated as a member of more than one VAT group at a time.

The main advantage of VAT group registration is that any supply of goods or services by a member of the group to another member of the group is disregarded for VAT purposes. This reduces the risk of VAT being accidentally omitted on supplies between separately registered connected companies.

However, there are some disadvantages and any decision on whether to group register should be taken with care. For example, all VAT group members are jointly and severally liable for the VAT debt of the group during the period of their membership.

The Danish tax authority must give permission to form a VAT group. The application must be submitted one month before the start date.

Does the same registration limit apply to non-established businesses?

The normal VAT registration limit does not apply to businesses who are not established in Denmark, but for the purposes of the tax are making taxable supplies there. Those businesses will need to register for VAT as soon as they commence trading in Denmark, irrespective of the level of turnover.

Registration for VAT in Denmark may also be required where a non-established EU business is involved with distance selling. Distance selling occurs when a taxable supplier in one EU country supplies and delivers goods to a customer in another EU country who is not registered or liable to be registered for VAT. Such customers are known as non-taxable persons and include private individuals and businesses and other organizations that are not registered for VAT (either because of their size, or the fact that they are exempt from having to register due to the nature of their activities). The common examples of distance sales are goods supplied by mail order and via the internet.

Each EU country has the option of applying a distance selling threshold of either €35,000 or €100,000 per calendar year, or the equivalent in its own currency. Denmark has adopted an annual threshold of DKK 280,000 (about €37,500), which almost equates to the lower threshold in Euros.

Distance sales from another EU country to non-taxable persons in Denmark will be subject to VAT at the appropriate rate in the suppliers' country. However, once the value of those distance sales to Denmark exceeds the Danish threshold of DKK 280,000 (about €37,500):

- the supplier becomes liable to register for VAT in Denmark
- Denmark becomes the place of supply
- any further sales to customers in Denmark are subject to Danish VAT.

Suppliers can choose to make Denmark the place where the goods are supplied by registering for VAT voluntarily before the threshold is reached.

Is there any specific legislation to tax non-resident supplies of electronically supplied/digital services to private consumers resident in your country?

With effect 1 January 2015, Article 58 of Directive 2006/112/EC was amended. The rules determining the place of supply of electronically supplied services supplied to private consumers (B2C) changed from the Member State where the supplier belongs (ie where established) to the Member State of the consumer. The result of this is that local VAT is chargeable at the applicable rate in each of the Member States in which electronically supplied services are made (ie where the customer belongs). To ensure compliance with this, suppliers have the choice to either register for VAT in each Member State where their customers reside or elect to register under the EU VAT MOSS simplification scheme in a single Member State (where they are established). Businesses with multiple establishments in the EU can choose which Member State to operate MOSS (the Member State of Identification). However, the MOSS cannot be used to report local sales to customers in a Member State in which suppliers of electronically supplied services have a fixed establishment. Non-EU suppliers without an establishment in a Member State are free to select a Member State of their choosing to operate MOSS and become their Member State of Identification.

Does a non-established business need to appoint a fiscal representative in order to register?

The tax authority in Denmark may direct a person to appoint a VAT representative to act on his behalf for VAT purposes where the person is established in a country or territory which is not an EU country (or part of such a country) and where it appears to the Danish tax authority that there is no provision for mutual assistance similar to that which provided between Denmark and other EU countries. However, this does not apply to persons established on the Faroe Islands or in Greenland (which are parts of the Kingdom of Denmark, but not part of the EU) or in Iceland or Norway.

Traders established in the EU, Greenland, the Faroe Islands, Iceland or Norway can elect to be registered directly at their home address.

How often do returns have to be submitted?

VAT returns normally cover an accounting period of three months, ending on the last day of a calendar month.

As a main rule, a newly registered business must declare VAT electronically on a quarterly basis unless the expected annual revenue is more than approximately €7,333,333 (in which case the VAT period is a month).

A business with annual revenue of less than DKK 5,000,000 (approximately €666,667) must file an electronic VAT return bi-annually. The VAT must be declared and paid at the latest on the first day of the third month after the expiry of the tax period.

The VAT period is a calendar quarter for a business with annual revenue of between DKK 5,000,000 and DKK 50,000,000 (approximately €666,667 – 6,666,667). The VAT must be declared and paid at the latest on the first day of the third month after the expiry of the tax period.

For businesses with annual revenue of more than DKK 50,000,000 (approximately €6,666,667), the VAT period is a calendar month. VAT must be declared and paid at the latest on the 25th day of the following month. However, VAT for June should be reported and paid by a specific date indicated by the tax authorities each year (around 17 August) as that is the main summer holiday period.

Are penalties imposed for the late submission of returns/payment of tax?

If the payment is late, the tax authority will charge fees and interest. Interest will be added to the outstanding VAT amount for each day the business exceeds the deadline. Therefore, the outstanding amount will increase for each day the businesses do not pay.

Are any other declarations required?

Businesses that are registered for VAT in Denmark and make supplies of goods or services to traders registered for the tax in other EU countries are required to complete and submit EC Sales Lists (ESLs) electronically. The ESLs must show details of the recipients of the goods and services.

The reports (ESLs) must be submitted monthly by the 25th of the next month. There is also an option to file the reports on a quarterly basis if the business's revenue remains below a certain threshold and if the company is not reporting VAT monthly.

In addition, if the value of the intra-EU trade in goods dispatched or arriving from other EU is above an annual threshold, a supplementary declaration (referred to as an Intrastat declaration) must be submitted for either or both. These declarations must be submitted monthly.

Are penalties imposed in other circumstances?

Yes. A range of penalties can be imposed where businesses do not comply with the VAT rules.

Civil penalties and interest can be applied for errors and omissions made on tax returns, or where the tax is paid late. Penalties can also be applied where the business has failed to maintain adequate records, provide information (including additional declarations), or makes repeated mistakes.

Criminal proceedings may be brought in the case of more serious matters.

Notifying the Danish tax authorities of an offence may reduce (or even avoid) sanctions, provided that the violation of the VAT provisions is not due to willful intent. If a violation of the Danish VAT Act occurs in a field with especially complex VAT rules, the fine may also be reduced (unless it can be proved that the violation was committed intentionally).

Can the VAT incurred by overseas businesses be claimed if they are not registered in Denmark?

Yes, it may be possible to reclaim the VAT incurred in certain circumstances.

Two schemes exist, one for businesses established in the EU and another for businesses established elsewhere.

The EU cross border refund scheme is available in all EU member States, and enables a business established in an EU country to recover VAT incurred in another member State. To be eligible to make a claim, the claimant must be a taxable person established in an EU member State other than the one from which the claim is to be sought. In addition, the claimant:

- must not be registered, liable, or eligible to be registered in the member State from which he is claiming the refund
- must have no fixed establishment, seat of economic activity, place of business or other residence there
- during the refund period he must not have supplied any goods or services in the member State of refund, apart from certain limited exceptions.

The amount that is refundable is determined by the deduction rules that apply in the country making the refund. The claim is submitted electronically to the tax authority from whom the repayment is being sought.

The refund period must not cover more than one calendar year or less than three calendar months – unless it is covering the remainder of a calendar year. The claim must be made by 30 September of the year following that in which the VAT was incurred.

Businesses established outside of the EU can, subject to certain conditions, also reclaim the VAT incurred on imports into Denmark or purchases of goods and services used in Denmark. The scheme is available to any person carrying on a business established in a third country, ie outside the EU, provided that the following four conditions are met:

1. the business is not domiciled or has a place of business or the like in Denmark
2. the goods or services are bought for commercial use
3. the business would be subject to a registration tax in accordance with the Danish VAT Act (Momsloven) if the business was situated in Denmark
4. During the period which the application concerns, the applicant has not conducted business which is subject to registration tax except for:
   - delivery of services (including transport services and related services), if these services are directly related to the export of goods to locations outside the EU
   - delivery of services (including transport services and related services), if these services are directly related to the import of goods which are included by a scheme according to which complete VAT exemption is granted on imports. This also applies to services in connection with goods held in bond in a tax and customs warehouse.

The claim period in Denmark is from 1 July to 30 June each year. Claim forms must be submitted to the Danish tax authority no later than six months from the end of the relevant designated year, ie by 31 December each year.

What information must a VAT invoice show?

A VAT invoice must show:

- an invoice number which is unique and sequential
- the seller's name and address
- the seller's VAT registration number
- the invoice date
- the time of supply (also known as tax point) if this is different from the invoice date
- the customer's name and address
- a description sufficient to identify the goods or services supplied to the customer
- the rate of any cash discount
- the total amount of VAT charged.

For each different type of item listed on the invoice, the following must be shown:

- the unit price or rate, excluding VAT
- the quantity of goods or the extent of the services
- the rate of VAT that applies to what's being sold
- the total amount payable, excluding VAT.

Where a VAT invoice includes zero-rated or exempt goods or services, it must:

- show clearly that there is no VAT payable on those goods or services
- show the total of those values separately.

Where a business makes retail sales and makes a sale of goods or services for DKK 3,000 or less exclusive of VAT, a simplified VAT invoice can be issued. This applies if the sales amount is small or if the purchaser is a private person.

In some cases, there must always be issued a full invoice.

This applies, for example, if the buyer is another VAT registered business that asks for a full invoice. This applies, for example, also from the sale of services to private individuals, if the invoice amount incl. VAT is DKK 5,000 or more.

VAT invoices can be issued, received and stored in electronic format in Denmark and there is no need to tell the tax authority. Electronic invoices must contain the same information as paper invoices. The method used to ensure the authenticity of origin, the integrity of content and legibility of the invoices is a business choice and can be achieved by any business controls which create a reliable audit trail between an invoice and a supply of goods or services.

Electronic invoices may with regard to VAT be stored abroad, provided that:

- Danish tax authorities are notified of the storage location
- Danish tax authorities have full online access upon request
- storage does not take place outside the EU or the Nordic countries.

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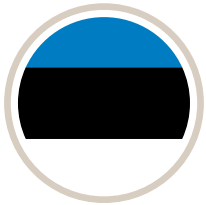

Estonia

Indirect tax snapshot

What are the current rate(s) of VAT?	• Standard rate of 20% for most goods and services. • Reduced rate of 9% for some goods and services including books, periodic publications, medicinal products and accommodation services.
Are there any confirmed or anticipated changes to these rates?	No.
What is the principal indirect tax?	Value Added Tax (VAT) is the principal indirect tax in Estonia. It is a tax on consumer expenditure, and is collected on business transactions and imports.
Is there a registration limit for the tax?	Yes. If the taxable supply of the transactions, except the transfer of fixed assets and distance selling to a person of Estonia, carried out by a person exceeds €40,000 as calculated from the beginning of a calendar year, an obligation to register as a taxable person arises.
Does the same registration limit apply to non-established businesses?	Yes. In addition, if a taxable person of another EU is engaged in distance selling to a person of Estonia (excluding distance selling of excise goods) and the taxable value of the supply of the distance selling exceeds €35,000 as calculated from the beginning of a calendar year, the registration obligation arises.
Does a non-established person need to appoint a fiscal representative in order to register?	If a non-established person is established outside of the EU, they are required to appoint a fiscal representative.
How often do returns have to be submitted?	The taxable period is one calendar month. The VAT return must be submitted to the tax authority by the 20th day of the month following the taxable period.
Are penalties imposed for the late submission of returns/payment of tax?	Yes. If a VAT return, or the corresponding payment, is submitted late a penalty can be imposed. If the VAT payment is late, an interest of 0.06% per day is calculated based on the payable amount.
Are any other declarations required?	Yes. EC Sales list has to be submitted in respect of certain supplies made to customers who are registered for VAT elsewhere in the EU. Intrastat declarations also have to be submitted in certain circumstances in connection with goods moving to or from the EU.
Are penalties imposed in other circumstances?	Yes. Penalties can be imposed for a range of errors or omissions.
Can the tax incurred by overseas businesses be claimed if they are not registered in your country?	Yes, in certain circumstances and subject to certain conditions.
Deduction of VAT	The VAT of goods or services relating to the reception of guests or the provision of meals or accommodation for employees is not deductible. In certain circumstances, when acquiring an automobile and purchasing of goods and receiving of services for such an automobile then 50% of the input VAT is deductible when the automobile is being used also for private purposes.

What is the principal indirect tax?

Value Added Tax (VAT) is the main type of indirect taxation in Estonia and in other European Union (EU) countries.

It is a tax on consumption which is applied during the production and distribution process to most goods and services. It is also applied to goods, and certain services, entering the country. Although VAT is ultimately borne by the consumer by being included in the price paid, the responsibility for charging, collecting and paying it to the tax authority at each stage of the process rests with the business making the supply, ie the sale.

A business registered for the tax will charge VAT (output tax) on its sales, and incur VAT (input tax) on its purchases (including any VAT paid at importation). The difference between the output tax and the deductible input tax in each accounting period will be the amount of VAT payable by the business to the tax authority. Where the input tax exceeds the output tax, a refund can be claimed.

A transaction is within the scope of Estonian VAT if the following conditions are met:

- it is a supply of goods or services (although the term 'supply' is not defined in the legislation, and has a broad interpretation
- it takes place in Estonia
- it is made by a taxable person. For these purposes, a taxable person is a person or entity who is registered for VAT in Estonia, or has a liability to become registered
- it is made in the course or furtherance of any business carried on by that person or entity.

There are three rates of VAT that are applied to goods and services in Estonia; the standard rate, the reduced rate, and the zero rate. In addition, some goods and services are exempted from the tax.

Businesses that make exempt supplies are unable to claim all of the input tax that they incur, so the VAT paid to suppliers will be a real cost.

Most goods imported into Estonia from outside the EU are subject to VAT. The tax will have to be paid by the importer at the time of importation. Where the importation is for business purposes and the importer is registered for VAT, it may be possible to reclaim the tax (subject to certain rules).

It is also important to note the interaction between VAT and customs duty. Customs duty is levied across the EU at the place where goods are imported into the community. It is levied in order to bring the cost of goods produced outside the EU up to the same level as those produced within it. Once duty (and VAT) has been paid by the importer, the goods are in 'free circulation' and they can then be released for use in the home market. Unlike other indirect taxes, such as VAT, once duty has been paid it is not usually recoverable by the importer. It therefore represents a bottom line cost to the importing business if it cannot be passed on in higher prices. It is therefore very important to ensure that the correct rate of duty is applied. VAT is charged on the value of the importation, including any custom duty.

Is there a registration limit for the tax?

A person who either makes or intends to make taxable supplies of goods or services in the course or furtherance of a business must register for VAT if the value of its taxable supplies in Estonia exceeds the annual registration limit (€40,000), or is expected to exceed the limit in the near future. A person is required to submit an application for registration as a taxable person to the tax authority within three working days as of the date on which the registration obligation arises. A business can register on a voluntary basis even if the registration limit has not been exceeded.

For these purposes, a person includes any legal entity. Therefore, once a person is registered for VAT, all of his business activities will be covered by the registration – even if the nature of some of those activities are very different.

The tax authority shall register a parent undertaking and its subsidiaries as a single taxable person, ie VAT group, on the basis of a joint application by such taxable persons. Taxable persons who are economically and organisationally related shall also be registered as a VAT group on the basis of a joint application if more than 50 percent of the shares, holding or votes of each company to be registered within the composition of a VAT group are owned by one and the same person or if the persons are related on the basis of a franchise contract.

A corporate body cannot be treated as a member of more than one VAT group at a time.

The main advantage of a VAT group registration is that, apart from a few limited exceptions, any supply of goods or services by a member of the group to another member of the group is disregarded for VAT purposes. This reduces the risk of VAT being accidentally omitted on supplies between separately registered connected companies.

However, there are some disadvantages and any decision on whether to group register should be taken with care. For example, all VAT group members (including former members) are jointly and severally liable for the VAT debt of the group during the period of their membership.

The tax authority may register the company retrospectively, on its own initiative, if a business fails to register at the correct time.

Does the same registration limit apply to non-established businesses?

The normal VAT registration limits and regulations also apply to businesses who are not established in Estonia.

Registration for VAT in Estonia may also be required where a non-established EU business is involved with distance selling. Distance selling occurs when a taxable supplier in one EU country supplies and delivers goods to a customer in another EU country who is not registered or liable to be registered for VAT. Such customers are known as non-taxable persons, and include private individuals and businesses as well as other organisations that are not registered for VAT (either because of their size, or the fact that they are exempt from having to register due to the nature of their activities). The common examples of distance sales are goods supplied by mail order and via the internet.

Each EU country has the option of applying a distance selling threshold of either €35,000 or €100,000 per calendar year, or the equivalent in its own currency. Estonia has adopted an annual threshold of €35,000.

Distance sales from another EU country to non-taxable persons in Estonia will be subject to VAT at the appropriate rate in the suppliers' country. However, once the value of those distance sales to Estonia exceeds the threshold of €35,000:

- the supplier becomes liable to register for VAT in Estonia
- Estonia becomes the place of supply
- any further sales to customers in Estonia are subject to Estonian VAT.

Suppliers can choose to make Estonia the place where the goods are supplied by registering for VAT voluntarily before the threshold is reached.

Is there any specific legislation to tax non-resident supplies of electronically supplied/digital services to private consumers resident in your country?

With effect from 1 January 2015, Article 58 of Directive 2006/112/EC was amended. The rules determining the place of supply of electronically supplied services supplied to private consumers (B2C) changed from the Member State where the supplier belongs (ie where established) to the Member State of the consumer. The result of this is that local VAT is chargeable at the applicable rate in each of the Member States in which electronically supplied services are made (ie where the customer belongs). To ensure compliance with this, suppliers have the choice to either register for VAT in each Member State where their customers reside, or elect to register under the EU VAT MOSS simplification scheme in a single Member State (where they are established). Businesses with multiple establishments in the EU can choose which Member State to operate MOSS (the Member State of Identification). However, the MOSS cannot be used to report local sales to customers in a Member State in which suppliers of electronically supplied services have a fixed establishment.

Non-EU suppliers without an establishment in a Member State are free to select a Member State of their choosing to operate MOSS and become their Member State of Identification.

Does a non-established business need to appoint a fiscal representative in order to register?

A person of another Member State engaged in business with no permanent establishment in Estonia has the right to appoint upon registration as a taxable person a tax representative, who has been approved by the tax authority.

A person of a third country engaged in business with no permanent establishment in Estonia shall appoint, upon registration as a taxable person, a tax representative, who has been approved by the tax authority.

How often do returns have to be submitted?

The taxable period is one calendar month. The VAT return and appendix thereto shall be submitted to the tax authority by the 20th day of the month following the taxable period.

On the basis of a reasoned request made by a taxable person, the tax authority may, by his or her decision, establish a taxable period longer than one calendar month for the taxable person, which begins on the first day of the calendar month or first taxable period and ends on the last day of one of the following calendar months. Also in this case, VAT returns shall still be submitted to the tax authority by the 20th day of the month following the taxable period.

The first taxable period for a taxable person (and taxable person with limited liability) is the period from the date of registration until the end of the same month. If the number of calendar days in the first taxable period is less than fifteen, the taxable person or taxable person with limited liability may declare the supply of the first period together with the supply of the following taxable period and submit one return concerning two taxable periods.

The VAT return shall be submitted electronically if the person has been a taxable person for at least 12 months or more than five invoices are included in the appendix to the VAT return. On the basis of a reasoned request made by a taxable person or a taxable person with limited liability, the tax authority may allow the submission of a VAT return on paper.

The data from the invoices issued to and received from a legal person, sole proprietor and state, rural municipality and city authority and the registry code issued to a transaction partner in Estonia, the personal identification code in the case of a notary and bailiff shall be reflected in the appendix to the VAT return. The appendix to the VAT return shall reflect the invoices in which the transferor of the goods or provider of services has marked the supply taxable at the 20% and 9% VAT rate, except for the invoices submitted under the special arrangement, if the invoice or the total amount of invoices without VAT makes up at least €1,000 for one transaction partner during the taxation period. The transaction partner-based threshold shall be calculated separately for purchase and sale invoices. The invoices shall not be summed up in the appendix to the VAT return.

Are penalties imposed for the late submission of returns/ payment of tax?

A default surcharge penalty may be imposed by the tax authority if VAT returns are not submitted on time.

If the tax is not paid by the due date, 0.06% tax interest will be calculated per day on top of the tax amount.

For the late submission or payment, the tax authority can issue a notification to the taxpayer confirming that a penalty may be imposed if the obligation will not be replete by a given deadline.

Are any other declarations required?

Businesses registered for VAT in Estonia that make supplies of goods or services to traders registered for the tax in other EU countries are required to complete and submit EC Sales Lists (ESLs). The ESLs must show details of the recipients of the goods and services.

ESLs should be submitted for each taxable period, by the 20th day of the month following the taxable period.

In addition, if the value of the intra-EU trade in goods dispatched or arriving from other EU is above an annual threshold, a supplementary declaration (referred to as an Intrastat declaration) has to be submitted for either or both. These declarations have to be submitted on a monthly basis.

Are penalties imposed in other circumstances?

Yes. A range of penalties can be imposed where businesses do not comply with the VAT rules.

Civil penalties and interest can be applied for errors and omissions made on tax returns, or where the tax is paid late. Penalties can also be applied where the business has failed to maintain adequate records, provide information (including additional declarations), or makes repeated mistakes.

Criminal proceedings may be brought in the case of more serious matters.

Can the VAT incurred by overseas businesses be claimed if they are not registered in Estonia?

Yes, it may be possible to reclaim the VAT incurred in certain circumstances. Two schemes exist, one for businesses established in the EU and another for businesses established elsewhere.

The EU cross border refund scheme is available in all EU States, and enables a business established in the EU to recover VAT incurred in another member State. To be eligible to make a claim, the claimant must be a taxable person established in an EU member State other than the one from which the claim is to be sought. In addition, the claimant: must not be registered, liable, or eligible to be registered in the member State from which he is claiming the refund must have no fixed establishment, seat of economic activity, place of business or other residence there during the refund period he must not have supplied any goods or services in the member State of refund, apart from certain limited exceptions.

The amount that is refundable is determined by the deduction rules that apply in the country making the refund. The claim is submitted electronically to the tax authority from whom the repayment is being sought.

The refund period must not cover more than one calendar year or less than three calendar months – unless it is covering the remainder of a calendar year. The claim has to be made by 30 September of the year following that in which the VAT was incurred.

Businesses established outside of the EU can, subject to certain conditions, also reclaim the VAT incurred on imports into Estonia or purchases of goods and services used in Estonia. The scheme is available to any person carrying on a business established in a third country, ie outside the EU, provided that in the period of the claim:

- they were not registered or liable to be registered for VAT in Estonia
- they were not established in any EU country
- they made no supplies of goods and services in Estonia other than certain specified exceptions
- where they are established in a third country having a comparable system of turnover taxes, unless the Estonian tax authority allows otherwise, that country provides reciprocal arrangements for refunds to be made to taxable persons established in Estonia.

The refund period must not cover more than one calendar year or less than three calendar months – unless it is covering the remainder of a calendar year. The claim has to be made by 30 September of the year following that in which the VAT was incurred.

What information must a VAT invoice show?

A VAT invoice must show:

- the serial number and date of issue of the invoice
- the name and address of the taxable person and the person's registration number as a taxable person
- the name and address of the acquirer of goods or the recipient of services
- the registration number of the acquirer of goods or the recipient of services as a taxable person if the acquirer of goods or the recipient of services has tax liabilities upon the acquisition of goods or receipt of services
- the name or a description of the goods or services
- the quantity of the goods or extent of the services
- the date of dispatch of the goods or provision of the services or the date of receipt of full or partial payment for the goods or services if the date can be determined and differs from the date of issue of the invoice
- the price of the goods or services exclusive of VAT and any discounts, if these are not included in the price
- the taxable amount broken down by different rates of VAT together with the applicable rates of VAT or the amount of supply exempt from tax
- the amount of VAT payable. The amount of VAT shall be indicated in Euros.

An invoice may be issued on paper or, subject to acceptance by the acquirer of goods or the recipient of services, by electronic means.

A simplified invoice may be issued, provided that the amount indicated in the invoice does not exceed €160, exclusive of VAT, in the following cases:

- upon the provision of transport services for passengers
- in the case of invoices printed by parking meters, automated petrol stations and other similar machines.

Are there any current or anticipated Standard Audit File for Tax (SAF-T) or similar electronic/digital filing requirements eg invoice listing data file/real-time VAT reporting?

In Estonia it is possible to submit VAT declarations as xml-or csv-file but it is not mandatory. Generally, VAT returns must be submitted electronically, but this can also be done by entering data manually into the database of tax authorities.

Real-time VAT reporting has been under discussion, but whether and when it comes into effect is not known.

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Indirect tax snapshot

What are the current rate(s) of VAT?	• Standard rate of 24% for most goods and services. • Reduced rate of 14% for food, animal feed, restaurant and meal catering services. • Reduced rate of 10% for books, medicine, services relating to physical exercise and sports, movies, entrance to cultural events and to entertainment events, transport of passengers, accommodation, and TV licenses. • A Zero-rate applies in certain instances (eg intra-Community supplies of goods and exports of goods). Additionally, certain services (eg financial services, insurance services, and certain educational services) are exempted from VAT.
Are there any confirmed or anticipated changes to these rates?	No.
What is the principal indirect tax?	Value Added Tax (VAT) is the principal indirect tax in Finland, and is levied on supplies of goods and services.
Is there a registration limit for the tax?	Yes. It relates to the annual turnover of taxable transactions in Finland, and once the limit has been reached it is necessary to register.
Does the same registration limit apply to non-established businesses?	No. As a rule, non-established businesses are required to register for VAT purposes once they start to make VAT taxable transactions in Finland. However, as an exception, there is a registration limit for non-established businesses engaged in distance sales.
Does a non-established person need to appoint a fiscal representative in order to register?	A fiscal representative is required, if the person is established in a non-EU country or in a country which Finland has not concluded a treaty regarding mutual change of information with.
How often do returns have to be submitted?	Most businesses are required to submit VAT returns on monthly basis. Quarterly and annual reporting is available for small business.
Are penalties imposed for the late submission of returns/payment of tax?	Yes. If a VAT return, or the corresponding payment, is submitted late a penalty is imposed.
Are any other declarations required?	In addition to the VAT return a European Sales Listing (ESL) – return needs to be submitted in connection with supplies of goods and services to other EU countries.
Are penalties imposed in other circumstances?	Yes. Penalties can be imposed for a range of errors or omissions.
Can the tax incurred by overseas businesses be claimed if they are not registered in your country?	Yes, overseas businesses may apply for refund in certain situations provided that all conditions for the refund are met.
Deduction of VAT	VAT deduction can only be made from purchased made for VATable business use. Purchases made, for example private use or entertainment is not VAT deductible.

What is the principal indirect tax?

Value Added Tax (VAT) is the main indirect tax in Finland as in other European Union (EU) countries.

VAT is a consumption tax which is applied on the supply of most goods and services. It is also applied to goods, and certain services imported to Finland.

As VAT is levied on transactions the seller has the responsibility for charging, collecting and paying VAT to the tax authority on every supply (output tax). Thus, the seller operating a value added taxable business in Finland is liable to register for VAT purposes.

In addition to output tax, the seller may also incur VAT (input tax) on its purchases including the VAT paid at importation. The difference between the output tax and the deductible input tax in each accounting period will be the amount of VAT payable by the business to the tax authority. Where the input tax exceeds the output tax, a refund can be claimed.

Value added tax is payable in Finland on:

- the sales of goods and services in the conduct of business, which takes place in Finland
- the importation of goods, which takes place in Finland
- the intra-Community acquisition of goods, referred to in Article 26 a, which takes place in Finland
- the removal of goods from warehousing arrangements, as referred to in Article 72 l, which takes place in Finland.

There are three rates of VAT that are applied to goods and services in Finland; the standard rate and the two reduced rate and the zero rate. Additionally, a zero-rate applies in certain instances. Even though VAT is broadly applied to transactions, some goods and services are exempted from VAT.

Is there a registration limit for the tax?

A person operating a value added taxable business is liable to register for VAT purposes if his turnover during a calendar year amounts to €8,500 or more (In 2018 the threshold is €10,000). Additionally, a voluntary registration is available even if the registration limit would not be exceeded.

For the registration purposes, a 'person' includes any legal entity engaged in business operations. The registration will cover all business activities apart from voluntary registration for letting of real property.

Two or more persons within the field of financial or insurance services may form a group for VAT purposes and apply for VAT group registration. For the VAT group registration it is provided that the persons within the group:

- are providing financial or insurance services
- are established, or has a fixed establishment, in Finland
- have close financial, economic and administrative connections with each other.

The main advantage of a VAT group is that, any supply of goods or services within the group is disregarded for VAT purposes. However, there are also some disadvantages such as the liability for taxes. Within the group all members of the VAT group are jointly and severally liable for the VAT debt of the group during the period of their membership.

Does the same registration limit apply to non-established businesses?

No. The VAT registration threshold does not apply to supplies made by a non-established business that does not have a fixed establishment in Finland. If the reverse charge does not apply, the non-established business must register for VAT in Finland.

A non-established person that does not have a permanent establishment in Finland may apply for voluntary registration for VAT purposes.

A non-established person engaged in distance selling is liable to register for VAT purposes in Finland if the threshold of €35,000 is exceed during a calendar year. Once the threshold is exceeded the supplies are subject to VAT in Finland. Also a voluntary registration for distance sales before the threshold is exceeded is available.

Is there any specific legislation to tax non-resident supplies of electronically supplied/digital services to private consumers resident in your country?

As of the beginning of 2015, telecommunications, radio and television broadcasting and electronically supplied services sold to non-taxable persons will be taxed in the country where the buyer is established. As of 1st January 2015, businesses supplying electronic services to EU non-taxable persons are able to choose Finland as their Member State of identification and declare VAT on services sold to other EU Member State consumers via the Finnish internet portal.

A business using the special scheme will take care of the reporting and payment obligations related to the VAT of telecommunications, broadcasting or electronically supplied service sales in one EU Member State. A business not using the special scheme must be registered for VAT purposes in Finland if it sells telecommunications, broadcasting or electronically supplied services to consumers in Finland.

Does a non-established business need to appoint a fiscal representative in order to register?

Yes, a fiscal representative is required from such persons, that are not established in Finland and do not have a fixed establishment in the European Union or in a country which have a treaty with Finland concerning mutual assistance. The fiscal representative appointed must be domiciled in Finland and needs to be approved by the Regional Tax Office. In addition the Regional Tax Office may require a guarantee for the payment of the tax.

How often do returns have to be submitted?

The general accounting period for VAT is one month. The periodic VAT return submitted on monthly basis must arrive at the tax office on the 12th day of the second month following the accounting period in question.

However, there is relief available for smaller businesses. If the turnover is under €100,000 per year the person liable to tax may apply for quarterly accounting period, ie the periodic VAT return is filed in every three months. If the turnover is under €30,000 per year the person liable to tax may apply for annual accounting period, ie the periodic VAT return is filed in every twelve months.

Are penalties imposed for the late submission of returns/ payment of tax?

Yes. If the periodic VAT return is submitted late a penalty for late filing is imposed. The amount of the penalty depends on how many days late the return is submitted and on the size of the tax payable, but with the maximum amount being €15,000.

If the tax payable has not been paid by the due date a late payment interest is payable. The taxpayer is expected to calculate the correct amount of late payment interest and account it to the tax account on one's own initiative. The interest will start to accrue on the day following the due date and it will stop accruing on the date of payment, both days inclusive.

Are any other declarations required?

A person making intra-community supplies of goods or services is required to submit EC sales listing (ESL return). The ESL return states the details of the purchaser and the value of the transactions of goods and services. The ESL return needs to be submitted not later than the 20th day of the month.

Additionally, an intra-stat return for import or export needs to be filed if certain thresholds have been exceeded in intra-community supplies of goods. The intrastat return is submitted on monthly basis.

Are penalties imposed in other circumstances?

In addition to penalty for late filing and late payment interest a punitive tax increase may be imposed if the VAT rules are not followed. Depending on the nature of the neglect or error, the tax increase may vary from 15% to 15%. In case of tax fraud, the tax may be increased by not less than 50% and to not more than three times its amount.

Also a punitive payment due to neglect may be issued due to neglectful actions other than misfiling a VAT return, after a notice from the Tax Administration. Maximum amount for the payment is €15,000. A punitive payment of €2,000 to €15,000 may also be issued for a failure to file or misfiling the summary notice concerning EU trade by a VAT able business.

Can the VAT incurred by overseas businesses be claimed if they are not registered in Finland?

Yes, Finland has adopted two special refund schemes for non-registered businesses; one for EU established businesses and the other for businesses outside EU.

The EU cross border refund scheme, available in all EU member States, allows non-registered, but EU established businesses to recover VAT incurred in Finland under certain conditions.

Businesses established outside of the EU can also reclaim the VAT incurred on imports or purchases of goods and services under certain strict conditions.

What information must a VAT invoice show?

The following information must be stated on a VAT invoice:

- the date of issue of the invoice
- a sequential number, based on one or more series, which uniquely identifies the invoice
- the VAT number of the taxable person who supplied the goods or services to which the invoice relates
- the buyer's VAT number when reverse charge is applied, and in the case of intra-community trade
- full names and addresses of the seller and buyer
- the quantity and nature of the goods supplied or the extent and nature of the services rendered
- the date on which the goods or services were supplied or the date on which a prepayment on account was made
- the price exclusive of VAT per rate of VAT, displaying the unit price and any rebates, discounts and credits (if not included in the unit price)
- the rate of VAT chargeable
- the VAT payable in respect of the supply of the goods or services
- indications of any VAT exemption or reverse charge
- if the invoice is drafted by the buyer, the term 'self-invoicing'
- if applicable, the details necessary to identify the goods as a new means of transport
- if applicable, an indication concerning the VAT margin scheme if second-hand goods, works of art, antiquities and collectibles or certain travel agency services are being supplied
- if applicable, an indication concerning the supply of taxable investment gold
- if an earlier invoice is being amended, a reference to the earlier invoice.

If the value of goods or services is less than €400 a simplified invoice may be issued. A simplified invoice must state the following information:

- the date of issue
- the seller's name and VAT number (business identification)
- identification of the type of goods (including quantity) and services supplied
- the VAT due, specified by the rates of VAT chargeable, or alternatively, the price(s) exclusive of VAT per rate of VAT.

Are there any current or anticipated Standard Audit File for Tax (SAF-T) or similar electronic/digital filing requirements eg invoice listing data file/real-time VAT reporting?

There have been discussions concerning the adoption of SAF-T in Finland but at least as of yet, no measures have been implemented nor concrete decisions made in the matter.

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Indirect tax snapshot

What are the current rate(s) of VAT?	**Mainland** • standard VAT rate: 20% • reduced VAT rates: 10%, 5.5%, 2.1% **Corsica** • standard VAT rate : 20% • reduced VAT rates: 13%, 10%, 2.1%, 0.9% **French overseas territories** • standard VAT rate: 8.5% • reduced VAT rates: 2.1%, 1.75%, 1.05%
Are there any confirmed or anticipated changes to these rates?	No.
What is the principal indirect tax?	Value Added Tax (VAT) is the principal indirect tax in France. It is a tax on consumer expenditure, and is collected on business transactions and imports.
Is there a registration limit for the tax?	No. There is no VAT registration threshold in France. Under the franchise regime, the established entity is required to VAT-register. However, the latter is dispensed from filing French VAT returns and paying VAT if the turnover generated during the previous calendar year did not exceed: • €82,200 excluding VAT overall, and • €32,900 excluding VAT for services (except accommodation services).
Does the same registration limit apply to non-established businesses?	Not applicable.
Does a non-established person need to appoint a fiscal representative in order to register?	Businesses established in the European Union (EU) may appoint a VAT agent that acts under the responsibility of the foreign entity. The VAT agent will be in charge of the French formalities in the name of the foreign entity without being liable for VAT. Businesses established outside the EU (except some countries having concluded with France a convention of assistance for the recovery of a tax claim) must in principle appoint a French VAT representative which is jointly and severally liable for the VAT obligations including the payment.
How often do returns have to be submitted?	Under the standard regime, in principle, French VAT returns must be filed on a monthly basis. However, VAT returns may be filed on a quarterly basis when the annual VAT amount due is less than €4,000.

Indirect tax snapshot

Are penalties imposed for the late submission of returns/payment of tax?	**Late filing of French VAT returns** The French tax authorities may apply: • 10% penalty increased to 40% or 80% under specific cases • 0.4% per late month (late payment interest). **Late payment of French VAT** The French tax authorities may apply: • 5% penalty of the VAT due unless the taxable person submits the VAT returns too late but with the full payment of the VAT due • 0.4% per late month (late payment interest).
Are any other declarations required?	Depending on the nature of the operations performed in France; additional declarations may be required (eg monthly Intrastat returns in case of intra-EU acquisitions or deliveries of goods; EC sales list for services; export or import customs documents).
Are penalties imposed in other circumstances?	Yes, in cases of tax audits and bad faith or fraud.
Can the tax incurred by overseas businesses be claimed if they are not registered in your country?	Yes, in certain circumstances and subject to certain conditions.
Deduction of VAT	In principle, a taxable person may recover the input VAT incurred on the purchase of goods/services used for business purposes, if this person is fully liable for VAT on its operations performed. Some items do not entitle VAT recovery such as: • hotel accommodation for directors or employees • petrol • transport of passengers • business gifts valued at more than €65 including VAT/year and beneficiary.

What is the principal indirect tax?

Value Added Tax (VAT) is the main indirect tax in France.

VAT is a tax on consumption which is applied during the production and distribution process to most goods and services. It is also applied to goods and certain services entering the country. Although VAT is ultimately borne by the consumer by being included in the price paid, the responsibility for charging, collecting and paying it to the French tax authorities at each stage of the process rests with the business performing the supplies or selling the goods.

An established business will charge VAT (output VAT) on its sales of goods or services and incur VAT (input VAT) on its purchases. The difference between the output VAT and the input VAT in each declarative period will be the amount of VAT payable by the established business to the French tax authorities. Where the input tax exceeds the output tax, a VAT refund can be claimed.

Is there a registration limit for the tax?

No. There is no VAT registration threshold in France.

Under the franchise regime, the established entity is required to VAT-register. However, the latter is dispensed from filing French VAT returns and paying VAT if the turnover generated during the previous calendar year did not exceed:

- €82,200 excluding VAT overall
- €32,900 excluding VAT for services (except accommodation services).

Does the same registration limit apply to non-established businesses?

Non-established entities in France performing operations in the scope of French VAT need to register for VAT as soon as they start their operations in the scope of French VAT, irrespective of the level of turnover. A non-established person engaged in distance selling is liable to register for VAT purposes in France if the threshold of €35,000 is exceeded during a calendar year.

Once the threshold is exceeded the supplies are subject to VAT in France. Also a voluntary registration for distance sales before the threshold is exceeded is available.

Are there any current or anticipated Standard Audit File for Tax (SAF-T) or similar electronic/digital filing requirements, eg invoice listing data file/real-time VAT reporting?

As from 1 January 2014, taxpayers who keep their accounts using a computerised system must produce them in a specific electronic format (Fichier d'écritures comptables) in the event of a tax audit.

The French tax authorities have made available a downloadable tool enabling businesses to verify that their files are in compliance with the required norms.

Is there any specific legislation to tax non-resident supplies of electronically supplied/digital services to private consumers resident in your country?

With effect 1 January, 2015, the VAT rules determining the place of supply of electronically services supplied to private consumers (B2C) changed from the Member State where the supplier belongs (ie where established) to the taxation on the Member State of the consumer.

The result of this is that local VAT is chargeable at the applicable rate in each of the Member States in which electronically supplied services are made (ie where the customer belongs). To ensure compliance with this, suppliers have the choice to either register for VAT in each Member State where their customers reside, or elect to register under the EU VAT MOSS simplification scheme in a single Member State (where they are established). Businesses with multiple establishments in the EU can choose which Member State to operate MOSS (the Member State of Identification).

However, the MOSS cannot be used to report local sales to customers in a Member State in which suppliers of electronically supplied services have a fixed establishment.

Non-EU suppliers without an establishment in a Member State are free to select a Member State of their choosing to operate MOSS and become their Member State of Identification.

Does a non-established business need to appoint a fiscal representative in order to register?

Businesses established in the EU may appoint a VAT agent that acts under the responsibility of the foreign entity. The VAT agent will be in charge of the French formalities in the name of the foreign entity without being liable for VAT.

Businesses established outside the EU (except some countries having concluded with France a convention of assistance for the recovery of a tax claim) must in principle appoint a French VAT representative which is jointly and severally liable for the VAT obligations including the payment.

How often do returns have to be submitted?

Under the standard regime, in principle, French VAT returns must be filed on a monthly basis. However when the annual VAT amount due is less than €4,000, French VAT returns may be filed on a quarterly basis.

Are penalties imposed for the late submission of returns/payment of tax?

Late filing of French VAT returns

The French tax authorities may apply:

- 10% penalty increased to 40% or 80% under specific cases
- 0.4% per late month (late payment interest).

Late payment of French VAT

The French tax authorities may apply:

- 5% penalty of the VAT due unless the taxable person submits the VAT returns too late but with the full payment of the VAT due
- 0.4% per late month (late payment interest).

Are any other declarations required?

Depending on the nature of the operations performed in France; additional declarations may be required (eg monthly Intrastat returns in case of intra-EU acquisitions or deliveries of goods; EC sales list for services; export or import customs documents).

Are penalties imposed in other circumstances?

Yes, in cases of tax audits and bad faith or fraud.

Can the VAT incurred by overseas businesses be claimed if they are not registered in France?

Yes, it may be possible for a foreign entity not established in France to claim for the refund of the French VAT incurred under the following conditions:

- not be registered, liable, or eligible to be registered in France
- must have no fixed establishment, seat of economic activity, place of business or other residence there
- during the refund period the foreign entity must not have supplied any goods or services in the scope of French VAT, apart from certain limited exceptions.

Two VAT refund procedures exist, one for businesses established in the EU and another for businesses established elsewhere.

Foreign entities established in the EU

Under the electronic VAT refund procedure (EU Directive 2008/9/EC), the deadline for the electronic filing of the VAT refund application is 30 September of the calendar year following the refund period.

The minimum claim period is three months, and the maximum period is one year. The minimum claim for a period of less than a year is €400. For an annual claim, or a claim for the remainder due at the end of the year, the minimum amount is €50.

Foreign entities established outside the EU

Under the VAT refund procedure provided for by the 13th Directive, non-EU entities must appoint a tax representative in France in charge of the VAT refund formalities.

From a practical standpoint, the VAT refund claims must be submitted within six months after the end of the calendar year, meaning by 30 June of the following year.

Claims can be submitted for a calendar quarter, or for a calendar year. Claims for each calendar quarter must be for at least €200. Claims for the final calendar quarter of the year, or annual claims, must be for at least €25.

What information must a VAT invoice show?

Under French VAT rules, an invoice must indicate notably the following general information:

- the seller's name and address
- the customer's name and address
- the seller's VAT registration number
- the invoice date
- the tax point, if different
- an invoice number which is unique and sequential
- quantity and nature of the goods/services supplied
- taxable amount per rate
- unit price (exclusive of any VAT)
- rebates or discounts
- VAT rate applicable
- the total amount of VAT charged, expressed in euros
- the total amount exclusive of VAT per VAT rate
- in case of VAT exemption, the reference to the relevant provisions of the French tax code or the VAT Directive 2006/112/EC or any reference indicating that the operation benefits from a VAT exemption.
- for reverse-charge mechanism, it is required to indicate on the invoice 'Reverse-Charge'.

As from 1 January 2014, VAT law allows electronic invoicing in line with EU Directive 2010/45/EU. All formats of e-invoices are accepted, but authenticity of the origin, integrity of content and legibility must be satisfied from the invoice's date of issuance through the end of the archiving period. The electronic invoices must quote the same information than paper invoices.

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Indirect tax snapshot

What are the current rate(s) of VAT?	• Standard rate of 18% for most goods and services. • 0% rate usually applies for the export of goods and services. • Exempt supply mainly applies to financial transactions; import and supply of certain kinds of medicine; goods intended for official use by foreign diplomatic and representative offices; import of raw materials and semi-finished goods intended for manufacturing of export goods; transit, re-import, or temporary entry of goods into the customs territory of Georgia; import of goods intended for re-export; domestically-produced primary agricultural products.
Are there any confirmed or anticipated changes to these rates?	No.
What is the principal indirect tax?	Value Added Tax (VAT) is the principal indirect tax in Georgia. Object of taxation is taxable transaction, import, export, re-export, temporary admission. If the service is performed by non-resident person (natural person or company) on the territory of Georgia, resident company which receives the service is obliged to tax the non-resident persons' service by reverse VAT.
Is there a registration limit for the tax?	Yes, it relates to the continuous 12 calendar months turnover of taxable transactions, and once the limit of 100,000 Georgian Lari has (or will be) reached it is necessary to register. Also, a person who produces excisable goods in Georgia; a person importing excisable goods into Georgia is required to apply to tax authorities to obtain registration as VAT payer.
Does the same registration limit apply to non-established businesses?	There is no requirement for VAT registration for businesses that are not established in Georgia, unless they have a permanent establishment in Georgia that generates taxable income. Non established businesses will need to register as soon as they start to make taxable transactions.
Does a non-established person need to appoint a fiscal representative in order to register?	Not applicable.
How often do returns have to be submitted?	VAT returns must be submitted on a monthly basis.
Are penalties imposed for the late submission of returns/payment of tax?	Yes. If a VAT return, or the corresponding payment, is submitted late a penalty and fine may be imposed.
Are any other declarations required?	No.
Are penalties imposed in other circumstances?	Yes. Penalties can be imposed for a range of errors or omissions.
Can the tax incurred by overseas businesses be claimed if they are not registered in your country?	No, an entity must be registered to claim tax refunds.
Deduction of VAT	A deduction for VAT shall be the right of a person registered as a VAT payer to reduce the amount of VAT payable, based on the deduction documents obtained. In general, the input VAT shall be deducted if it meets the following requirements: • relevant to business activities • having sufficient legitimate invoice • not related to entertainment events held for social purposes • not related to taxable transactions exempt without the right to deduct • not based on tax invoices for non-commodity operations or fictitious transactions.

What is the principal indirect tax?

Value Added Tax (VAT) is the principal indirect tax in Georgia. VAT is an indirect tax on a portion of value added in the process of production and circulation of goods, works, and services on the territory of Georgia, and of a portion of value of all taxable goods imported into the territory of Georgia.

VAT is payable at each stage of the production and sale of goods, and delivery of services.

VAT rate is 18% of taxable turnover or taxable import. Export of goods from Georgia is taxed at a zero rate.

The following is a general list of supplies of goods, fulfilment of works and rendering of services, and types of imports, which are VAT exempt:

- rendering of financial services
- importing fixed assets used in taxable operations
- disposal of state property under privatization procedures
- import and supply of certain kinds of medicine
- supply and/or import of diabetic foodstuffs, baby food and infant hygiene products
- goods intended for official use by foreign diplomatic and equivalent representative offices, and for personal use by diplomatic, administrative, and technical personnel of these representative offices (including family members living with them)
- import of raw materials and semi-finished goods intended for manufacturing of export goods as well as import of packaging materials to the extent of actually exported finished products. Importing these raw materials, semi-finished goods, and packaging materials affects payment of VAT or the retention of a bank guarantee, while exporting finished products entitles the taxpayer to a refund of the paid VAT amounts from the customs services, or cancellation of the bank guarantee to the extent of the actually exported finished goods
- transit, re-import, or temporary entry of goods into the customs territory of Georgia
- import of goods intended for re-export
- import of equipment, transportation facilities, spare parts and materials intended for providing oil and gas operations (transactions) covered by the law on 'Oil and Gas'
- domestically-produced primary agricultural products.

VAT exemption may be with or without the right of deduction. A transaction shall be regarded as exempt with the right of deduction when the transaction is not chargeable with VAT (is not taxed) and the right of deduction is applied. A transaction shall be regarded as exempt without the right of deduction when the transaction is not chargeable with VAT (is not taxed) and the right of deduction is not applied.

In 2017, amendment introduced the option of timing the VAT taxable transaction on the basis of advance payments. Timing of VAT taxable transaction is the date of delivery of goods and services (accrual basis) and date of payment for goods and services (cash basis).

VAT taxpayers are permitted to credit VAT paid to suppliers (input VAT including any VAT paid at importation) on their business purchases against VAT charged to customers on sales (output VAT), and pay the balance to the state budget. Where the input tax exceeds the output tax, a refund can be claimed.

Is there a registration limit for the tax?

A 'person' who either makes or intends to make taxable supplies of goods or services in the course or furtherance of a business in any continuous period of 12 calendar months and exceeding taxable transactions of GEL 100,000 (approximately USD 40,000); a person who produces excisable goods in Georgia; a person importing excisable goods into Georgia is required to apply to tax authorities to obtain registration as VAT payer within not later than two business days from the day when the aggregate amount of a taxable transaction exceeds GEL 100 000. Taxpayers not exceeding this limit may still choose to voluntarily register as VAT payer.

Once a person is registered for VAT, all of his business activities will be covered by the registration – even if the nature of some of those activities are very different.

If it is found that a person liable for VAT registration is not registered as a VAT payer, a tax authority shall register the person as a VAT payer. At the same time, the person shall be deemed a VAT payer from the moment when he/she becomes liable for registration.

A penalty shall be imposed by the tax authority if a business fails to register at the correct time.

Does the same registration limit apply to non-established businesses?
There is no requirement for VAT registration for businesses that are not established in Georgia, unless they have a permanent establishment in Georgia that generates taxable income. Non established businesses will need to register as soon as they start to make taxable transactions.

When determining the total amount of taxable transactions of a non-resident for the purpose of his/her mandatory VAT registration, only the supply of goods and services performed through a Georgian-based permanent establishment shall be taken into account.

If the service is performed by non-resident person (natural person or company) on the territory of Georgia, resident company which receives the service is obliged to tax the non-resident persons' service by reverse VAT and can made a corresponding VAT deduction at the same time, unless this service is used for taxable operations of VAT exemption without the right of deduction.

Is there any specific legislation to tax non-resident supplies of electronically supplied/digital services to private consumers resident in your country?
Not applicable.

Does a non-established business need to appoint a fiscal representative in order to register?
Not applicable.

How often do returns have to be submitted?
VAT returns normally cover an accounting period of one months, ending on the last day of a calendar month.

All VAT returns have to be submitted within 15 days of the end of the relevant accounting period, together with any tax due. All returns and payments have to be submitted electronically.

Are penalties imposed for the late submission of returns/ payment of tax?
A default surcharge penalty and fines may be imposed by the tax authority if VAT returns are not submitted on time, or the related tax is not paid by the due date.

Understating payable taxes in a Tax Return by a person, if caused by tax control authority changing the moment (period) of origin of the person's tax liability -shall entail imposing a fine on the person in the amount of 10% of the understated sum of payable taxes.

Understating payable taxes in a Tax Return shall entail imposing a fine on the person in the amount of 50% of the understated sum of payable taxes.

If the payments are not made in time, tax authorities may issue a tax collection order and tax payer's bank will be obliged to transfer funds (if available for the moment) from clients account on behalf of the client to state treasury. Also a pledge may be issued by tax authorities on tax payer's movable and immovable property, until tax dues are fully paid.

Are any other declarations required?
No.

Are penalties imposed in other circumstances?
Yes. A range of penalties can be imposed where businesses do not comply with the VAT rules.

Understating payable taxes in a Tax Return by a person, if caused by tax control authority changing the moment (period) of origin of the person's tax liability -shall entail imposing a fine on the person in the amount of 10% of the understated sum of payable taxes.

Understating payable taxes in a Tax Return shall entail imposing a fine on the person in the amount of 50% of the understated sum of payable taxes.

Understating payable taxes in a Tax Return in excess of GEL 100 000 shall be deemed tax evasion in large amounts and entail responsibility in accordance with the criminal legislation of Georgia.

Violation by a person of the time limit determined by the tax legislation of Georgia for filing a tax return/tax calculation with the tax authority – shall entail imposing a fine on the person in the amount of 5% of the sum to be assessed for payment on the basis of the tax return/tax calculation for each overdue complete/incomplete month (an incomplete month shall be counted as one month). At the same time, the total amount of a penalty for the entire overdue period shall not exceed 30% of the amount to be assessed for payment.

Conducting activity without registration as a VAT taxpayer – shall entail imposing a fine on the person of 5% of the amount of VAT taxable transactions (except VAT exempt transactions) carried out during the period of activity without registration.

Failure of a supplier of goods/provider of services to issue a tax invoice to the buyer, at the request of the latter – shall entail imposing a fine on the person of 100% of the VAT amount of the taxable transaction.

Issuing of a tax invoice for a fictitious/non-commodity transaction or a fake tax invoice by a person – shall entail imposing a fine on the person having made out/issued the tax invoice of 200% of the VAT amount indicated in the tax invoice.

Can the VAT incurred by overseas businesses be claimed if they are not registered in the Georgia?

No, an entity must be registered to claim tax refunds.

What information must a VAT invoice show?

A VAT invoice must show:

- an invoice number which is unique
- the seller's name
- the seller's VAT registration number
- the invoice issue date
- the time of supply if this is different from the invoice date
- the customer's name
- the customer's VAT registration number
- a description sufficient to identify the goods or services supplied to the customer
- measurement and quantity of goods
- the total amount including VAT
- type of taxation (regular or exempt)
- VAT amount
- excise (if applicable)
- if VAT invoice is issued for goods, corresponding way bill number must be indicated.

For each different type of item listed on the invoice, the following must be shown:

- the unit price or rate, including VAT
- the quantity of goods or the extent of the services
- the rate of VAT that applies to what's being sold
- VAT amount.

Where a VAT invoice includes zero-rated or exempt goods or services, it must:

- show clearly that there is no VAT payable on those goods or services
- show the total of those values separately.

VAT invoices are issued, received and stored in electronic format on the official revenue service's web site and there is no need to tell the tax authority.

Are there any current or anticipated Standard Audit File for Tax (SAF-T) or similar electronic/digital filing requirements eg invoice listing data file/real-time VAT reporting?

Not applicable.

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Indirect tax snapshot

What are the current rate(s) of indirect tax?	• Standard rate of 19% for most goods and services. • Reduced rate of 7% applies to a specified list which includes, for example, books, newspapers, cultural goods and services, certain agricultural and forestry goods, charitable services, work of art and local public transport.
Are there any confirmed or anticipated changes to these rates?	No.
What is the principal indirect tax?	Value Added Tax (VAT) is the principal indirect tax in Germany. It is a tax on consumer expenditure, and is collected on business transactions and imports.
Is there a registration limit for the tax?	No.
Does the same registration limit apply to non-established businesses?	Not applicable.
Does a non-established person need to appoint a fiscal representative in order to register?	No.
How often do returns have to be submitted?	Returns have to be submitted on a monthly basis in the first two years of registration. In addition all taxable persons must submit annual VAT returns.
Are penalties imposed for the late submission of returns/payment of tax?	Yes. If a VAT return, or the corresponding payment, is submitted late a penalty can be imposed.
Are any other declarations required?	Yes. Additional declarations have to be submitted in respect of certain supplies made to customers who are registered for VAT elsewhere in the EU (EC Sales Listing). Declarations also have to be submitted for commercial statistic purposes regarding the movements of goods from one member state to another (INTRASTAT).
Are penalties imposed in other circumstances?	Yes. Penalties can be imposed for a range of errors or omissions.
Can the tax incurred by overseas businesses be claimed if they are not registered in your country?	Yes, in certain circumstances and subject to certain conditions.

What is the principal indirect tax?

Value Added Tax (VAT) is the main type of indirect taxation in Germany and in other European Union (EU) countries.

It is a tax on consumption, which is applied during the production and distribution process to most goods and services. It is also applied to goods, and certain services, entering the country. Although VAT is ultimately borne by the consumer by being included in the price paid, the responsibility for charging, collecting and paying it to the tax authority at each stage of the process rests with the business making the supply, ie the sale.

A business registered for the tax will charge VAT (output tax) on its sales, and incur VAT (input tax) on its purchases (including any VAT paid at importation). The difference between the output tax and the deductible input tax in each accounting period will be the amount of VAT payable by the business to the tax authority. Where the input tax exceeds the output tax, a refund can be claimed.

Taxable supplies on goods and services

A transaction is within the scope of German VAT, if the following conditions are met:

- it is a supply of goods or services. According to German law, a supply of goods is the transfer of the right to dispose of tangible property for consideration. Activities for consideration, which are not regarded as a supply of goods, are services
- it takes place in Germany
- it is made by a taxable person. For these purposes, a taxable person is a person or entity who practices commercial or professional activity independently and is registered for VAT, or has a liability to become registered
- it is made in the course or furtherance of any business carried on by that person or entity.

Due date

Generally VAT is due and accounted for at the end of the month in which the supply of goods is performed; as a general rule, the tax has to be calculated on the agreed consideration. On application the competent local tax office can allow that an entrepreneur accounts for the VAT on basis of received consideration. The consideration receipts basis is a method available only to three groups of persons:

- entrepreneurs who's total amount of supplies have not exceeded €500,000 in the previous calendar year
- entrepreneurs who are – by way of exemption according § 148 of the German Fiscal Code – not required to keep accounts and to make periodical financial statements on basis of annual inventories
- entrepreneurs who (and only as far as they) perform turnovers in an independent profession according § 18 (1) No. 1 of the German Income Tax Act (eg lawyers, tax advisors, engineers, architects, doctors etc.).

VAT rates and exemptions

There are two rates of VAT that are applied to goods and services in Germany; the standard rate and the reduced rate. In addition, some goods and services are exempted from the tax.

Businesses that make exempt supplies are, under certain circumstances, unable to claim all of the input tax that they incur, so the VAT paid to suppliers will be a 'real' cost. In relation to VAT exempt supplies, the supplier may opt for taxation under specific circumstances.

Import

Most goods imported into Germany from outside the EU are subject to import VAT. The tax will have to be paid by the importer at the time of importation. Where the importation is for business purposes and the importer is registered for VAT, it may be possible to reclaim the tax (subject to certain rules).

It is also important to note the interaction between VAT and customs duty. Customs duty is levied across the EU at the place where goods are imported into the community. It is levied in order to bring the cost of goods produced outside the EU up to the same level as those produced within it. Once duty (and VAT) has been paid by the importer, the goods are in 'free circulation' and they can then be released for use in the home market. Unlike other indirect taxes, such as VAT, once duty has been paid it is not usually recoverable by the importer. It therefore represents a bottom line cost to the importing business if it cannot be passed on in higher prices. It is therefore very important to ensure that the correct rate of duty is applied. Import VAT is charged on the value of the importation, including any custom duty.

It is possible, subject to conditions, to defer the payment of the VAT until the 16th day of the month following the import. Taxpayers are entitled to the deduction of import VAT in the VAT declaration period, in which the goods are imported.

Since nearly all imports are processed via the electronic customs procedure called ATLAS, a print out from the customs will suffice to recover the import VAT.

The person liable for customs duty on importation is also liable for VAT on importation. This is the person in whose name customs clearance has been applied for. The declarant may therefore be the owner, the beneficial owner or any person who is in possession of the goods at the time of entry into Germany. Only commercial transporters may apply for clearance on behalf of another person, who is not in possession of the goods, ie the supplier or purchaser of the goods.

Is there a registration limit for the tax?

General rule

Generally a 'person' who either makes or intends to make taxable supplies of goods or services in the course or furtherance of a business must register for VAT.

Small business rule

If the value of its annual taxable supplies in Germany did not exceed €17,500 in the preceding calendar year and is not expected to exceed €50,000 in the current calendar year and thus the 'person' is to be considered as a small entrepreneur, an obligation to register for VAT does not exist. The privilege for the small entrepreneurs only applies for businesses situated in Germany. A small business can opt for VAT on a voluntary basis even if the registration limit has not been exceeded. The effect of the voluntary registration is an obligation to retain VAT on all supplies and services for the next five years.

For these purposes, a 'person' includes any legal entity. Therefore, once a person is registered for VAT, all of his business activities will be covered by the registration – even if the nature of some of those activities are very different.

VAT group

In Germany there is no typical 'Group registration' like in the UK. However, in case a corporation is integrated into a business from a fiscal, economic and organizational point of view (so called Organschaft), it is not independent and has to comply with the parent's directions. Effect is that both companies are taxed as one. Transactions between group members are not subject to VAT. Solely the controlling enterprise is taxed.

E-Services

For the e-services scheme, EU VAT can be registered and accounted for in one EU member state. Non-EU entities providing electronic services to non-entrepreneurs in the EU could register in Germany, if they are not registered in another EU member state. They have the option to file the periodical VAT-forms within 20 days of the period end of a quarter year. Before starting the business you have to announce your choice to the Bundeszentralamt für Steuern (Federal Tax Office). The VAT-forms have to be filed electronically. If the non EU entity chooses to register and to file the VAT-forms in Germany, there is no need to register anywhere else in the EU in connection with electronic services. The periodical VAT-forms have to be made for the electronic services provided all over the EU.

A penalty may be imposed by the tax authority if a business fails to register at the correct time.

Since 1 January 2015: If EU entities providing electronic services to non-entrepreneurs in Germany they are not committed to be registered in Germany; if they are registered in another EU member state and provide electronic services (so called mini-one-stop-shop (MOSS)). German VAT payers, who use the MOSS have to file the periodical VAT-forms within 20 days of the period end of a quarter year and have to submit the VAT-forms electronically to the tax authorities (ie Germany: Bundeszentralamt für Steuern).

Does the same registration limit apply to non-established businesses?

General rule

The normal VAT registration limit does not apply to businesses who are not established in Germany, but for the purposes of the tax, are making taxable supplies there. Those businesses will need to register for VAT as soon as they commence trading in Germany, irrespective of the level of turnover.

Intra-Community acquisition

In case of intra-Community acquisitions, if the volume of the intra-Community acquisitions did not exceed €12,500 in the preceding and will not exceed €12,500 in the current calendar year, the purchaser will be treated as a private person, ie the sales are taxed in the country they were sold, if the purchaser is:

- an entrepreneur, who performs only tax exempt sales
- a small entrepreneur.

Distance sales

Registration for VAT in Germany may also be required where a non-established EU business is involved with distance selling. Distance selling occurs when a taxable supplier in one EU country supplies and delivers goods to a customer in another EU country who is not registered or liable to be registered for VAT. Such customers are known as non-taxable persons, and include private individuals and businesses and other organisations that are not registered for VAT (either because of their size, or the fact that they are exempt from having to register due to the nature of their activities). The common examples of distance sales are goods supplied by mail order and via the internet.

Each EU country has the option of applying a distance selling threshold of either €35,000 or €100,000 per calendar year, or the equivalent in its own currency. Germany has adopted an annual threshold of €100,000.

Distance sales from another EU country to non-taxable persons in Germany will be subject to VAT at the appropriate rate in the suppliers country. However, once the value of those distance sales to Germany exceeds the threshold of €100,000:

- the supplier becomes liable to register for VAT in Germany
- Germany becomes the place of supply
- any further sales to customers in Germany are subject to German VAT.
- suppliers can choose to make Germany the place where the goods are supplied by registering for VAT voluntarily before the threshold is reached.

Is there any specific legislation to tax non-resident supplies of electronically supplied/digital services to private consumers resident in your country?

With effect 1 January, 2015, Article 58 of Directive 2006/112/EC was amended. The rules determining the place of supply of electronically supplied services supplied to private consumers (B2C) changed from the Member State where the supplier belongs (ie where established) to the Member State of the consumer. The result of this is that local VAT is chargeable at the applicable rate in each of the Member States in which electronically supplied services are made (ie where the customer belongs). To ensure compliance with this, suppliers have the choice to either register for VAT in each Member State where their customers reside, or elect to register under the EU VAT MOSS simplification scheme in a single Member State (where they are established). Businesses with multiple establishments in the EU can choose which Member State to operate MOSS (the Member State of Identification). However, the MOSS cannot be used to report local sales to customers in a Member State in which suppliers of electronically supplied services have a fixed establishment. Non-EU suppliers without an establishment in a Member State are free to select a Member State of their choosing to operate MOSS and become their Member State of Identification.

Does a non-established business need to appoint a fiscal representative in order to register?

A new-established business is allowed to appoint a fiscal representative but does not have to.

How often do returns have to be submitted?

Monthly VAT return

As a general rule, VAT returns have to be filed quarterly. As an exception, VAT returns have to be filed monthly (if certain thresholds are met) or annually.

Late filing of VAT returns may result in additional assessments and penalties. The payment must be received by the VAT authorities on time. If no payment has been received on time, late payment surcharges will be fixed.

Returns are normally prepared for a one month period. They are due for submission within ten days of the period end. The period of ten days can be extended on application for another month if prepaying 1/11 of VAT of previous calendar year (will be repaid/offset in the December return). The filing of VAT returns should only take place electronically. The electronic VAT return has to be prepared on the basis of special software, which is available from the tax authorities.

If the VAT return for the previous calendar year does not exceed €7,500, then the VAT return generally must be prepared on a three month period (calendar quarter). They are due for submission within ten days of the periods end. The period of ten days can be extended on application for another month.

If the VAT amount for the previous calendar year does not exceed €1,000, the taxable person must then only submit an annual VAT return.

In case of new-registered companies the VAT returns have to be prepared monthly in the first two years, notwithstanding what the real VAT amount is.

Annual VAT return

Generally annual VAT returns must be submitted to the competent local tax office by 31 May of the following calendar year. However, for taxable persons who have appointed a tax advisor the deadline for submitting is in general automatically extended to 31 December of the following calendar year.

Are penalties imposed for the late submission of returns/payment of tax?

VAT returns which are filed late can be fined up to 10% of the tax finally assessed (maximum €25,000).

Late payments are subject to a surcharge of 1% of the tax to be paid for every month during the period the delay continues.

Interest is due from the beginning of the fifteenth month after the end of the calendar year in which the taxable event occurred. The interest is calculated at 0.5% per month. In cases of tax evasion additional interest is possible from the beginning.

Further late or non-payments are seen as offences which could be punished up to €100,000 and in serious cases a higher fine at the discretion of the court or imprisonment of up to ten years. Penalties can be appealed if there is reasonable excuse.

If a tax return is found to be incorrect it must be corrected immediately by filing an amended tax return. Penalties may arise according the general rules (see above).

EC sales lists which are submitted late can be fined up to 5,000 per declaration. In addition this could be seen as an offence punished up to €5,000. Finally the Federal tax office could fix fines to force the taxpayer to submit the forms up to €25,000.

If an Intrastat report is not filed or filed late a penalty of up to €5,000 per declaration can be implemented.

Are any other declarations required?

Businesses that are registered for VAT in Germany, and make supplies of goods or services to traders registered for the tax in other EU countries are required to complete and submit EC Sales Lists (ESLs). The ESLs must show details of the recipients of the goods and services.

Generally, where the value of goods supplied to businesses in other EU member states exceeds €50,000 in the current or four previous quarters, the ESLs must be submitted each calendar month. Otherwise the document for goods is submitted for each calendar quarter.

ESLs for services should be submitted for each calendar quarter.

In addition, if the value of the intra-EU trade in goods dispatched or arriving from other EU is above an annual threshold of 500,000 respectively 800,000 (for arrivals as of 1/1/2016), a supplementary declaration (referred to as an Intrastat declaration) has to be submitted for either or both. These declarations have to be submitted on a monthly basis if such transactions incur.

Are penalties imposed in other circumstances?

Yes. A range of penalties can be imposed where businesses do not comply with general rules.

Penalties can also be applied for example where the business has failed to maintain adequate records or provide information.

Criminal proceedings may be brought in the case of more serious matters.

Can the VAT incurred by overseas businesses be claimed if they are not registered in Germany?

Yes, it may be possible to reclaim the VAT incurred in certain circumstances.

Two schemes exist, one for businesses established in the EU and another for businesses established elsewhere.

VAT-refund procedure for European-businesses

The EU cross border refund scheme is available in all EU member states, and enables a business established in an EU country to recover VAT incurred in another member state. To be eligible to make a claim, the claimant must be a taxable person established in an EU member state other than the one from which the claim is to be sought. In addition, the claimant:

- must not be registered, liable, or eligible to be registered in the member state from which he is claiming the refund
- must have no fixed establishment, seat of economic activity, place of business or other residence there
- during the refund period he must not have supplied any goods or services in the member state of refund, apart from certain limited exceptions.

The amount that is refundable is determined by the deduction rules that apply in the country making the refund. The claim is submitted electronically to the tax authority in the country of establishment of the claimant.

The refund period must not cover more than one calendar year or less than three calendar months – unless it is covering the remainder of a calendar year. The claim has to be made by 30 September of the year following that in which the VAT was incurred.

VAT-refund procedure for non-European-business Businesses established outside of the EU can, subject to certain conditions, also reclaim the VAT incurred on imports into

Germany or purchases of goods and services used in Germany. The scheme is available to any person carrying on a business established in a third country, ie outside the EU, provided that in the period of the claim:

- they were not registered or liable to be registered for VAT in Germany
- they were not established in any EU country
- they made no supplies of goods and services in Germany
- where they are established in a third country having a comparable system of turnover taxes, that country provides reciprocal arrangements for refunds to be made to taxable persons established in Germany.

Claim forms have to be submitted to the Bundeszentralamt für Steuern no later than six months from the end of the relevant designated year, ie by 30 June each year.

What information must a VAT invoice show?

A VAT invoice must show:

- an invoice number which is unique and sequential
- the seller's name and address
- the seller's tax registration number or VAT ID Number
- the recipients VAT ID Number (in case of specific cross border supplies)
- the invoice date
- the time of supply (also known as tax point) if this is different from the invoice date
- the customer's name and address
- a description sufficient to identify the goods or services supplied to the customer and the quantity of goods or the extent of the services
- the tax base with regard to each tax rate applicable or tax exemption
- the rate of any cash discount
- the tax rate
- the total amount of VAT charged
- indication of the application of the reverse-charge-mechanism (if applicable).

Where a VAT invoice includes exempt goods or services, it must show the reason for the tax exemption.

Where a business makes a sale of goods or services for €250 or less including VAT, a simplified VAT invoice can be issued.

VAT invoices can be issued, received and stored in an electronic format and there is no need to tell the tax authority. Electronic invoices must contain the same information as paper invoices. The method used to ensure the authenticity of origin, the integrity of content and legibility of the invoices is a business choice and can be achieved by any business controls which create a reliable audit trail between an invoice and a supply of goods or services.

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Gibraltar

Gibraltar currently does not have an indirect tax system.

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Greece

Indirect tax snapshot

What are the current rate(s) of indirect tax?	• Standard rate of 24% for most goods and services. • Reduced rate of 13% for some goods and services including hotels and sales of unprocessed food, including bread. • Super reduced rate of 6% applies to medicines, books, newspapers and theaters.
Are there any confirmed or anticipated changes to these rates?	No.
What is the principal indirect tax?	Value Added Tax (VAT) is the principal indirect tax in Greece. It is a tax on consumer expenditure, and is collected on business transactions and imports.
Is there a registration limit for the tax?	No threshold exists for taxable persons. However, small businesses, having a turnover up to €10,000 may be exempted from VAT registration.
Does the same registration limit apply to non-established businesses?	No. There is no registration limit for businesses that are not established in Greece and they will need to register as soon as they start to make taxable transactions. Different registration requirements also apply to businesses involved with 'distance sales' made within the European Union (EU), eg mail order and internet sales.
Does a non-established person need to appoint a fiscal representative in order to register?	In certain circumstances, a non-established person may be directed by the tax authority to appoint a fiscal representative. The appointment of fiscal representative is not obligatory for taxable persons established in the EU.
How often do returns have to be submitted?	Most businesses are required to submit VAT returns covering three month accounting periods. Returns are submitted on a monthly basis for S.A., Ltd, and taxable persons keeping double entry books.
Are penalties imposed for the late submission of returns/payment of tax?	Yes. If a VAT return, or the corresponding payment, is submitted late a penalty can be imposed.
Are any other declarations required?	Yes. Additional declarations have to be submitted in respect of certain supplies made to customers who are registered for VAT elsewhere in the EU. Declarations also have to be submitted in certain circumstances in connection with goods moving to or from the EU.
Are penalties imposed in other circumstances?	Yes. Penalties can be imposed for a range of errors or omissions.
Can the tax incurred by overseas businesses be claimed if they are not registered in your country?	Yes, in certain circumstances and subject to certain conditions.
Deduction of VAT	No deduction applies for products such as tobacco, alcohol, private cars of a capacity up to 9 seats and their fuel etc.

What is the principal indirect tax?

Value Added Tax (VAT) is the main indirect tax in Greece.

Value Added Tax (VAT) is the main type of indirect taxation in Greece and in other European Union (EU) countries.

It is a tax on consumption which is applied during the production and distribution process to most goods and services. It is also applied to goods, and certain services, entering the country. Although VAT is ultimately borne by the consumer by being included in the price paid, the responsibility for charging, collecting and paying it to the tax authority at each stage of the process rests with the business making the supply, ie the sale.

A business registered for the tax will charge VAT (output tax) on its sales, and incur VAT (input tax) on its purchases (including any VAT paid at importation). The difference between the output tax and the deductible input tax in each accounting period will be the amount of VAT payable by the business to the tax authority. Where the input tax exceeds the output tax, a refund can be claimed.

A transaction is within the scope of Greek VAT if the following conditions are met:

- it is a supply of goods or services. Although the term 'supply' is not extensively defined in the legislation, it has a broad interpretation
- it takes place in Greece
- it is made by a taxable person. For these purposes, a taxable person is a person or entity who is registered for VAT in Greece, or has a liability to become registered
- it is made in the course or furtherance of any business carried on by that person or entity.

There are three rates of VAT that are applied to goods and services in the Greece; the standard rate, the reduced rate, and the super reduced rate. In addition, some goods and services are exempted from the tax.

Businesses that make exempt supplies are unable to claim all of the input tax that they incur, so the VAT paid to suppliers will be a 'real' cost.

Most goods imported into Greece from outside the EU are subject to VAT. The tax will have to be paid by the importer at the time of importation. Where the importation is for business purposes and the importer is registered for VAT, it may be possible to reclaim the tax (subject to certain rules).

It is also important to note the interaction between VAT and Customs duty. Customs duty is levied across the EU at the place where goods are imported into the community. It is levied in order to bring the cost of goods produced outside the EU up to the same level as those produced within it. Once duty (and VAT) has been paid by the importer, the goods are in 'free circulation' and they can then be released for use in the home market. Unlike other indirect taxes, such as VAT, once duty has been paid it is not usually recoverable by the importer. It therefore represents a bottom line cost to the importing business if it cannot be passed on in higher prices. It is therefore very important to ensure that the correct rate of duty is applied. VAT is charged on the value of the importation, including any custom duty.

Is there a registration limit for the tax?

A 'person' who either makes or intends to make taxable supplies of goods or services in the course or furtherance of a business must register for VAT in Greece. Since 2014, an exemption option may apply if the taxable person does not exceed a turnover of €10,000 per year.

For these purposes, a 'person' includes any legal entity. Therefore, once a person is registered for VAT, all of his business activities will be covered by the registration – even if the nature of some of those activities is very different.

VAT groups are not provided in the Greek VAT Code.

A penalty may be imposed by the tax authority if a business fails to register at the correct time.

Does the same registration limit apply to non-established businesses?

The normal VAT registration limit does not apply to businesses who are not established in Greece, but for the purposes of the tax are making taxable supplies there. Those businesses will need to register for VAT as soon as they commence trading in Greece, irrespective of the level of turnover.

Registration for VAT in Greece may also be required where a non-established EU business is involved with distance selling. Distance selling occurs when a taxable supplier in one EU country supplies and delivers goods to a customer in another EU country who is not registered or liable to be registered for VAT. Such customers are known as non-taxable persons, and include private individuals and businesses and other organisations that are not registered for VAT (either because of their size, or the fact that they are exempt from having to register due to the nature of their activities). The common examples of distance sales are goods supplied by mail order and via the internet.

Each EU country has the option of applying a distance selling threshold of either €35,000 or €100,000 per calendar year, or the equivalent in its own currency. Greece has adopted an annual threshold of €35,000 which equates to the upper threshold in euros.

Distance sales from another EU country to non-taxable persons in Greece will be subject to VAT at the appropriate rate in the suppliers' country. However, once the value of those distance sales to Greece exceeds the Greek threshold of €35,000:

- the supplier becomes liable to register for VAT in the Greece
- Greece becomes the place of supply
- any further sales to customers in Greece are subject to Greek VAT.

Suppliers can choose to make Greece the place where the goods are supplied by registering for VAT voluntarily before the threshold is reached.

Is there any specific legislation to tax non-resident supplies of electronically supplied/digital services to private consumers resident in your country?

With effect 1 January, 2015, Article 58 of Directive 2006/112/EC was amended. The rules determining the place of supply of electronically supplied services supplied to private consumers (B2C) changed from the Member State where the supplier belongs (ie where established) to the Member State of the consumer. The result of this is that local VAT is chargeable at the applicable rate in each of the Member States in which electronically supplied services are made (ie where the customer belongs). To ensure compliance with this, suppliers have the choice to either register for VAT in each Member State where their customers reside, or elect to register under the EU VAT MOSS simplification scheme in a single Member State (where they are established). Businesses with multiple establishments in the EU can choose which Member State to operate MOSS (the Member State of Identification). However, the MOSS cannot be used to report local sales to customers in a Member State in which suppliers of electronically supplied services have a fixed establishment. Non-EU suppliers without an establishment in a Member State are free to select a Member State of their choosing to operate MOSS and become their Member State of Identification.

Does a non-established business need to appoint a fiscal representative in order to register?

The tax authority in Greece may direct a person to appoint a VAT representative to act on his behalf for VAT purposes where the person:

i is a taxable person or makes taxable supplies or acquires goods in Greece from one or more other EU countries
ii is not established, and does not have a 'fixed establishment' in the Greece
iii is established in a country or territory which is not an EU country (or part of such a country).

How often do returns have to be submitted?

VAT returns cover an accounting period of three months, ending on the last day of a calendar month for taxable persons having single entry books. For taxable persons keeping double entry books, such as SA and Ltd, accounting periods are monthly.

All VAT returns have to be submitted until the last working day of the month following the relevant accounting period, together with any tax due. All returns and payments have to be submitted electronically.

Are penalties imposed for the late submission of returns/payment of tax?

A penalty may be imposed by the tax authority if VAT returns are not submitted on time, or the related tax is not paid by the due date.

The penalty is €250 per return for persons keeping single entry books and €500 per return for persons keeping double entry books. A penalty of €100 per return applies in case no tax arises from the return. Also an interest of 0.73% per month is calculated on the amount of tax.

Are any other declarations required?

Businesses that are registered for VAT in Greece, and make supplies of goods or services to traders registered for the tax in other EU countries are required to complete and submit EC Sales Lists (ESLs). The ESLs must show details of the recipients of the goods and services.

Generally, where the taxable persons keep double entry books the ESLs must be submitted each calendar month.

Otherwise the document is submitted for each calendar quarter.

In addition, if the value of the intra-EU trade in goods dispatched or arriving from other EU is above an annual threshold, a supplementary declaration (referred to as an Intrastat declaration) has to be submitted for either or both. These declarations have to be submitted on a monthly basis.

Are penalties imposed in other circumstances?

Yes. A range of penalties can be imposed where businesses do not comply with the VAT rules.

Administrative penalties and interest can be applied for errors and omissions made on tax returns, or where the tax is paid late. Penalties can also be applied where the business has failed to maintain adequate records, provide information (including additional declarations), or makes repeated mistakes.

Criminal proceedings may be brought in the case of more serious matters.

Can the VAT incurred by overseas businesses be claimed if they are not registered in Greece?

Yes, it may be possible to reclaim the VAT incurred in certain circumstances.

Two schemes exist, one or businesses established in the EU and another for businesses established elsewhere.

The EU cross border refund scheme is available in all EU member States, and enables a business established in an EU country to recover VAT incurred in another member State. To be eligible to make a claim, the claimant must be a taxable person established in an EU member State other than the one from which the claim is to be sought. In addition, the claimant:

- must not be registered, liable, or eligible to be registered in the member State from which he is claiming the refund
- must have no fixed establishment, seat of economic activity, place of business or other residence there
- during the refund period he must not have supplied any goods or services in the member State of refund, apart from certain limited exceptions.

The amount that is refundable is determined by the deduction rules that apply in the country making the refund. The claim is submitted electronically to the tax authority from whom the repayment is being sought.

The refund period must not cover more than one calendar year or less than three calendar months – unless it is covering the remainder of a calendar year. The claim has to be made by 30 September of the year following that in which the VAT was incurred.

Businesses established outside of the EU can, subject to certain conditions, also reclaim the VAT incurred on imports into Greece or purchases of goods and services used in Greece. The scheme is available to any person carrying on a business established in a third country ie outside the EU, provided that in the period of the claim:

- he was not registered or liable to be registered for VAT in Greece
- he was not established in any EU country
- he made no supplies of goods and services in Greece other than certain specified exceptions
- where he is established in a third country having a comparable system of turnover taxes, unless the Greek tax authority allows otherwise, that country provides reciprocal arrangements for refunds to be made to taxable persons established in Greece.

What information must a VAT invoice show?

A VAT invoice must show:

- an invoice number which is unique and sequential
- the seller's name and address
- the seller's VAT registration number
- the invoice date
- the time of supply (also known as tax point) if this is different from the invoice date
- the customer's name and address
- a description sufficient to identify the goods or services supplied to the customer
- the rate of any cash discount
- the total amount of VAT charged expressed in Euros.

For each different type of item listed on the invoice, the following must be shown:

- the unit price or rate, excluding VAT
- the quantity of goods or the extent of the services
- the rate of VAT that applies to what's being sold
- the total amount payable, excluding VAT.

Where a business makes retail sales a simplified receipt can be issued.

VAT invoices can be issued, received and stored in electronic format and there is no need to tell the tax authority. Electronic invoices must contain the same information as paper invoices. The method used to ensure the authenticity of origin, the integrity of content and legibility of the invoices is a business choice and can be achieved by any business controls which create a reliable audit trail between an invoice and a supply of goods or services.

Are there any current or anticipated Standard Audit File for Tax (SAF-T) or similar electronic/digital filing requirements eg invoice listing data file/real-time VAT reporting?

A list of the issued and received records shall be electronically submitted quarterly to taxisnet.

For further information on indirect tax in Greece please contact:

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Guernsey

Guernsey currently does not have an indirect tax system.

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Hungary

Indirect tax snapshot

What are the current rate(s) of indirect tax?	• Standard rate of 27% for most goods and services. • Reduced rate of 18% for accommodation service and for some food products (milk and bakery products). • Lower reduced rate of 5% for some medical products, books and for district-heating, some meat products, internet and restaurant services and some performance services.
Are there any confirmed or anticipated changes to these rates?	No.
What is the principal indirect tax?	VAT is an indirect tax paid by the end user on the use of goods and services. This is built on the presumption that VAT is charged in every phase of production and trade, but the user is entitled to allow for it in the VAT due. Only the VAT of costs incurred by the taxpayers for the purpose of VAT taxable business activities can be deducted. Under the Hungarian VAT system, VAT is charged on goods and services supplied by taxpayers in Hungary (actual or deemed), goods purchased from the European Union (EU) and importation of goods.
Is there a registration limit for the tax?	There is no threshold in Hungary for registration, ie if a person or entity makes taxable supplies in Hungary, it has to register at the Hungarian tax authority and submit declarations.
Does the same registration limit apply to non-established businesses?	Businesses who are not established in Hungary, but for the purposes of the tax are making taxable supplies there, those businesses will need to register for VAT as soon as they commence trading in Hungary, irrespective of the level of turnover.
Does a non-established person need to appoint a fiscal representative in order to register?	Foreigners from non-EU countries are obliged to appoint fiscal representatives. Foreigners from EU countries can appoint fiscal representatives for their Hungarian tax issues.
How often do returns have to be submitted?	As a general rule, VAT returns are filed quarterly. As an exception, VAT returns can be filed monthly or yearly, based on the data of the second year preceding the actual year. Taxpayers with a total cumulated VAT balance reaching a positive HUF 1,000,000 in the current year are liable to file monthly returns. Newly registered taxpayers need to submit the returns monthly in their first two years.
Are penalties imposed for the late submission of returns/payment of tax?	Yes. If a VAT return or the corresponding payment is submitted late penalty and late payment interest can be imposed.
Are any other declarations required?	Yes. Separated declarations have to be submitted in connection with goods moving to or from the EU and about the services provided and bought within EU. Additional declaration (domestic sales list) has to be submitted about the invoices between Hungarian taxpayers, if the VAT amount in the invoice (or in the case of VAT deduction, the cumulated VAT amount invoiced by the same supplier in the same period) is HUF 1,000,000 or more. As of July 1, 2018, the limit of HUF 1,000,000 will decrease to HUF 100,000 and it has to be used only incoming invoices.
Are penalties imposed in other circumstances?	Yes. Penalties can be imposed for a range of errors or omissions, up to 200% of the unpaid tax.
Can the tax incurred by overseas businesses be claimed if they are not registered in your country?	Yes, it exists for taxpayers within EU. For taxpayers form non-EU countries it is based on reciprocity.

What is the principal indirect tax?

The act on VAT prescribes that VAT is to be paid on the goods and services supplied by taxpayers in Hungary, on acquisitions from within the European Union (EU) and on the importation of goods.

The main elements of the VAT liability are as follows:

- there must be a supply
- the transaction must take place inland (actual or deemed)
- the transaction must be VAT taxable (subject to a normal or reduced VAT rate)
- there must be a supply by taxpayers (taxpayers are persons performing business activities on their own accounts)
- the transaction must take place within the framework of business activities.

VAT on imports

In Hungary, import VAT is to be paid on product entries from a so-called 'third countries' outside the territory of the EU. For product entries from other EU member states the import rules do not apply but the rules for intra-community entries are applicable.

VAT liability occurs in Hungary, if:

- the goods are imported to the territory of Hungary directly from a third country
- after imported to the territory of the community, the goods are put into free circulation in Hungary.

Is there a registration limit for the tax?

There is no threshold in Hungary for registration, ie if a person or entity makes taxable supplies in Hungary, it has to register at the Hungarian tax authority and submit declarations.

Taxpayers with their head office in Hungary are entitled to opt to be tax exempt annually for the given tax year, provided that their revenue is below a certain threshold. This threshold is HUF 8,000,000.

Companies of other member states supplying goods to non-VAT registered Hungarian private individuals or entities are not obliged to register in Hungary (distance sale). The requirement that the company arranges for the goods to be delivered to its buyer in Hungary and the total value of these sales to Hungarian customers does not exceed €35,000 in the given year and in the preceding year. If the sales of the given company exceed €35,000 in a calendar year, the foreign company has to register in Hungary and to charge Hungarian VAT on these transactions.

Even if the threshold is not exceeded, the foreign supplier can opt to register, however, the decision is binding for two calendar years. The procedure for distance sales also applies in the opposite situation, in which a trader sells goods from Hungary to private individuals or non-taxable entities who resides in other EU member states.

Does the same registration limit apply to non-established businesses?

Businesses who are not established in Hungary, but for the purposes of the tax are making taxable supplies there, those businesses will need to register for VAT as soon as they commence trading in Hungary, irrespective of the level of turnover.

Does a non-established business need to appoint a fiscal representative in order to register?

Foreigners from non-EU countries are obliged to appoint fiscal representatives. Foreigners from EU countries can appoint fiscal representatives for their Hungarian tax issues.

How often do returns have to be submitted?

As a general rule, VAT returns are filed quarterly. As an exception, VAT returns can be filed monthly or yearly, based on the data of the second year preceding the actual year.

Taxpayers with a total VAT balance reaching a positive HUF 1,000,000 in the reference year are liable to file monthly returns.

Taxpayers with a total VAT balance below HUF 250,000 in the reference year and sale income is under 50 million HUF and having no IC tax number are to file annual VAT returns (regardless of the algebraic sign).

Taxpayers with EU tax number can submit their VAT returns monthly or quarterly only. VAT groups can submit their VAT returns monthly. Companies in the year of registration and the next year have to submit the VAT returns monthly (calendar month).

Taxpayers liable to quarterly returns may apply for monthly returns and taxpayers liable to annual returns may apply for the quarterly return frequency. The Tax

Authority permits the frequency of the returns to be higher than stipulated by law for a given tax year. The permission is generally granted if the VAT rate applicable to the supplies of the taxpayer is lower than the VAT applicable to acquisitions or if an investment is implemented by the taxpayer.

Taxpayers liable to annual returns are obliged to switch to quarterly returns during the year if the threshold of HUF 250,000 or sale income of HUF50 million is reached or tax authorities given IC tax number for them. Taxpayers with their VAT balance reaching a positive HUF 1,000,000 are obliged to switch to monthly returns from the first month following the quarter (regardless of whether they were liable to annual or quarterly returns).

The amount of VAT computed in a currency other than HUF is to be translated to HUF at the selling exchange rate of a Hungarian trade bank or at the exchange rate of the Hungarian National Bank or European Central Bank (ECB). If the taxpayer wishes to apply the exchange rate of the Hungarian National Bank (MNB) or European Central Bank, may choose it, if it declares its choice previously to the tax authority.

The deadline to submit the VAT return is the 20th day of the month following the return period. The VAT return is to be filed on the yy65 form from the tax authority.

Quarterly VAT returns

Most entrepreneurs/taxable persons are required to submit VAT returns each calendar quarter. VAT returns must be filed and VAT amounts paid by 20th of the month following the tax period.

Monthly VAT returns

Monthly filing required when the VAT amount payable reaching a positive HUF 1,000,000 in the second preceding year or within the actual year. Newly registered taxpayers need to submit the returns monthly in their first two years.

Annual VAT returns

Entrepreneurs/taxable persons whose VAT balance does not exceed HUF 250,000 on a yearly basis in the second preceding year and sale income is under 50 million HUF and having no IC tax number are to submit an annual VAT return.

Importers

VAT is levied on importation of goods into the territory of Hungary. As a general rule, every person importing goods will be responsible to pay VAT to the customs authorities. Taxpayers are entitled to the deduction of import VAT in the VAT declaration period in which the payment is made. It is a prerequisite for deduction that the taxpayer should have the certificate issued by the customs authority.

Large trading companies can apply for a permission to use the reverse charge system. Taxpayers with permission of the customs authority are entitled to recover VAT paid on the importation of goods acquired for the purpose of business activities in the same VAT declaration in which the input VAT is shown. The permission is valid for one year.

The prerequisite of tax recovery is that the taxpayer should have the resolution on putting the goods into free circulation as well as documents authentically certifying the data necessary for the determination of the VAT amount on the import of goods.

Should an indirect customs representative be appointed by the taxpayer to act in the import procedure, the taxpayer is entitled to recover VAT paid on behalf of him by the indirect customs representative.

The indirect customs representative is entitled to recover VAT on importation, if they:

- are a taxpayer and meets the personal conditions of tax recovery
- have the resolution on putting the goods into free circulation
- have the documents necessary for the determination of the VAT amount
- have paid the input VAT.

Are penalties imposed for the late submission of returns/ payment of tax?

Late or missed returns

For non-natural persons a default penalty up to HUF 500,000 can be levied (HUF 200,000 for private individuals as taxpayers) if the declaration obligation is not fulfilled or fulfilled with delays. The tax authority also sets a deadline for the elimination of the default. Should this deadline be not adhered to, the duplicate of the original penalty is levied as default fee.

Incorrect returns

With regard to self-assessed taxes, Hungarian taxpayers are entitled to correct their tax returns themselves. If the taxpayer reveals that he did not establish the tax liability in accordance with the law or his tax return contains errors in respect of taxes due to miscalculation or other clerical error, it is possible to make corrections in the tax return by way of self-revision. The self-revision has to be submitted prior to the commencement of a tax audit.

If the self-revision results in an increasing the tax payment liability, it is subject to a self-revision surcharge (calculated at the prime rate of the Hungarian Central Bank).

Late payment of tax

In case of the delayed payment of taxes a late payment interest is to be paid for the days of delay, but for a maximum of three years. The daily late payment interest amounts to the duplicate of the official National Bank Prime Rate divided by 365 (calculated with the interest rate valid in the period of delay and not the one valid when charged).

Are any other declarations required?

EC Sales Lists (ECLs) are to be filed by those having EU VAT numbers to the tax authority and having Intra-community transaction in the given period. The reporting liability is monthly or quarterly, in accordance with the VAT return period. The taxpayer has to file the ECLs monthly instead of quarterly if the EC purchases or sales in the current quarter are more than €50,000. In this case in the following year the taxpayer has to file the ECLs monthly.

Recapitulative statements (return yyA60) includes the net value of the turnover in the given period for each partner taxpayer in case of Intra-community supplies and, Intra-community acquisitions and services provided and bought within EU.

In addition to the recapitulative statements, those obliged are to file the following special 'yy86' declaration to the tax authority.

yy86: VAT return for special customers and legal entities as non-taxpayers liable to pay taxes on the Intra-community acquisitions and for taxpayers without an EU VAT number on the Intra-community acquisition of new means of transport not regarded as passenger cars.

The VAT yy86 returns are to be filed by the 20th day of the month following the month when the tax liability occurred.

Are penalties imposed for incorrect tax returns?

In the case of a tax audit, the Tax Authority may establish tax difference if the taxpayer did not assess the tax in compliance with the law. If this tax difference qualifies as a shortage (ie tax difference established to the detriment of the taxpayer and not paid by due date), the Tax Authority assesses:

- a general tax penalty which is 50% of the tax shortage; a maximum penalty of 200% may be levied if the tax shortage is linked to hidden revenues or faked or destroyed documents and invoices
- late payment interest which is twice the prime rate of the Hungarian Central Bank calculated on a daily basis.

Can the VAT incurred by overseas businesses be claimed if they are not registered in Hungary?

Hungarian VAT can be reclaimed by taxpayers registered in another member state not having head offices or permanent establishments in Hungary and not supplying goods or services inland except for the transportation of goods in connection with the international movement of goods and related services as well as services where VAT is to be paid by the customer according to the reverse charge procedure.

Taxpayers registered abroad are entitled to tax reclaim to the same extent as taxpayers registered inland are entitled to tax recovery. Tax on goods and services acquired by taxpayers registered abroad by means of their branch offices established inland cannot be reclaimed (in this case branch offices may assert their right of recovery within the framework of the procedure for domestic taxpayers). Furthermore, VAT on goods and services acquired by foreign taxpayers on their own accounts but for the purpose of others cannot be reclaimed.

Taxpayers established in a member state file Hungarian VAT refund claims with the tax authority of the country of registration in accordance with the regulations of Council Directive 2008/9/EC.

VAT on invoices issued in the given year may be reclaimed from 1 January to 30 September of the calendar year following the given year if the request reaches or exceeds €50 (requests are to be filed by this date and non-adherence to this deadline will lead to the forfeiture of rights).

In contrast with the main rule, reclaim may be requested for a three-month-period within the given year, in the month following the quarter if the request reaches or exceeds €400.

Taxpayers can file refund claim maximum five times for a given year.

The Hungarian VAT for taxpayers from non-EU countries is recoverable based on reciprocity only. Reciprocity countries are Switzerland, Norway and Liechtenstein. The refunding request of non-EU taxpayers has to arrive to the Hungarian tax authority in paper form until 30 September of the calendar year following the given year.

What information must a VAT invoice show?

As the Hungarian VAT Act is in line with the VAT Directive, the obligatory content of an invoice is the same as described in the VAT Directive:

- the date of the invoice
- the sequential number of the invoice (with a continuous numbering)
- the tax identification number of the taxable person supplying the goods, or services
- the tax identification number of the customer
  - if the customer is liable for the tax payable (reverse-charge mechanism)
  - in the case of intracommunity supply of goods
  - if the VAT charged reaches or exceeds HUF 100,000.
- the name and address of the taxable person supplying the goods or services, and the name and address of his customer
- the description of the goods supplied, furthermore, the quantity of the goods, the description of the services rendered, as well as the extent and nature of the services rendered, if it can be expressed in some unit of measurement;
- the date of performance, if it differs from the date of issue of the invoice;
- the taxable amount, the unit price of goods exclusive of VAT or the unit price of services exclusive of VAT, if it can be expressed in some unit of measurement, and any discounts or rebates if they are not included in the unit price
- the tax rate applied
- the amount of the tax charged. If invoices are made out in a foreign currency, the amount of the recharged value added tax is to be indicated in HUF as well in the invoice
- the words 'self-billing' where the customer receiving a supply of goods or services issues the invoice
- in the case of an exemption, reference to the applicable provision of law or to the VAT Directive, or any other reference indicating that the supply of goods or services is exempt (for example: Intra-Community Supply of Goods)
- the words 'reverse charge' where the customer is liable for payment of VAT

- when a new means of transport, that can be a land vehicle, a vessel and aircraft, is sold, the following data shall be indicated: the date of first entry into service, the kilometer reading (for land vehicles), the number of hours of sailing (for vessels) and the number of flight hours (for aircrafts)
- in connection with the activities of tour operators governed under the special provisions of law, the words 'margin scheme – travel agents'
- where one of the special arrangements applicable to second-hand goods, works of art, collector's items and antiques is applied under the special provisions of law, the words 'margin scheme – second-hand goods'; 'margin scheme – works of art' or 'margin scheme – collector's items and antiques' respectively
- where a financial representative is involved, the name, address and tax number of the financial representative.

However we would like to draw the attention into two Hungarian specific requirements that the invoice should contain:

- the tax number of the customer, if
  - the supplier is obliged to charge VAT and
  - the VAT charged on the invoice reaches or exceeds HUF 100,000.

This rule needs not to be applied by taxpayers not established in Hungary. However, this information will be necessary in order to fulfil the domestic sales report in the Hungarian VAT return. If invoices are made out in a foreign currency, the amount of the recharged value added tax is also to be indicated in HUF in the invoice.

Regarding the exchange rate applicable for the currency translation, for this purpose the rate of the National Bank of Hungary (MNB), European Central Bank (ECB) or the selling rate of any resident (Hungarian) bank (credit institution) holding a foreign exchange licence in Hungary. If a taxpayer opts for the application of the MNB or ECB rate, he has to report this fact to the tax authority, and is not allowed to deviate from that until the end of the calendar year following the year when the selection is made.

How to issue an invoice?

The possibilities regarding issuing the invoices in Hungary are as follows:

- using pre-printed invoices
- engage another company to issue the invoices (it can also be the client of the Company)
- issuing by a Software (Word or Excel is not sufficient).

Pre-printed invoices

These invoices can be bought in Hungarian stationery stores. The filling of these invoices can be manually or in some cases with the help of printer. The Company has to keep records about the pre-printed invoices bought.

Another Company

Written agreement about invoicing must be concluded with the partner in advance. The partner should issue the invoices of the Company under separate numbering.

Software

Hungarian and foreign software also can be appropriate, if the principle conditions of invoicing are met (eg continuous and separate numbering). Taxpayers are obliged to register and report certain general data (software ID, software name, date of purchase, etc.) of the invoicing software or online invoicing systems they use (or stop using). Additionally, there are some special requirement in connection with the invoicing software:

- data disclosure function. An invoicing software is required to have a special function called 'data disclosure for inspection by the tax authority' incorporated in the software, which makes it possible to carry out data exports with the content and in the form set out by the respective regulations. This 'data disclosure' function has to enable data export for:
  - invoices issued in a certain period, as defined by way of a starting date and an end date (day, month and year), or
  - invoices falling within a certain range of invoice serial numbers, as defined by way of the first and the last serial number
- online invoice reporting. From 1 July 2018 that invoicing software should provide data electronically to the Tax Authority upon issuance of invoices with at least HUF 100,000 VAT content in a pre-defined format and data structure.

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Indirect tax snapshot

What are the current rate(s) of indirect tax?	• Standard rate of 24% for most goods and services. • Reduced rate of 11% for some goods and services including food and rental of hotel and guestrooms. • Zero-rated goods and services include eg export of goods and services.
Are there any confirmed or anticipated changes to these rates?	No.
What is the principal indirect tax?	Value Added Tax (VAT) is the principal indirect tax in Iceland. It is a tax on consumer expenditure, and is collected on business transactions and imports.
Is there a registration limit for the tax?	Yes. It relates to the annual turnover of taxable transactions (2.000.000 ISK), and once the limit has (or will be) reached it is necessary to register.
Does the same registration limit apply to non-established businesses?	Yes. Foregin taxable persons selling taxable goods and services in Iceland are liable for VAT according to the same rules and regulations as Icelandic companies and shall be registered for VAT if the conditions for registration are met.
Does a non-established person need to appoint a fiscal representative in order to register?	If a foreign company selling taxable services in Iceland does not have a permanent establishment in Iceland, it must entrust an agent domiciled in Iceland to serve as its representative, including sending notification of its activities to tax authoraties, collecting VAT on taxable services and remitting it to the Treasury. Returns can also be submitted annually, ie if sales during the calendar year are less than 4.000.000 ISK or monthly if input tax is generally higher than output tax because a major portion of the turnover is exempt. The same applies to companies selling goods and services at the reduced rate as the majority of their inputs into such production or as intermediate inputs are subject to the VAT at the standard rate.
How often do returns have to be submitted?	In general each VAT reporting period is two months, January/February, March/April, May/June, July/August, September/October and November/December. VAT payment together with a VAT statement must be submitted no later than the due date for payment which is one month and five days after the period has ended. For example the due date for the January/February payments is 5th of April.
Are penalties imposed for the late submission of returns/payment of tax?	Yes. Late payments of VAT are subject to 1% penalty charge for each day past due date up to a total of 10% (no minimum penalty is stipulated). An additional penalty is applied if the VAT is not remitted within a month from the due date. This additional penalty is in the form of late payment interest as determined by the Central Bank of Iceland.
Are any other declarations required?	No.
Are penalties imposed in other circumstances?	No.
Can the tax incurred by overseas businesses be claimed if they are not registered in your country?	Yes.
Deduction of VAT	• Cars used for personal transportation, including car hires and fuel. • Food and drinks, including restaurant expenses. • Gifts and entertainment expenses. • Residential housing of employees.

What is the principal indirect tax?

Value Added Tax (VAT) is the main type of indirect taxation in Iceland.

It is a tax on consumption which is applied during the production and distribution process to most goods and services. It is also applied to goods, and certain services, entering the country. Although VAT is ultimately borne by the consumer by being included in the price paid, the responsibility for charging, collecting and paying it to the tax authority at each stage of the process rests with the business making the supply ie the sale.

A business registered for the tax will charge VAT (output tax) on its sales, and incur VAT (input tax) on its purchases (including any VAT paid at importation). The difference between the output tax and the deductible input tax in each accounting period will be the amount of VAT payable by the business to the tax authority. Where the input tax exceeds the output tax, a refund can be claimed.

A transaction is within the scope of Icelandic VAT if the following conditions are met:

- it is a supply of goods or services subject to VAT and a taxable turnover in each twelve-month period from the beginning og the business activity of 2.000.000 ISK is reached
- it takes place in Iceland.

There are three rates of VAT that are applied to goods and services in Iceland; the standard rate, the reduced rate, and the zero rate. In addition, some goods and services are exempted from the tax.

Businesses that make exempt supplies are unable to claim all of the input tax that they incur, so the VAT paid to suppliers will be a 'real' cost.

Goods imported into Iceland are subject to VAT. The tax will have to be paid by the importer at the time of importation. Where the importation is for business purposes and the importer is registered for VAT, it may be possible to reclaim the tax.

Is there a registration limit for the tax?

In general, all foreign as well as domestic companies and self-employed business owners selling taxable goods and services in Iceland needs to register their business for VAT if the taxable supplies in Iceland exceeds the annual registration limit, or is expected to exceed the limit in the near future.

For these purposes, a 'person' includes any legal entity. Therefore, once a person is registered for VAT, all of his business activities will be covered by the registration – even if the nature of some of those activities are very different.

Two or more corporate bodies can be registered together as a VAT group if:

- at least 90% of issued shares in the subsidiarie are owned by the parent company that requests the co-registration or other subsidiaries that also participate in the co-registration
- they companies have the same fisical year.

A penalty may be imposed by the tax authority if a business fails to register at the correct time.

Does the same registration limit apply to non-established businesses?

Foreign taxable persons selling taxable goods and services in Iceland are liable for VAT according to the same rules and regulations as Icelandic companies and shall be registered for VAT if the conditions for registration are met. Registration of a foreign taxable persons in the VAT register carries the same rights and obligations as registration of an Icelandic company. For example, foreign companies involved in commercial transportation in Iceland, eg busses or car rentals, must register for VAT, charge and deliver VAT to the extent that their activities are VAT-related.

Is there any specific legislation to tax non-resident supplies of electronically supplied/digital services to private consumers resident in your country?

A provider of electronically supplied services to consumers in Iceland shall register for VAT purposes whenever his taxable turnover exceeds ISK 2.000.000 in any twelve month period. Icelandic legislation defines the supply of electronic services in the same manner as the EU VAT Directive.

Electronic services include download or streaming of software, apps for smartphones, e-books, electronic games, music, movies or television programs. The services are always regarded as used where the buyer of the services resides or has a place of business.

Does a non-established business need to appoint a fiscal representative in order to register?

If a foreign company selling taxable services in Iceland does not have a permanent establishment in Iceland, it must entrust an agent domiciled in Iceland to serve as its representative, including sending notification of its activities to the tax authorities, collecting VAT on taxable services and remitting it to the Treasury. The foreign taxable company and its representative are both responsible for the collection and payment of VAT. It is not necessary for the payment from an Icelandic customer to be made through the foreign company's representative in Iceland. Payment may be made directly to the foreign business.

The representative shall keep complete VAT accounts for the foreign company's supply in Iceland (both purchases and sales), and is obliged to keep these accounts, sales documents, vouchers etc. in Iceland for at least seven years after the end of the accounting year in question.

Foreign companies that only supply goods and services from abroad to recipients in Iceland, excluding electronically supplied services, are not liable for VAT in Iceland. However, the importation of goods is taxable and VAT is payable at the time of importation by the owner of the goods.

How often do returns have to be submitted?

In general each VAT reporting period is two months, January/February, March/April, May/June, July/August, September/October and November/December. VAT payment together with a VAT statement must be submitted no later than the due date for payment which is one month and five days after the period has ended. For example the due date for the January/February payments is 5th of April. If the due date falls on a weekend or public holiday the next business day is the due date.

Are penalties imposed for the late submission of returns/payment of tax?

Late payments of VAT are subject to 1% penalty charge for each day past due date up to a total of 10% (no minimum penalty is stipulated).

An additional penalty is applied if the VAT is not remitted within a month from the due date. This additional penalty is in the form of late payment interest as determined by the Central Bank of Iceland.

Are any other declarations required?

No.

Are penalties imposed in other circumstances?

Yes. A range of penalties can be imposed where businesses do not comply with the VAT rules.

Civil penalties and interest can be applied for errors and omissions made on tax returns, or where the tax is paid late. Penalties can also be applied where the business has failed to maintain adequate records, provide information (including additional declarations), or makes repeated mistakes.

Criminal proceedings may be brought in the case of more serious matters.

Can the VAT incurred by overseas businesses be claimed if they are not registered in Iceland?

Yes, it may be possible to reclaim the VAT incurred in certain circumstances.

As Iceland is not part of the European Union, the EU Directive 2008/09/EC and the 13th Directive are not applicable to companies asking for VAT refund in Iceland.

However, there is possibility to reclaim VAT in Iceland for foreign companies via a '13th Directive equivalent legislation'. Namely, Regulation no. 288/1995.

A non resident business without a fixed establishment or liability to register in Iceland can recover VAT. No reciprocal agreement with the home country of the non resident business is required to obtain a VAT refund.

Refunds can only be made to a non resident business that otherwise would have been liable to register for VAT in Iceland had it carried on a business in Iceland.

If the application relates to a period of less than one calendar year but not less than two months, the amount for which application is made may not be less than ISK 68,700; if the application relates to a period of a calendar year or the remainder of a calendar year, the amount may not be less than ISK 13,300.

The application must refer to purchases of goods and taxable services over a period of at least two months, ie January-February, March-April, May-June, July-August, September-October, November-December, and not exceeding one calendar year. The period may be less than two months if the application relates to the remainder of a calendar year. The application must be submitted at least 15 days after the relevant period and no later than six years after the end of the calendar year to which the application refers.

What information must a VAT invoice show?

All taxable persons, including foreign companies selling taxable goods and services in Iceland, shall keep accounts for their business activities in Iceland and shall arrange their accounts and their settlement in such a manner that tax authorities can verify VAT statements at any given time. The VAT accounts shall be accessible to the tax authorities at all times.

Invoices must be issued with every sale or delivery of goods or taxable service, except cf. Art. 21 of the VAT Act. The invoice must include a date of issue, name and Icelandic Id. no. (kennitala) of the purchaser and seller, VAT number of the seller, type of sale, quantity, unit price and total price. Type of sale to a registered person must be sufficiently clear, so that it can be deduced whether the transaction concerned is VAT-taxable activity. Invoice forms shall be numbered in advance in consecutive numerical order. The invoice shall state clearly whether the VAT tax is included in its sum total or not. Furthermore, the amount of the VAT tax shall be stated separately, or that the VAT tax amounts. The amount of the VAT tax must always appear in the case of a sale by a taxable party.

Parties exempt from VAT may neither specify on their invoices nor indicate in any other manner thereon that VAT is included in the invoice amount.

Are there any current or anticipated Standard Audit File for Tax (SAF-T) or similar electronic/digital filing requirements eg invoice listing data file/real-time VAT reporting?

No.

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Ireland

Indirect tax snapshot

What are the current rate(s) of indirect tax?	• Standard rate of 23% for most goods and services. • Reduced rates include 13.5% (building services), 9% (tourism related) and 4.8% (livestock). • Zero-rated goods and services include certain foods/drinks, oral medicines and children's clothes.
Are there any confirmed or anticipated changes to these rates?	No.
What is the principal indirect tax?	Value Added Tax (VAT) is the principal indirect tax in the Republic of Ireland (ROI). It is a tax on consumer expenditure, and is collected on business transactions and imports.
Is there a registration limit for the tax?	Yes. It relates to the annual turnover of taxable transactions in the ROI, and once the limit has (or is likely to be) reached, it is necessary to register. The thresholds are €75,000 (sale of goods) and €37,500 (supply of services).
Does the same registration limit apply to non-established businesses?	No. There is no registration limit for businesses that are not established in the ROI and they will need to register as soon as they start to make taxable transactions. Different registration requirements also apply to businesses involved with 'distance sales' made within the European Union (EU), eg internet sales.
Does a non-established person need to appoint a fiscal representative in order to register?	No.
How often do returns have to be submitted?	Most businesses are required to submit VAT returns on a bi-monthly basis, eg January/February. However, the Irish Revenue may determine that returns can be submitted on a quarterly, six monthly or an annual basis.
Are penalties imposed for the late submission of returns/payment of tax?	Yes. If a VAT return or the corresponding payment is submitted late, interest and a penalty can be imposed.
Are any other declarations required?	Yes. A detailed annual VAT return must be submitted. Additional declarations have to be submitted in respect of certain supplies made to customers who are registered for VAT elsewhere in the EU (VIES returns). Declarations also have to be submitted in certain circumstances in connection with goods moving to or from other countries in the EU (Intrastat).
Are penalties imposed in other circumstances?	Yes. Penalties can be imposed for a range of errors or omissions.
Can the tax incurred by overseas businesses be claimed if they are not registered in your country?	Yes, in certain circumstances and subject to certain conditions (EU refund claims and 13th directive claims).
Deduction of VAT	VAT incurred on business entertainment, food and drink or other personal services for the business or staff, hotel accommodation (other than for a qualifying conference), petrol and the purchase, hire or leasing of cars* is not generally deductible. *20% of VAT incurred allowable in certain circumstances.

What is the principal indirect tax?

Value Added Tax (VAT) is the main type of indirect taxation in the Republic of Ireland and in other European Union (EU) countries.

VAT is a tax on consumer spending. It is collected by VAT-registered traders on their supplies of goods and services affected within the state, for consideration, to their customers. Generally, each such trader in the chain of supply from manufacturer through to retailer charges VAT on his/her sales and is entitled to deduct from this amount the VAT paid on his/her purchases.

A business registered for the tax will charge VAT (output tax) on its sales, and incur VAT (input tax) on its purchases (including any VAT paid at importation). The difference between the output tax and the deductible input tax in each accounting period will be the amount of VAT payable by the business to the tax authority. Where the input tax exceeds the output tax, a refund can be claimed.

A transaction is within the scope of Irish VAT if the following conditions are met:

- it is a supply of goods or services. Although the term 'supply' is not defined in the legislation, it has a broad interpretation.
- it takes place in Ireland
- it is made by a taxable person. For these purposes, a taxable person is a person or entity who is registered for VAT in the RoI, or has a liability to become registered
- it is made in the course or furtherance of any business carried on by that person or entity.

There are five rates of VAT that are applied to goods and services in Ireland; the standard rate (23%), the reduced rate (13.5%), the second reduced rate (9%), the rate for livestock (4.8%) and the zero rate. In addition, some goods and services are exempt from VAT.

Businesses that make exempt supplies are unable to claim all of the input tax that they incur, so the VAT paid to suppliers will be a 'real' cost.

Most goods imported into Ireland from outside the EU are subject to VAT. The tax will have to be paid by the importer at the time of importation. Where the importation is for business purposes and the importer is registered for VAT, it may be possible to reclaim the tax (subject to certain rules).

It is also important to note the interaction between VAT and customs duty. Customs duty is levied across the EU at the place where goods are imported into the community. It is levied in order to bring the cost of goods produced outside the EU up to the same level as those produced within it. Once duty (and VAT) has been paid by the importer, the goods are in 'free circulation' and they can then be released for use in the home market. Unlike other indirect taxes, such as VAT, once duty has been paid it is not usually recoverable by the importer. It therefore represents a bottom line cost to the importing business if it cannot be passed on in higher prices. It is therefore very important to ensure that the correct rate of duty is applied. VAT is charged on the value of the importation, including any custom duty.

Is there a registration limit for the tax?

A 'person' who either makes or intends to make taxable supplies of goods or services in the course or furtherance of business must register for VAT if the value of its taxable supplies in Ireland exceeds the annual registration limits, or is expected to exceed the annul limits in the near future.

A business must register for VAT as follows:

1. the general turnover threshold for the supply of goods is €75,000; however persons supplying goods liable at the reduced or standard rates which they have manufactured or produced from zero-rated materials must register if their turnover is €37,500 or more
2. the general turnover threshold for the supply of services is €37,500; however for persons supplying both goods and services where 90% or more of the turnover is derived from supplies of goods (other than of the kind referred to in the above paragraph) then the threshold for goods applies
3. intra-community acquisitions of goods for business purposes by a person in the Member State exceed €41,000
4. distance sales of goods by a foreign trader to non-registered customers in Ireland exceed €35,000
5. persons not established in the Member State but supplying goods and services here must register regardless of the level of turnover
6. persons receiving services from abroad for business purposes in Ireland must register regardless of the level of turnover.

For these purposes, a 'person' includes any legal entity. Therefore, once a person is registered for VAT, all of their business activities will be covered by the registration – even if the natures of some of those activities are very different.

A penalty may be imposed by the tax authority if a business fails to register at the correct time.

Does the same registration limit apply to non-established businesses?

Businesses that are not established in Ireland cannot avail of the normal VAT registration thresholds. As soon as these businesses commence trading, they will need to register for VAT in Ireland, irrespective of the level of turnover.

Where a non-established EU based business is involved with distance selling, registration for VAT in Ireland may also be required. Distance selling occurs when a taxable supplier in one EU country supplies and delivers goods to a customer in another EU country who is not registered or liable to be registered for VAT. Such customers are known as non-taxable persons, and include private individuals and businesses and other organisations that are not registered for VAT (either because of their size, or the fact that they are exempt from having to register due to the nature of their activities). The common examples of distance sales are goods supplied by mail order and via the internet.

Each EU country has the option of applying a distance selling threshold of either €35,000 or €100,000 per calendar year, or the equivalent in its own currency. Ireland has adopted the minimum annual threshold of €35,000.

Distance sales from another EU country to non-taxable persons in Ireland will be subject to VAT at the appropriate rate in the supplier's country. However, once the value of those distance sales to Ireland exceeds the €35,000 threshold:

- the supplier becomes liable to register for VAT in Ireland
- Ireland becomes the place of supply
- any further sales to customers in Ireland are subject to Irish VAT at the appropriate rate.

Suppliers can choose to register for VAT voluntarily in Ireland before the threshold is reached.

Is there any specific legislation to tax non-resident supplies of electronically supplied/digital services to private consumers resident in your country?

With effect 1 January, 2015, Article 58 of Directive 2006/112/EC was amended. The rules determining the place of supply of electronically supplied services supplied to private consumers (B2C) changed from the Member State where the supplier belongs (ie where established) to the Member State of the consumer. The result of this is that local VAT is chargeable at the applicable rate in each of the Member States in which electronically supplied services are made (ie where the customer belongs). To ensure compliance with this, suppliers have the choice to either register for VAT in each Member State where their customers reside, or elect to register under the EU VAT MOSS simplification scheme in a single Member State (where they are established). Businesses with multiple establishments in the EU can choose which Member State to operate MOSS (the Member State of Identification). However, the MOSS cannot be used to report local sales to customers in a Member State in which suppliers of electronically supplied services have a fixed establishment. Non-EU suppliers without an establishment in a Member State are free to select a Member State of their choosing to operate MOSS and become their Member State of Identification.

Does a non-established business need to appoint a fiscal representative in order to register?

It is not necessary to appoint a VAT representative to act on behalf of a non-established business for VAT purposes but an option to do so is available.

How often do returns have to be submitted?

Most businesses are required to submit VAT returns on a bi-monthly basis. However, the Irish Revenue may agree that returns can be submitted on a 4 or 6 monthly basis if the level of VAT payment is low. Businesses that are in a constant repayment position (because of the nature of their activities) can apply to submit returns on a monthly basis to improve cash flow.

All VAT returns have to be submitted by the 23rd of the following Month (eg the return for the January/February period must be filed by 23 March) together with payment of any tax due. All returns and payments have to be submitted electronically.

Are penalties imposed for the late submission of returns/ payment of tax?

A penalty may be imposed by the tax authority if VAT returns are not submitted on time, or the related tax is not paid by the due date. In practice, interest is generally charged (rather than a penalty).

Are any other declarations required?

VIES

Traders who sell goods or supply services to VAT registered traders in other EU Member States must complete VIES returns (on a monthly or quarterly basis) and submit them electronically. There are no minimum thresholds involved and all such supplies must be reported.

Intrastat

Traders that acquire goods from other EU member states exceeding €500,000 annually and/or dispatch goods to other EU Member States exceeding €635,000 annually must complete the detailed monthly Intrastat return. In addition, all traders involved with intra EU transactions must complete boxes E1 and E2 (goods) and boxes ES1 and ES2 (services) on their VAT 3 returns.

Annual Return of Trading Details (ARTD)

All VAT registered traders are required to submit a VAT Return of Trader Details (RTD) on an annual basis, following the end of the annual VAT accounting period. The ARTD is a statistical return showing the value of sales and purchases analysed between the various VAT rates. Since 2014, the Irish Revenue will withhold tax refunds and tax clearance certificates if the ARTDs have not been submitted.

Are penalties imposed in other circumstances?

Yes. A range of penalties can be imposed where businesses do not comply with the VAT rules.

Civil penalties and interest can be applied for errors and omissions made on tax returns (particularly when returns are being audited by the revenue commissioners, or where the tax is paid late. Penalties can also be applied where the business has failed to maintain adequate records, provide information (including additional declarations), or make repeated mistakes.

Criminal proceedings may be brought in the case of more serious matters.

Can the VAT incurred by overseas businesses be claimed if they are not registered in Ireland?

Yes, it may be possible to reclaim the VAT incurred in certain circumstances.

Two schemes exist, one for businesses established in the EU (called a European VAT Refund (EVR)) and another for businesses established outside the EU (13th directive claims).

The EU cross border refund scheme (EVR) is available in all EU Member States, and enables a business established in an EU country to recover VAT incurred in another Member State. To be eligible to make a claim, the claimant must be a taxable person established in an EU Member State other than the one from which the claim is to be sought. In addition, the claimant:

- must not be registered or liable, or eligible to be registered in the Member State from which he is claiming the refund
- must have no fixed establishment, seat of economic activity, place of business or other residence there
- during the refund period he must not have supplied any goods or services in the Member State of refund, apart from certain limited exceptions.

The amount that is refundable is determined by the deduction rules that apply in the country making the refund. The claim is submitted electronically by the claimant to the tax authority in the claimant's own country the tax authority transmits the claim to the VAT authority of the country from whom the repayment is being sought.

The refund period must not cover more than one calendar year or less than three calendar months – unless it is covering the remainder of a calendar year. The claim has to be made by 30 September of the year following that in which the VAT was incurred.

A person who is engaged in business outside the EU (and who is not engaged in business in Ireland) may claim repayment of Irish VAT on most business purchases in Ireland using a 13th directive claim. Currently, the main conditions governing repayment are:

- where the claimant is carrying on business outside of the European Union s/he must provide written proof of economic activity issued by the competent authority of his/her own State
- the goods/services giving rise to the claim must be goods/ services in respect of which tax would be deductible if the claimant's business was carried on in Ireland, and must not include goods for supply within the State or motor vehicles for hiring out for utilisation within the State
- the business for which the goods/services were purchased must be a business which would be taxable if carried on in Ireland
- the original supplier invoices must be submitted with the claim form.
- the claim must be submitted by 30 June of the following year

What information must a VAT invoice show?

A VAT invoice must show:

- the invoice date
- an invoice number which is unique and sequential
- the seller's name and address
- the seller's VAT registration number
- the time of supply (also known as tax point) if this is different from the invoice date
- the customer's name and address
- if the supply relates to a supply to a person registered for VAT in another EU Member State, the VAT identification number of the person to whom the supply was made and an indication that a reverse charge applies
- a description sufficient to identify the goods or services supplied to the customer
- any discounts or price reductions not included in the unit price
- the total amount of VAT charged expressed in Euro.

For each different type of item listed on the invoice, the following must be shown:

- the unit price or rate, excluding VAT
- the quantity of goods or the extent of the services
- the rate of VAT that applies to what's being sold
- the total amount payable, excluding VAT.

Simplified invoices may be issued where the total value of the sale is €100 or less.

VAT invoices can be issued, received and stored in electronic format and there is no need to tell the tax authority. Electronic invoices must contain the same information as paper invoices. The method used to ensure the authenticity of origin, the integrity of content and legibility of the invoices is a business choice and can be achieved by any business controls which create a reliable audit trail between an invoice and a supply of goods or services.

Are there any current or anticipated Standard Audit File for Tax (SAF-T) or similar electronic/digital filing requirements eg invoice listing data file/real-time VAT reporting?

No, there are no similar electronic filing requirements in Ireland.

For further information on indirect tax in the Republic of Ireland please contact:

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Isle of Man

Indirect tax snapshot

What are the current rate(s) of indirect tax?	• Standard rate of 20% for most goods and services. • Reduced rate of 5% for some goods and services including children's car seats and some home energy-saving materials, building work, residential and hotel accommodation. • Zero-rated goods and services include most food and children's clothes.
Are there any confirmed or anticipated changes to these rates?	No.
What is the principal indirect tax?	Value Added Tax (VAT) is the principal indirect tax in the Isle of Man (IOM). It is a tax on consumer expenditure, and is collected on business transactions and imports.
Is there a registration limit for the tax?	Yes. It relates to the annual turnover of taxable transactions in the UK/IOM, and once the limit has (or will be) reached it is necessary to register.
Does the same registration limit apply to non-established businesses?	No. There is no registration limit for businesses that are not established in the UK/IOM and they will need to register as soon as they start to make taxable transactions. Different registration requirements also apply to businesses involved with 'distance sales' made within the European Union (EU), eg mail order and internet sales.
Does a non-established person need to appoint a fiscal representative in order to register?	In certain circumstances, a non-established person may be directed by the IOM tax authority to appoint a fiscal representative.
How often do returns have to be submitted?	Most businesses are required to submit VAT returns covering three month accounting periods. Returns can also be submitted on a monthly basis.
Are penalties imposed for the late submission of returns/payment of tax?	Yes. If a VAT return, or the corresponding payment, is submitted late a penalty can be imposed.
Are any other declarations required?	Yes. Additional declarations have to be submitted in respect of certain supplies made to customers who are registered for VAT elsewhere in the EU. Declarations also have to be submitted in certain circumstances in connection with goods moving to or from the EU.
Are penalties imposed in other circumstances?	Yes. Penalties can be imposed for a range of errors or omissions.
Can the tax incurred by overseas businesses be claimed if they are not registered in your country?	Yes, in certain circumstances and subject to certain conditions.
Deduction of VAT	Input VAT cannot be recovered in certain circumstances, for example: • goods and services that have been purchased for private reasons • business entertainment • costs incurred in relation to VAT-exempt or non-business supplies • specified items, for example a 50% restriction on car hire.

What is the principal indirect tax?

Value Added Tax (VAT) is the main type of indirect taxation in the Isle of Man (IOM).The IOM is a British Crown Dependency and is not part of the United Kingdom. It is internally autonomous and self-governing with its own independent legal, administrative and fiscal systems. There is however a common indirect tax area between the two countries resulting from an agreement between the UK and the IOM governments. The spirit of the agreement between the UK and the IOM is that IOM legislation will generally parallel UK legislation and procedures, so maintaining a customs union and common indirect tax area. VAT is collected in the IOM under the Value Added Tax Act 1996 (of Tynwald) and is administered and received by the Customs and Excise Division of the Isle of Man Treasury.

VAT is a tax on consumption which is applied during the production and distribution process to most goods and services. It is also applied to goods, and certain services, entering the country. Although VAT is ultimately borne by the consumer by being included in the price paid, the responsibility for charging, collecting and paying it to the tax authority at each stage of the process rests with the business making the supply ie the sale.

A business registered for the tax will charge VAT (output tax) on its sales, and incur VAT (input tax) on its purchases (including any VAT paid at importation). The difference between the output tax and the deductible input tax in each accounting period will be the amount of VAT payable by the business to the tax authority. Where the input tax exceeds the output tax, a refund can be claimed.

A transaction is within the scope of UK/IOM VAT if the following conditions are met:

- it is a supply of goods or services. Although the term 'supply' is not defined in the legislation, it has a broad interpretation.
- it takes place in the UK/IOM
- it is made by a taxable person. For these purposes, a taxable person is a person or entity who is registered for VAT in the UK/IOM or has a liability to become registered
- it is made in the course or furtherance of any business carried on by that person or entity.

There are three rates of VAT that are applied to goods and services in the UK/IOM; the standard rate, the reduced rate, and the zero rate. In addition, some goods and services are exempted from the tax.

Businesses that make exempt supplies are unable to claim all of the input tax that they incur, so the VAT paid to suppliers will be a 'real' cost.

Most goods imported into the UK/IOM from outside the EU are subject to VAT. The tax will have to be paid by the importer at the time of importation. Where the importation is for business purposes and the importer is registered for VAT, it may be possible to reclaim the tax (subject to certain rules).

It is also important to note the interaction between VAT and Customs duty. Customs duty is levied across the EU at the place where goods are imported into the community. It is levied in order to bring the cost of goods produced outside the EU up to the same level as those produced within it. Once duty (and VAT) has been paid by the importer, the goods are in 'free circulation' and they can then be released for use in the home market. Unlike other indirect taxes, such as VAT, once duty has been paid it is not usually recoverable by the importer. It therefore represents a bottom line cost to the importing business if it cannot be passed on in higher prices. It is therefore very important to ensure that the correct rate of duty is applied. VAT is charged on the value of the importation, including any custom duty.

Is there a registration limit for the tax?

A 'person' who either makes or intends to make taxable supplies of goods or services in the course or furtherance of a business must register for VAT if the value of its taxable supplies in the UK/IOM exceeds the annual registration limit, or is expected to exceed the limit in the near future. A business can register on a voluntary basis even if the registration limit has not been exceeded.

For these purposes, a 'person' includes any legal entity. Therefore, once a person is registered for VAT, all of his business activities will be covered by the registration – even if the nature of some of those activities are very different.

Two or more corporate bodies can be registered together as a VAT group if:

- each of the bodies is established, or has a fixed establishment, in the UK/IOM
- they satisfy the 'control' test ie one of them controls each of the others, or one person or a business partnership controls all of them
- they satisfy anti-avoidance rules that apply in certain circumstances.

A corporate body cannot be treated as a member of more than one VAT group at a time.

The main advantage of VAT group registration is that, apart from a few limited exceptions, any supply of goods or services by a member of the group to another member of the group is disregarded for VAT purposes. This reduces the risk of VAT being accidentally omitted on supplies between separately registered connected companies.

However, there are some disadvantages and any decision on whether to group register should be taken with care. For example, all VAT group members (including former members) are jointly and severally liable for the VAT debt of the group during the period of their membership.

A penalty may be imposed by the tax authority if a business fails to register at the correct time.

Does the same registration limit apply to non-established businesses?

The normal VAT registration limit does not apply to businesses who are not established in the UK/IOM, but for the purposes of the tax are making taxable supplies there. Those businesses will need to register for VAT as soon as they commence trading in the UK/IOM irrespective of the level of turnover.

Registration for VAT in the UK/IOM may also be required where a non-established EU business is involved with distance selling. Distance selling occurs when a taxable supplier in one EU country supplies and delivers goods to a customer in another EU country who is not registered or liable to be registered for VAT. Such customers are known as non-taxable persons, and include private individuals and businesses and other organisations that are not registered for VAT (either because of their size, or the fact that they are exempt from having to register due to the nature of their activities). The common examples of distance sales are goods supplied by mail order and via the internet.

Each EU country has the option of applying a distance selling threshold of either 35,000 euros or 100,000 euros per calendar year, or the equivalent in its own currency. The UK/IOM has adopted an annual threshold of £70,000 which equates to the upper threshold in euros.

Distance sales from an EU country to non-taxable persons in the UK/IOM will be subject to VAT at the appropriate rate in the suppliers country. However, once the value of those distance sales to the UK/IOM exceeds the UK/IOM threshold of £70,000:

- the supplier becomes liable to register for VAT in the UK/IOM- the UK/IOM becomes the place of supply
- any further sales to customers in the UK/IOM are subject to UK/IOM

Suppliers can choose to make the UK/IOM the place where the goods are supplied by registering for VAT voluntarily before the threshold is reached.

Is there any specific legislation to tax non-resident supplies of electronically supplied/digital services to private consumers resident in your country?

With effect 1 January, 2015, Article 58 of Directive 2006/112/EC was amended. The rules determining the place of supply of electronically supplied services supplied to private consumers (B2C) changed from the Member State where the supplier belongs (ie where established) to the Member State of the consumer. The result of this is that local VAT is chargeable at the applicable rate in each of the Member States in which electronically supplied services are made (ie where the customer belongs). Therefore B2C supplies of electronically supplied services to customers in the UK/IOM are subject to UK/IOM VAT. To ensure compliance with this, suppliers have the choice to either register for VAT in each Member State where their customers reside, or elect to register under the EU VAT MOSS simplification scheme in a single Member State (where they are established). Businesses with multiple establishments in the EU can choose which Member State to operate MOSS (the Member State of Identification). However, the MOSS cannot be used to report local sales to customers in a Member State in which suppliers of electronically supplied services have a fixed establishment. Non-EU suppliers without an establishment in a Member State are free to select a Member State of their choosing to operate MOSS and become their Member State of Identification. The UK is popular choice for a MOSS registration due to the English language.

Does a non-established business need to appoint a fiscal representative in order to register?

The tax authority in the UK/IOM may direct a person to appoint a VAT representative to act on his behalf for VAT purposes where the person:

i is a taxable person or makes taxable supplies or acquires goods in the UK/IOM from one or more other EU countries

ii is not established, and does not have a 'fixed establishment' in the UK/IOM

iii is established in a country or territory which is not an EU country (or part of such a country) and where it appears to the UK/IOM tax authority that there is no provision for mutual assistance similar to that which provided between the UK/IOM and other EU countries

iv in the case of an individual, he does not have his 'usual place of residence' in the.

How often do returns have to be submitted?

VAT returns normally cover an accounting period of three months, ending on the last day of a calendar month, A businesses can request a specific accounting cycle to coincide with its financial or management reporting. Businesses that are in a net repayment position (because of the nature of their activities) and those incurring exceptionally high expenditure (eg as a result of set up costs or a capital project) can apply to submit returns on a monthly basis to improve cash flow.

All VAT returns have to be submitted within 30 days of the end of the relevant accounting period, together with any tax due. As all returns and payments have to be submitted electronically, taxpayers get a further seven days (in addition to the normal 30 days) in which to submit the return and pay the tax due.

Businesses that had a taxable turnover exceeding £2.3m in the preceding calendar year, must make interim VAT payments every month. An interim payment must therefore be made at the end of the second and third months in each accounting period. A balancing payment for the quarter is then made when the return is submitted.

Are penalties imposed for the late submission of returns/ payment of tax?

A default surcharge penalty may be imposed by the tax authority if VAT returns are not submitted on time, or the related tax is not paid by the due date.

For the first late submission or payment, the tax authority will issue a notification to the taxpayer confirming that a penalty may be imposed in the future. If another submission or payment is late within the next 12 months, a fixed percentage penalty is imposed on that occasion. The percentage penalty is increased for subsequent defaults (up to a specified maximum), unless returns and the related payments are made on time for a 12 month period.

Are any other declarations required?

Businesses that are registered for VAT in the UK/IOM, and make supplies of goods or services to traders registered for the tax in other EU countries are required to complete and submit EC Sales Lists (ESLs). The ESLs must show details of the recipients of the goods and services.

Generally, where the value of goods supplied to businesses in other EU member States exceeds £35,000 in the current or four previous quarters, the ESLs must be submitted each calendar month. Otherwise the document for goods is submitted for each calendar quarter.

ESLs for services should be submitted for each calendar quarter.

In addition, if the value of the intra-EU trade in goods dispatched or arriving from other EU is above an annual threshold, a supplementary declaration (referred to as an Intrastat declaration) has to be submitted for either or both. These declarations have to be submitted on a monthly basis.

Are penalties imposed in other circumstances?

Yes. A range of penalties can be imposed where businesses do not comply with the VAT rules.

Civil penalties and interest can be applied for errors and omissions made on tax returns, or where the tax is paid late. Penalties can also be applied where the business has failed to maintain adequate records, provide information (including additional declarations), or makes repeated mistakes.

Criminal proceedings may be brought in the case of more serious matters.

Can the VAT incurred by overseas businesses be claimed if they are not registered in the Isle of Man?

Yes, it may be possible to reclaim the VAT incurred in certain circumstances.

Two schemes exist, one or businesses established in the EU and another for businesses established elsewhere.

The EU cross border refund scheme is available in all EU member States, and enables a business established in an EU country to recover VAT incurred in another member State. To be eligible to make a claim, the claimant must be a taxable person established in an EU member State other than the one from which the claim is to be sought. In addition, the claimant:

- must not be registered, liable, or eligible to be registered in the member State from which he is claiming the refund
- must have no fixed establishment, seat of economic activity, place of business or other residence there
- during the refund period he must not have supplied any goods or services in the member State of refund, apart from certain limited exceptions.

The amount that is refundable is determined by the deduction rules that apply in the country making the refund. The claim is submitted electronically to the tax authority from whom the repayment is being sought.

The refund period must not cover more than one calendar year or less than three calendar months – unless it is covering the remainder of a calendar year. The claim has to be made by 30 September of the year following that in which the VAT was incurred.

Businesses established outside of the EU can, subject to certain conditions, also reclaim the VAT incurred on imports into the UK/IOM or purchases of goods and services used in the UK/IOM. The scheme is available to any person carrying on a business established in a third country ie outside the EU, provided that in the period of the claim:

- he was not registered or liable to be registered for VAT in the UK/IOM
- he was not established in any EU country
- he made no supplies of goods and services in the UK/IOM other than certain specified exceptions
- where he is established in a third country having a comparable system of turnover taxes, unless the UK/IOM tax authority allows otherwise, that country provides reciprocal arrangements for refunds to be made to taxable persons established in the UK/IOM.

The claim period in the UK/IOM is from 1 July to 30 June each year. Claim forms have to be submitted to the UK/IOM tax authority no later than six months from the end of the relevant designated year ie by 31 December each year.

What information must a VAT invoice show?

A VAT invoice must show:

- an invoice number which is unique and sequential
- the seller's name and address
- the seller's VAT registration number
- the invoice date
- the time of supply (also known as tax point) if this is different from the invoice date
- the customer's name and address
- a description sufficient to identify the goods or services supplied to the customer
- the rate of any cash discount
- the total amount of VAT charged expressed in sterling

For each different type of item listed on the invoice, the following must be shown:

- the unit price or rate, excluding VAT
- the quantity of goods or the extent of the services
- the rate of VAT that applies to what's being sold
- the total amount payable, excluding VAT

Where a VAT invoice includes zero-rated or exempt goods or services, it must:

- show clearly that there is no VAT payable on those goods or services
- show the total of those values separately Where a business makes retail sales and makes a sale of goods or services for £250 or less including VAT, a simplified VAT invoice can be issued.

VAT invoices can be issued, received and stored in electronic format and there is no need to tell the tax authority. Electronic invoices must contain the same information as paper invoices. The method used to ensure the authenticity of origin, the integrity of content and legibility of the invoices is a business choice and can be achieved by any business controls which create a reliable audit trail between an invoice and a supply of goods or services.

Are there any current or anticipated Standard Audit File for Tax (SAF-T) or similar electronic/digital filing requirements eg invoice listing data file/real-time VAT reporting?

While there is no SAF-T requirement in the UK/IOM – the UK government is going ahead with its Making Tax Digital (MTD) programme, starting with VAT-registered taxpayers. From 1 April 2019, businesses with a turnover above the VAT registration threshold will be required to keep specified minimum records in the VAT account and to submit the current nine box VAT return to HMRC via Application Program Interface (API) software (linking either the accounting system or excel spreadsheets to the HMRC system).

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Indirect tax snapshot

What are the current rate(s) of indirect tax?	• Standard rate of 17% for most goods and services. • Some transactions are subject to zero VAT rate (export transaction, providing tourist services). • Some transactions are exempt from VAT (transaction in EILAT free zone, residential rental).
Are there any confirmed or anticipated changes to these rates?	No.
What is the principal indirect tax?	Value Added Tax (VAT) is the principal indirect tax in the Israel. It is a tax on transaction in Israel and import of goods. However, a wage tax shall be imposed on the activity in Israel of a non profit organization at a rate of 7.5% and a wage and profit tax shall be imposed on the activity in Israel of a financial institution at a rate of 17%.
Is there a registration limit for the tax?	No. However, exempt dealer (turnover does not exceed of approximately NIS 100,000 a year) report only once a year.
Does the same registration limit apply to non-established businesses?	Yes.
Does a non-established person need to appoint a fiscal representative in order to register?	Yes.
How often do returns have to be submitted?	Monthly basis. However, the period for a dealer's return shall be two months, if his business turnover in the determining year did not exceed NIS 1,510,000.
Are penalties imposed for the late submission of returns/payment of tax?	Yes.
Are penalties imposed in other circumstances?	Yes. Penalties can be imposed for a range of errors or omissions as: fine for not keeping books, fine for failure to pay on time.
Can the tax incurred by overseas businesses be claimed if they are not registered in your country?	No.
Deduction of VAT	Only a dealer is entitled to deduct input tax. Input tax on private vehicle cannot be deducted, a dealer shall not be entitled to deduct input tax on the acquisition of his own dwelling or its construction, input tax in respect of an employee – an asset or a service, such as a meal, housing, gifts or entertainment intended for the enjoyment, profit, welfare or benefit of an employee or of members of his family, input tax on hospitality except for input tax on hospitality extended to a visitor from abroad.

What is the principal indirect tax?

Value Added Tax (VAT) is the main type of indirect taxation in the Israel.

Section 2 of the Israeli VAT Law (hereinafter: 'The VAT Law') states that: 'Value Added Tax shall be imposed on transactions in Israel and on the importation of goods'.

Although VAT is ultimately borne by the consumer by being included in the price paid, the responsibility for charging, collecting and paying it to the tax authority at each stage of the process rests with the business making the supply, ie the sale.

A dealer will charge VAT (output tax) on its sales or service, and incur VAT (input tax) on its purchases (including any VAT paid at importation). The difference between the output tax and the deductible input tax in each accounting period will be the amount of VAT payable by the dealer to the tax authority. Where the input tax exceeds the output tax, a refund can be claimed.

A dealer is defined as 'a person, other than a non-profit organization or a financial institution, who sells any asset or renders any service in the course of his business, and also a person who effects an occasional transaction'.

A transaction is within the scope of Israel VAT if the following conditions are met:

1 the sale of an asset or the performance of a service by a dealer in the course of his business, including the sale of equipment
2 the sale of any asset, if the input tax imposed on its sale to the seller or on its importation by the seller was deducted
3 an occasional transaction
4 it takes place in the Israel.

Section 14 of the VAT Law, addressing 'sales' type transactions, states that: 'An asset shall be deemed to have been sold in Israel, if the asset was in Israel at the time of its delivery to the purchaser, or if it was exported from Israel and the asset is intangible – if the seller is an Israel resident'.

Section 15 of the VAT Law, addressing 'service' type transactions, states three alternatives, whereby it is sufficient for one of them to exist to determine that the service will be seen as a service rendered in Israel. Below are the three alternatives:

1 it was rendered by a person whose business is in Israel; whoever has an agent or branch in Israel will be deemed, in this respect, as a person who has a business in Israel
2 it was rendered to an Israeli resident
3 it was rendered in respect of properties located in Israel.

Usually, a transaction in Israel and import of goods are subject to VAT at a standard rate of 17%. There is some exception which zero VAT applied or exempt.

Deduct input tax:

1 a dealer is entitled to deduct from the tax to which he is liable the input tax included in a tax invoice lawfully issued to him or in an import entry or other document approved by the Director for this purpose, on condition that the import entry or other document name the dealer as owner of the goods and that the deduction be made within six months after the invoice, the entry or the document was issued
2 input tax shall not be deducted, unless the input is to be used in a transaction liable to tax.

Businesses that make exempt supplies are unable to claim all of the input tax that they incur, so the VAT paid to suppliers will be a 'real' cost.

Is there a registration limit for the tax?

The 'person liable to tax' – a dealer, a non-profit organisation or a financial institution, even if exempt of paying the tax or if all his transactions are exempt of tax, except for:

1 a person all whose transactions are exempt of tax under section 31(1) or 31(2) of the law (rentals for residential purposes for a period of not more than 25 years, giving possession of real estate against key-money)
2 a person, the tax on all of whose transactions is paid by the recipient of the service under regulation 6A of the VAT regulations
3 a person, for whose tax on real estate sold by him is paid under regulation 6B of the implementation regulations and who is not a non-profit organization, a financial institution, or a dealer within the meaning of sub regulation (d) of the said regulation.

Does the same registration limit apply to non-established businesses?

Yes. Obligation to register:

1 dealers, non-profit organisations and financial institutions must register at the time and in the manner prescribed
2 a person liable to tax who is a foreign resident who has business or activity in Israel shall – within thirty days after he began to carry on business or activity in Israel – appoint a representative whose permanent place of residence is in Israel, and he shall so inform the Director, attaching the representative's written consent
3 a representative appointed under this section, shall, for purposes of the VAT Law, be treated like the person liable to tax.

Is there any specific legislation to tax non-resident supplies of electronically supplied/digital services to private consumers resident in your country?

Proposed legislation – It is proposed that for the supply of electronic services, communication services and radio and television services to a private individual (not to a dealer, non-profit organization, financial institution) by foreign resident will be subject to VAT in Israel, the tax liability shall be on the foreign resident and he will obliged to register for vat in Israel.

Does a non-established business need to appoint a fiscal representative in order to register?

Yes. Section 60 of the VAT Law determined as follows: A person liable to tax who is a foreign resident who has business or activity in Israel shall – within thirty days after he began to carry on business or activity in Israel – appoint a representative whose permanent place of residence is in Israel, and he shall so inform the Director, attaching the representative's written consent.

A representative appointed under this section, shall, for purposes of the VAT Law, be treated like the person liable to tax.

How often do returns have to be submitted?

Monthly basis. However, the period for a dealer's return shall be two months, if his business turnover in the determining year did not exceed NIS 1,510,000.

Are penalties imposed for the late submission of returns/ payment of tax?

Yes.

1. Fine for delay in filing return – if a person liable to tax did not file a periodic return when it must be filed, than he shall be liable to an arrears fine of NIS 219 in respect of every two weeks or part them.
2. Fine for not keeping books – in a person liable to tax did not keep account books or records as prescribed, or if he kept them in substantive deviation from the provisions of this Law or of the regulations there under, then the Director may impose a fine equal to 1% of the total price of his transactions or of the total amount of his wages and profit, as the case may be, for the tax year in which books or records were not kept as prescribed.
3. Fine for failure to pay on time – if tax was not paid at the prescribed time, then – in addition to linkage differentials and interest under section 97 – an arrears fine 0f 0.25% of the overdue amount shall be added to it in respect of every week or part thereof in period of delay of up to six months, and of 0.5% in respect of every week or fraction thereof in the period of delay after six months.

Are penalties imposed in other circumstances?

Yes. A range of penalties can be imposed where businesses do not comply with the VAT rules.

Can the VAT incurred by overseas businesses be claimed if they are not registered in Israel?

No.

What information must a VAT invoice show?

A VAT invoice must show:

- the seller's name (dealer name) and address
- the title 'Tax invoice'
- the word 'original'
- the word 'authorised dealer'
- the dealer VAT registration number
- the invoice date
- the customer's name and address and is VAT registration number
- delivery note number and date, except if the invoice was held at the goods delivery
- a description sufficient to identify the goods or services supplied to the customer
- amount of the goods
- value of the transaction without VAT
- amount of the VAT and the words 'Value added tax' and the tax rate (17%, 0%).
- total amount include VAT.

For each different type of item listed on the invoice, the following must be shown:

- the unit price or rate, excluding VAT
- the quantity of goods or the extent of the services
- the rate of VAT that applies to what's being sold
- the total amount payable, excluding VAT.

Where a VAT invoice includes zero-rated or exempt goods or services, it must:

- show clearly that there is no VAT payable on those goods or services
- show the total of those values separately.

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Indirect tax snapshot

What are the current rate(s) of indirect tax?	• Standard rate of 22% – most of goods and services standard rated unless defined to be reduced rated or exempted. • Reduced rate of 10% – applying to food, hotel services, restaurants and similar, drugs, etc. • Reduced rate of 5% – applying to medical, welfare and educational services rendered by social wellbeing cooperatives towards senior citizens, drugs-addicted, persons affected by AIDS, disables, refugees, imprisoned persons, etc. • Reduced rate of 4% – usually, applying to consumer staples, houses, fertilizers, company canteens, etc. • Zero rated supplies – export sales and similar transactions, international services and intra-EU sales. • Exempt supplies – VAT-exempt transactions generally comprise services delivery. Some of them (financial operations, some rentals of immovable goods) are VAT-exempt for practical reasons, as they are not fit for VAT application. Others refer to the supply of special public interest services (healthcare, school etc.) so the exemption is for more favourable conditions for the end-user.
Are there any confirmed or anticipated changes to these rates?	The Italian Budget Law 2018 provides some safeguard clauses in case the legislative provisions of the concerned law would not had guaranteed the achievement of budgetary targets. In particular, the law stated changes with reference to the following VAT rates: • 10% is increased to 11.5% from January 1, 2019 and to 13% from January 1, 2020; • 22% is increased to 24.2% from January 1, 2019, to 24.9% from January 1, 2020, and to 25% from January 1, 2021. The abovementioned increases of the VAT rates will not enter into force in case the Government will found other measures to generate an equivalent increase of revenues or reduction of costs for the Treasury.
What is the principal indirect tax?	Imposta sul Valore Aggiunto (IVA) is the principal indirect tax in Italy. It is a value added tax on consumption of goods and services that is levied at each stage of the production and distribution.
Is there a registration limit for the tax?	No. Any legal or physical person who carries on a business or undertakes an artistic or professional activity independently from an employer, or who sets up a permanent establishment in Italy, must register for VAT before commencing the activity (ie before performing any supply and/or purchase of goods and/or services). Special regimes are provided for small enterprises.
Does the same registration limit apply to non-established businesses?	Yes, with the exception of distance selling rules.
Does a non-established person need to appoint a fiscal representative in order to register?	European Union (EU) taxpayers, without a permanent establishment in Italy, can register for VAT in the two following alternative ways: • via the direct identification procedure (as per art. 35-ter of the VAT Law); • via the appointment of an Italian resident as its VAT representative (as per art. 17, para 3 of the VAT Law). A non European Union (EU) taxpayer, without a permanent establishment in Italy, can register for VAT via the appointment of an Italian resident as its VAT representative (as per art. 17, para 3 of the VAT Law) only.

Indirect tax snapshot

How often do returns have to be submitted?	All taxpayers are required to file: • the Yearly VAT return on an annual basis (within April 30 of the following year) • the Communication of VAT calculations on a quarterly basis within the following deadlines: – Q1: by May 31 – Q2 : by September 30 – Q3: by November 30 – Q4: by February 28 of the following year. • Communication of data of invoices issued and received on a quarterly or (by option) biannual basis within the following deadlines: – Q1: by May 31 – Q2/I semester : by September 30 – Q3: by February 28 of the following year – Q4/II semester: by February 28 of the following year.
Are penalties imposed for the late submission of returns/payment of tax?	Yes. If a VAT return or Communication, or the payment, is submitted lately, penalties apply. The quantification and nature of such penalties depends on the gravity of the omission.
Are any other declarations required?	Yes. Additional declarations (EC Lists) have to be submitted in respect of certain intra-EU supplies made to customers who are registered for VAT elsewhere in the EU. Declarations also have to be submitted in certain circumstances in connection with goods moving to or from the EU.
Are penalties imposed in other circumstances?	Yes. Penalties can be imposed for a range of errors or omissions.
Can the tax incurred by overseas businesses be claimed if they are not registered in your country?	Yes, in certain circumstances and subject to certain conditions.

What is the principal indirect tax?

Imposta sul Valore Aggiunto (IVA) is the principal indirect tax in Italy.

It is a value added tax on consumption of goods and services, that is levied at each stage of the production and distribution. Liability for VAT rests with the person supplying the taxable goods or services or importing goods into Italy.

However, the supplier is allowed to deduct from its VAT liability on sales made the amount of VAT paid and properly invoiced to it in relation to purchases effected by it, or VAT paid by it at importation. The actual burden of the tax is therefore borne by the final consumer. VAT is chargeable on supplies of goods and services for a consideration made in Italy by a taxpayer acting as such.

The constituent elements of the charging provision are as follows:

- there must be a supply (either of goods or services)
- the supply must be made in Italy rather than elsewhere
- the supply must be a taxable supply (ie chargeable to VAT at the standard or reduced rates)
- the supply must be made by a taxpayer (in Italy, a taxpayer is any person carrying on a business, or an artistic or professional activity registered for VAT purposes)
- the supply must be made in the course or furtherance of a business.

In Italy the following categories of VAT rates are applicable:

- standard rate of 22%
- reduced rate of 10%
- reduced rate of 5%
- reduced rate of 4%
- zero rate.

In addition, some goods and services are exempted from the tax. Businesses that make exempt supplies are unable to recover all of the input tax that they incur, so the VAT paid to suppliers will be a 'real' cost.

It is also important to note the interaction between VAT and Customs duty. Customs duty is levied across the EU at the place where goods are imported into the community. It is levied in order to bring the cost of goods produced outside the EU up to the same level as those produced within it. Once duty (and VAT) has been paid by the importer, the goods are in 'free circulation' and they can then be released for use in the home market. Unlike other indirect taxes, such as VAT, once duty has been paid it is not usually recoverable by the importer.

It therefore represents a bottom line cost to the importing business if it cannot be passed on in higher prices. It is therefore very important to ensure that the correct rate of duty is applied.

VAT is charged on the value of the importation, including any custom duty.

Is there a registration limit for the tax?

Any legal or physical person who carries on a business or undertakes an artistic or professional activity independently from an employer, or who sets up a permanent establishment in Italy, must register for VAT, by filing a specific application form with the Italian tax authority. Under certain conditions, simplifications are foreseen for business with a yearly turnover below €30,000. Under certain other conditions, other simplifications are foreseen for business with a yearly turnover between €25,000 and €50,000 (depending on the type of activity carried out).

A penalty may be imposed by Italian tax authority if a business fails to register at the correct time.

Does the same registration limit apply to non-established businesses?

As mentioned above any legal or physical person who carries on a business or undertakes an artistic or professional activity independently from an employer, or who sets up a permanent establishment in Italy, must register for VAT, by filing a specific application form with the Italian tax authority.

The VAT registration procedure must be completed before commencing the activity (ie before performing any supply and/or purchase of goods and/or services).

With reference to distance sales, if an EU seller carries out distance sale transactions in Italy for an overall annual amount below €35,000, it does not have to apply the VAT in Italy but in the origin country, unless it opts for the VAT taxation in Italy.

The distance sale rule does not apply to the supply of new means of transport or to the supply of goods supplied under a supply and installation contract.

Is there any specific legislation to tax non-resident supplies of electronically supplied/digital services to private consumers resident in your country?

Effective 1 January 2015, article 58 of Directive 2006/112/EC was amended. In line with the EU VAT Law, the Italian VAT rules determining the place of supply of electronically supplied/digital services supplied to private consumers (B2C) changed from the Member State where the supplier belongs (ie where established) to the Member State of the consumer. The result of this is that local VAT is chargeable at the applicable rate in each of the Member States in which electronically supplied services are made (ie where the customer belongs). To ensure compliance with this, suppliers (Extra – EU as well as EU) have the choice to either:

- register for VAT in each Member State where their customers reside
- elect to register under the EU VAT MOSS (VAT Mini One Shop Stop) simplification scheme in an one Member State (where the suppliers are established) to report and pay VAT due on sales of digital services to consumers in the EU.

Does a non-established business need to appoint a fiscal representative in order to register?

A European Union (EU) taxpayer, without a permanent establishment in Italy, can register for VAT in the two following alternative ways:

- via the direct identification procedure (as per art. 35-ter of the VAT Act)
- via the appointment of an Italian resident as its VAT representative (as per art. 17, para 3 of the VAT Act).

A non European Union (EU) taxpayers, without a permanent establishment in Italy, can register for VAT via the appointment of an Italian resident as its VAT representative (as per art. 17, para 3 of the VAT Act) only.

A foreign business without a permanent establishment in Italy is required to register only if its Italian supplies are towards persons who are not themselves VAT-registered in Italy or are VAT registered but not established in Italy. Foreign businesses making taxable supplies to Italian resident businesses are not requested to VAT register in Italy because, in such circumstances, the Italian purchaser of the goods or services is obliged to account for the VAT on the supplies received under the 'reverse charge' procedure. This is unless the VAT registration is requested for other transactions (ie intra-EU purchases of goods, intra-EU supplies of goods, exports).

How often do returns have to be submitted?

All taxpayers are required to file:

- the Yearly VAT return on an annual basis (within April 30 of the following year);
- the Communication of VAT calculations on a quarterly basis within the following deadlines:
  - Q1: by May 31
  - Q2: by September 30
  - Q3: by February 28 of the following year
  - Q4: by February 28 of the following year.
- Communication of data of invoices issued and received on a quarterly or (by option) biannual basis within the following deadlines:
  - Q1: by May 31
  - Q2/I semester: by September 30
  - Q3: by November 30
  - Q4/II semester: by February 28 of the following year.

The annual return permits the final settlement of the taxpayer's VAT payable or receivable. It consists in disclosing the algebraic sum of all the transactions (both sales and purchases) carried out all through a solar year. It permits to establish the turnover and, therefore, whether to benefit from some simplifications for the following year. Finally it usually serves as the basis for the tax authorities' assessments.

Moreover, all taxpayers (with some exceptions) are required to determine their VAT position before the tax authorities on either a monthly or a quarterly basis. This is done through preparing on their ledgers a VAT calculation as the difference between VAT on sales and deductible VAT on purchases, and to complying with the regular settlement obligation. Should the taxpayer be in a debt position, they are required to remit to the Treasury the payable VAT. However, should a VAT credit result from the VAT calculation, the VAT receivable is carried forward and offset with VAT debts in the next periodical VAT calculations or, under certain conditions, asked for refund.

Taxpayers with a limited turnover (below €400,000 if they provide services or €700,000 if they supply goods) can opt for quarterly calculations provided that they increase the VAT amount to be remitted to the Treasury by 1% as interest.

The other taxpayers must determine their VAT obligations through regular computations to be effected on a monthly basis by the 16th day of the following month.

Are penalties imposed for the late submission of returns/ payment of tax?

The main administrative penalties can be summarised as follows:

- failure to submit annual return or submission of return more than 90 days after the deadline, when taxes are owed: penalty between 120% and 240% of the total tax owed with a minimum of €250
- failure to submit annual return or submission of return more than 90 days after the due date, when taxes are not owed: penalty between €250 and €2,000
- failure to submit annual return or submission of return more than 90 days after the deadline, but before the expiring of the deadline for filing the annual return for the next fiscal year, when taxes are owed: penalty between 60% and 120% of the total tax owed with a minimum of €200
- failure to submit annual return or submission of return more than 90 days after the due date, when taxes are not owed: penalty between €150 and €1,000
- tax payment violations: failure to pay, late payment or insufficient payment of VAT on account, of VAT resulting from periodic payments or of adjusted VAT resulting from the annual return: penalty of 30% of the unpaid amount. In cases where payments occur within 90 days after the deadline, the penalty is 15% of the amount paid with delay.

Are any other declarations required?

EC-lists (ECL) reporting

Forms INTRA-2bis and INTRA-2quater, concerning respectively intra-EU purchases of goods and purchases of generic services from entities resident in other EU member States, are now mandatory only for taxable persons required to submit Intrastat forms/EC lists on a monthly basis, whereas the obligation is no longer in place for taxable persons following a quarterly submission (without prejudice to the possibility of a quarterly submission on a voluntary basis).

The obligation to submit purchases Intrastat forms/EC lists must be complied with in 2018, only for statistic purposes, by taxable persons required to submit forms on a monthly basis:

- Form INTRA-2 bis: to be submitted by taxable persons who carried out intra-EU purchases of goods for a minimum total amount of €200,000 during at least one of the four preceding quarters;
- Form INTRA-2 quater: to be submitted by taxable persons who purchased generic services by entities in other EU member States for a minimum total quarterly amount of €100,000 during at least one of the four preceding quarters.

Moreover, it is mandatory to submit the forms INTRA-1bis and INTRA-1quater, concerning respectively intra-EU sales of goods and sales of generic services to entities resident in other EU member States.

Are penalties imposed in other circumstances?

Yes. A range of penalties can be imposed where businesses do not comply with the VAT rules:

- failure to issue an invoice subject to VAT: from 90% to 180% of the VAT to be charged
- failure to issue an invoice not subject to VAT, when the failure has relevance for income tax purposes: from 5% to 10% of the amount of the invoice
- failure to issue an invoice not subject to VAT, when the failure has not relevance for income tax purposes: from €250 to €2,000
- false declaration: return in which the amount of tax indicated is less than that which is due, or in which the deductible or reimbursable amounts are higher than those claimable: penalty between 90% and 180% of the increased tax and/or of the credit difference
- request for reimbursement which differs from that of the return and thus for a higher amount than it appears on the return: penalty of 30% of the amount unlawfully reimbursed
- form filled in incorrectly according to the administrative regulations. Omission of information or incorrect information for the identification data of the taxpayer or his agent; for the calculation of the taxes or for anything else which is necessary regarding the carrying out of checks: penalty from €500 to €2,000.

Criminal penalties are provided in a limited number of cases if the Italian tax authority proves that the behaviour of the taxpayer is fraudulent; there may be evasion of VAT liabilities or overstatement of VAT credits by, for example, the violation of accountancy rules, use of counterfeit documents and invoices, the hiding and the destruction of accountancy records.

Can the VAT incurred by overseas businesses be claimed if they are not registered in Italy?

Yes, it may be possible to reclaim the VAT incurred in certain circumstances.

Two schemes exist, one for businesses established in the EU and another for businesses established elsewhere.

The EU cross border refund scheme is available in all EU Member States and enables a business established in an EU country to recover VAT incurred in another Member State.

To be eligible to make a claim, the claimant must be a taxable person established in an EU Member State other than the one from which the claim is to be sought. In addition, the claimant:

- must not be registered, liable, or eligible to be registered in the Member State from which he is claiming the refund
- must have no fixed establishment, seat of economic activity, place of business or other residence there
- during the refund period he must not have supplied any goods or services in the Member State of refund, apart from certain limited exceptions.

The amount that is refundable is determined by the deduction rules that apply in the country making the refund. The claim is submitted electronically to the tax authority from whom the repayment is being sought.

The refund period must not cover more than one calendar year or less than three calendar months – unless it is covering the remainder of a calendar year. The claim has to be made by 30 September of the year following that in which the VAT was incurred.

Businesses established outside of the EU can, subject to certain conditions, also reclaim the VAT incurred on imports in Italy or purchases of goods and services pertaining to their activity. The scheme is available to any person carrying on a business established in a third country ie outside the EU, provided that in the period of the claim:

- he was not registered or liable to be registered for VAT in Italy
- he was not established in any EU country
- he made no supplies of goods and services in Italy other than certain specified exceptions
- where he is established in a third country having a comparable system of turnover taxes, unless the Italian tax authority allows otherwise, that country provides reciprocal arrangements for refunds to be made to taxable persons established in Italy. Currently, these countries are Israel, Norway and Switzerland only.

The claim has to be made by 30 September of the year following that in which the VAT was incurred.

What information must a VAT invoice show?

A VAT invoice, pursuant to Article 21, paragraph 2, Presidential Decree 633/1972, contains the following information:

- the issue date
- progressive number which identifies it in a univocal manner
- company's name or corporate name, name and surname, residence or domicile of the seller or supplier, the tax representative as well as the location of the permanent establishment for non-resident persons
- VAT number of the seller or supplier
- company's name or corporate name, name and surname, residence or domicile of the seller or supplier, the tax representative as well as the location of the permanent establishment for non-resident persons
- VAT number of the seller or supplier or, in case of taxable persons established in another Member State of the European Union, the VAT identification number attributed by the Member State of establishment; in case the seller or supplier resident or domiciled in the territory of the State is not engaged in the furtherance of the business, trade or professional activities, tax code
- nature, quality and quantity of the goods and services concerned by the transaction
- considerations and other data needed to determine the taxable amount, including the data related to the goods transferred with a discount, premium or allowance under Article 15, first paragraph, no. 2
- considerations related to the other goods transferred with a discount, premium or allowance
- rate, amount of the tax and taxable amount with rounding up to the euro cent
- date of the first vehicle matriculation or registration in the public registries and number of kilometres travelled, hours sailed or flown, if it refers to intra-Community supply of new means of transport, pursuant to Article 38, paragraph 4, of Decree-law N° 331 of 30 August 1993, converted, with amendments, into Law N° 427 of 29 October 1993
- annotation that the same is issued on behalf of the seller or supplier, by the buyer or the client or by a third party.

The invoice should be issued also for the other types of transactions and it contains, in place of the amount of the tax, the following notes with the indication of the relevant community or national regulation:

- supplies related to goods in transit or deposited in locations subject to customs surveillance, not subject to tax pursuant to Article 7-bis, paragraph 1, with the annotation 'not subject to taxation'
- non-taxable transactions under Articles 8, 8-bis, 9 and 38-quarter, with the annotation 'non-taxable transaction'
- exempt without credit transactions under Article 10, except for those stated under no. 6) bearing the annotation 'exempt transaction'
- transactions subject to the margin scheme provided for by Decree-law N° 41 of 23 February 1995, converted, with amendments, into Law N° 85 of 22 March 1995, bearing the annotation, depending on the case, 'margin scheme – second-hand goods', 'margin scheme – works of art' or 'margin scheme – antiques or collectors' items'
- transactions carried out by travel and tourism agents subject to the regime under Article 74- ter, bearing the annotation margin scheme – travel agencies.

A simplified VAT invoice can be issued where a business makes retail sales and makes a sale of goods or services for an overall amount not exceeding €100.

VAT invoices can be issued, received and stored in electronic format until end of 2018. Pursuant to article 21, paragraph 1, Presidential decree 633/1972, electronic invoicing means the invoice that was issued and received in any electronic format; the use of electronic invoicing is subject to acceptance by the recipient. Invoicing either on paper or electronic, by the client or a third party resident in a country with which there are no legal instruments to regulate reciprocal assistance, is allowed provided that prior notification is given to the revenues agency and that the national taxable person has commenced the activity at least five years before and that he has not received in the previous five years, notifications of tax proceedings or disputes for substantial violation as regards VAT. The method, contents and electronic procedures of the notification is determined by regulations of the revenue agency director. The invoice, on paper or electronic, is intended to have been issued at the time of its delivery, dispatch, transmission or when made available to the supplier or customer.

Starting from 1 January 2019 the issuance of electronic invoices is mandatory for transactions between Italian residents (both B2B and B2C). This obligation is anticipated at 1 July 2018 for supplies of fuel, oil and similar for cars, vehicles, etc.

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Jersey

Indirect tax snapshot

What are the current rate(s) of indirect tax?	• Standard rate of 5% for most goods and services. • Zero-rated supplies include exported goods and services, the sale of a 'going concern' to a GST registered person and transactions involving the supply of land between GST registered persons. • Exempt supplies include financial services, residential rent, fines, penalties and interest.
Are there any confirmed or anticipated changes to these rates?	No.
What is the principal indirect tax?	Goods and Services Tax (GST) is the principal indirect tax in Jersey. It is a transactional tax and is charged and collected on taxable supplies. It is worth noting that there is currently no VAT/GST in Guernsey or the other Channel Islands.
Is there a registration limit for the tax?	Yes. If the annual turnover of taxable supplies in Jersey exceed (or are expected to exceed) UKP £300,000 in any 12 month period, it is necessary to register. Persons can voluntarily register for GST if this threshold is not exceeded if they are conducting a taxable activity and are making taxable supplies. However there are exemptions from registration for certain regulated business (banks, trust companies, etc.) and non-established business. This exemption is through the International Service Entity Regime (ISE) that is expanded upon below.
Does the same registration limit apply to non-established businesses?	Yes.
Does a non-established person need to appoint a fiscal representative in order to register?	No, although many non-residents do engage with local agents to reduce compliance and operational matters.
How often do returns have to be submitted?	Returns can be submitted on a quarterly or annual basis depending on the annual turnover of taxable transactions of the registered person. There is an annual accounting scheme which can be utilised by businesses which meet certain criteria.
Are penalties imposed for the late submission of returns/payment of tax?	Yes. If a GST return, or the corresponding payment, is submitted late a penalty and surcharges can be imposed.
Are any other declarations required?	Yes, if errors or omissions have been made on the GST return penalties can be can be imposed.
Are penalties imposed in other circumstances?	No. A business must be registered for GST in Jersey to be eligible to claim any GST. Currently this requires the entity to be carrying on a taxable activity in Jersey.
Can the tax incurred by overseas businesses be claimed if they are not registered in your country?	No.

What is the principal indirect tax?

Goods and Services Tax (GST) is the main type of indirect taxation in Jersey.

GST is a tax on consumption which is applied on the supply of most goods and services. It is also applied to goods upon importation into Jersey. Although GST is ultimately borne by the consumer by being included in the price paid, the responsibility for charging, collecting and paying it to the tax authority rests with the business making the supply ie the sale.

GST must be charged on a supply of goods or services in Jersey by a registered person in the course of furtherance of a taxable activity carried on by that person —this is referred to as output tax. Any GST on costs incurred in generating such supplies can be claimed — this is referred to as input tax. The difference between the output tax and the deductible input tax in each accounting period will be the amount of GST payable by the business to the Comptroller of Taxes. Where the input tax exceeds the output tax, a refund can be claimed.

A taxable activity generally means any activity which is carried on continuously or regularly, whether or not for pecuniary profit, and involves or is intended to involve the supply of goods and services to another person for a consideration.

There are two rates of GST that are applied to goods and services in Jersey: standard rate and zero rate. In addition, some goods and services are exempted from the tax. The most common exempt supplies include financial services, residential rent, fines, penalties and interest.

Generally, businesses that make exempt supplies are unable to claim input tax on costs incurred generating those supplies, so the GST paid to suppliers is a 'real' cost to these businesses.

However, there is the ability for businesses that operate either within the Financial Services sector or where businesses supply mainly goods or services to non-Jersey residents to elect to fall within the International Service Entity regime and not apply GST to what appears to be taxable supplies and also to be able to recover any GST that they have suffered.

Goods imported into Jersey are subject to GST. This is imposed by Jersey customs at the ports of entry. The GST (plus any duties and other fees) must be paid by the importer at the time of importation in order for the goods to be released unless the importer has registered under the approved trader scheme.

Where the goods imported are for use in the taxable activity, the importer (if GST registered) can recover the GST. GST is charged on the value of the importation, including any customs duty, freight and insurance. If the importer is GST registered they can register as an approved trader and their goods will be released by Customs without incurring any GST charge. They would then account for any GST on their quarterly GST return.

It is important to note the interaction between GST and customs duty. Customs duty is levied upon the importation of certain goods into Jersey. Unlike other indirect taxes, such as GST, once duty has been paid it is not recoverable by the importer. It therefore represents a final cost to the importing business.

Is there any specific legislation to tax non-resident supplies of electronically supplied/digital services to private consumers resident in your country?

No.

Exemption through the International Service Entity (ISE) Scheme

The ISE scheme is an alternative to GST registration. ISEs are not required to register for GST nor charge GST as its supplies are not taxable.

The following businesses can be included on the list of ISEs maintained by the Jersey Taxes Office or by a trust company business which has been authorised to keep a list of ISEs:

- banks registered under the Banking Business (Jersey) Law 1991 to undertake deposit-taking business
- trust company businesses registered as such under the Financial Services (Jersey) Law 1998
- (FSJL)
- fund services businesses registered as such under FSJL
- functionaries of collective investment funds holding permits pursuant to the Collective Investment Funds (Jersey) Law 1988 (CIF).

The following businesses can be included on either the lists kept by the Comptroller or maintained by an authorised trust company business:

- collective investment funds established pursuant to CIF
- unregulated funds established pursuant to the Collective Investment Funds (Unregulated Funds)(Jersey) Order 2008
- companies
- limited partnerships, limited liability partnerships
- trustees of trusts
- an Anstalt, Stiftung, or foundation.

There are a number of conditions which need to satisfied in order to register as an ISE.

There are various ISE fees payable to the Jersey Taxes Office dependent on the nature of the organisation. The fees are payable on an annual basis.

Each ISE upon payment of their annual fees are issued with an End User Relief Certificate (EURC) which they will provide to their suppliers which will exempt the supplier from the requirement to charge the ISE GST.

Is there a registration limit for the tax?

A person who either makes or intends to make taxable supplies of goods or services in the course or furtherance of a taxable activity must register for GST if the value of its taxable supplies in Jersey exceeds UKP300,000 or is expected to exceed this limit within any 12 month period. A person can register on a voluntary basis even if the registration limit has not been reached.

Group Registration

It is possible for two or more persons can be registered together as a GST group if they satisfy certain control conditions.

A person cannot be treated as a member of more than one GST group at a time.

The main advantage of GST group registration is that, apart from a few limited exceptions, any supply of goods or services by a member of the group to another member of the group is disregarded for GST purposes. This reduces the risk of GST being accidentally omitted on supplies between separately registered, but associated persons.

However, there are some disadvantages and any decision on whether to group register should be carefully considered. For example, all GST group members (including former members) are jointly and severally liable for the GST debt of the group during the period of their membership.

Does the same registration limit apply to non-established businesses?

Yes, although non-resident businesses are only able to register for GST in Jersey if their taxable supplies are generated when the time of supply occurs within Jersey.

Time of supply arises at the earlier of an invoice being issued or payment being received.

Does a non-established business need to appoint a fiscal representative in order to register?

No, this is not a requirement. However, depending upon the types of supplies being made, the logistical considerations and the volume of transactions, non-residents may engage with a local agent to facilitate the supply.

How often do returns have to be submitted?

GST returns may be filed quarterly or annually depending upon the level of taxable supplies in a 12 month period.

A quarterly return period is the default filing frequency in Jersey.

All GST returns have to be submitted on last day of the following month, together with any payment.

There is an annual accounting scheme which can be utilised by businesses which met certain criteria.

Are penalties imposed for the late submission of returns/ payment of tax?

Late filing penalties and surcharges are imposed if GST returns and the relevant payments are not lodged by the due date.

Are any other declarations required?

Not applicable.

Are penalties imposed in other circumstances?

Yes. A range of penalties can be imposed where businesses do not comply with the GST legislation.

If an error is identified and voluntarily disclosed to the Comptroller of Taxes this reduces any penalty exposure (depending upon the nature of the offence and whether the disclosure was made pre or post audit notification).

Can the GST incurred by overseas businesses be claimed if they are not registered in Jersey?

No. You must register in Jersey in order to recover any GST incurred.

Non-resident businesses are only able to register for GST if they conduct a taxable activity in Jersey. This requires the goods to be physically in Jersey at the 'time of supply', or for services, those services must be physically performed in Jersey. The time of supply provisions state that this event arises at the earlier of the issuing of an invoice or receipt of payment.

What information must a GST invoice show?

A GST invoice must show:

- the seller's name and address
- the seller's GST registration number
- the invoice date
- the customer's name and address
- a description sufficient to identify the goods or services supplied to the customer
- the total amount of GST charged expressed in UK pounds.

It must also have either:

- the amount of the supply, excluding GST
- the GST and total amount payable for the supply
- if GST is included in the final price, it has to be expressed in that case.

An input claim can only be made if a valid tax invoice is held at the time the GST return is lodged. Simplified invoices are available for certain businesses.

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Republic of Kazakhstan

Indirect tax snapshot

What are the current rate(s) of indirect tax?	• Standard rate of 12% for most goods and services. • Financial, educational, medical, veterinary, services, pharmaceuticals, land and residential buildings are exempt from VAT. • Zero rate applies to exports of goods, certain international transportation services, and sale of goods/services to companies registered in a special economic zone.
Are there any confirmed or anticipated changes to these rates?	No.
What is the principal indirect tax?	Value Added Tax (VAT) is the principal indirect tax in the Republic of Kazakhstan. VAT is a tax on consumer expenditure and is collected on business transactions and imports.
Is there a registration limit for the tax?	Yes. Shall the annual turnover of transactions in Kazakhstan certain limit it is required to register as VAT payer. Currently, the limit is approximately USD 224,000.
Does the same registration limit apply to non-established businesses?	No. There is no registration limit for businesses that are not established in Kazakhstan except for those which register a branch or representative office in Kazakhstan.
Does a non-established person need to appoint a fiscal representative in order to register?	No.
How often do returns have to be submitted?	Businesses are required to submit VAT returns quarterly, covering three month accounting periods.
Are penalties imposed for the late submission of returns/payment of tax?	Yes. If a VAT return was failed to be submitted on time, penalty can be imposed. If tax was paid late then penalty, under certain circumstances, and late payment interest could be imposed.
Are any other declarations required?	Yes. Taxpayers would be required to file additional tax forms with respect to imported goods.
Are penalties imposed in other circumstances?	Yes. Penalties can be imposed for a range of errors or omissions.
Can the tax incurred by overseas businesses be claimed if they are not registered in your country?	No, only taxpayers, who obtained tax registration, are allowed to reclaim input VAT.
Deduction of VAT	Deduction of VAT, which is not allowed for offset, is possible under certain circumstances.

What is the principal indirect tax?

VAT is the principal indirect tax in Kazakhstan. The tax rate could be:

- 12% – applies to sales taking place (or deemed taking place) in Kazakhstan and imports
- 0% – applies to exports of goods from Kazakhstan, international transportation services, sales of approved goods to a company registered in a special economic zone.

Registered VAT payers must charge VAT on their sales and may claim a credit for input VAT indicated on the suppliers' VAT invoices. VAT payer's tax liability is the excess of output VAT over corresponding input VAT. A credit for input VAT cannot be claimed if it was paid in connection with sales exempt from VAT or sales regarded as occurred outside of Kazakhstan. In case of mixed sales (ie some subject to and some exempt from VAT), the amount of input VAT can be calculated proportionally or by tracing input VAT directly to the sales to which it relates. The chosen method should be indicated in the taxpayer's tax accounting policy and cannot be changed during a calendar year. VAT charged on a car must be capitalized into the initial cost of the car and then deducted through tax depreciation charges. If a foreign non-established company provides services to a registered VAT payer, these services need to be tested for whether or not they are deemed provided in Kazakhstan for VAT purposes. If a particular service is deemed provided in Kazakhstan for VAT purposes, the buyer (ie Kazakh registered VAT payer) should self-charge VAT on the service fees.

VAT refund

Input VAT incurred in connection with exports subject to VAT at 0% can be claimed for refund. Excess of input VAT over corresponding output VAT is refundable subject to conditions and exceptions. In practice, the tax authorities tend to deny a refund for any formal reason. Refund can be claimed within the statute of limitation of 5 years. Past this period, the refund option expires, but the excess can still be carried forward indefinitely to offset future VAT liability.

Is there a registration limit for the tax?

Registration as a VAT payer becomes mandatory if taxable sales exceed approximately USD 224,000 during calendar year. VAT registration is optional for all others.

Does the same registration limit apply to non-established businesses?

No, a foreign company cannot register as a VAT payer until it has set up a branch or representative office in Kazakhstan.

Is there any specific legislation to tax non-resident supplies of electronically supplied/digital services to private consumers resident in your country?

Not applicable.

Does a non-established business need to appoint a fiscal representative in order to register?

Not applicable.

How often do returns have to be submitted?

VAT returns are due on quarterly basis. The deadline for a regular VAT return is the 15th day of the second month, following the quarter reported. The deadline for the payment of tax liability is the 25th day of the second month, following the quarter reported.

Are penalties imposed for the late submission of returns/ payment of tax?

A default surcharge penalty may be imposed by the tax authority if VAT returns are not submitted on time, or the related tax is not paid by the due date. For the first late submission, the tax authority will issue a notification with the warning to the tax payer. If another submission or payment is late within the next 12 months, a fixed percentage penalty is imposed on that occasion. Failure to pay taxes on time is punished by imposing, under certain circumstances, penalties and late payment interest.

Are any other declarations required?

Businesses that import goods from the territory of Custom Union should submit a special VAT return to the tax authorities.

Are penalties imposed in other circumstances?

Yes. A range of penalties can be imposed where businesses do not comply with the VAT rules. Administrative penalties and interest can be applied for errors and omissions made on tax returns. Penalties can also be applied where the business has failed to maintain adequate records, document securing, etc. Criminal proceedings may be brought in the case of more serious matters.

Can the VAT incurred by overseas businesses be claimed if they are not registered in Kazakhstan?

No, only registered VAT payers can claim a credit for input VAT incurred in Kazakhstan.

What information must a VAT invoice show?

What information must a VAT invoice show? VAT invoice should show the following information:

- number of invoice in Arabic numerals only
- date of sale (if invoice issued electronically)
- date when VAT invoice was issued
- address of the seller and buyer
- status of consignor or consignee (if applicable)
- code of the foreign currency and exchange rate (if applicable)
- business identification number of the seller and buyer
- number of the seller's VAT registration certificate
- name of the services/goods sold
- the amount of taxable (non-taxable) sale
- VAT rate
- VAT amount
- total amount inclusive of VAT.

Effective from 1 January 2018, all VAT payers are obliged to issue electronic VAT invoices (ESF). E-invoicing is carried out via the E-invoicing information system (EIIS). The EIIS' functionality provides for e-invoice issuance, submission, registration, acceptance, processing, delivery, and storage. The e-invoice must be issued within 15 calendar days from the date of business operation. The e-invoice must be issued in the format approved by the Decree and must be signed with the taxpayer's/authorised person's advanced e-signature.

Are there any current or anticipated Standard Audit File for Tax (SAF-T) or similar electronic/digital filing requirements eg invoice listing data file/real-time VAT reporting?

Not applicable.

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Republic of Kosovo

Indirect tax snapshot

What are the current rate(s) of indirect tax?	• Standard rate of 18% for most goods and services. • Preferential rate of 8% for supply and import of certain goods and services.
Are there any confirmed or anticipated changes to these rates?	Ministry of Finance may issue a sub-legal act introducing reduced and higher VAT rate for designated supplies of goods and services. The reduced rate will not be lower than 5% and the higher rate will be not higher than 21%.
What is the principal indirect tax?	Value Added Tax (VAT) is the principal indirect tax in the Republic of Kosovo. It is a tax on consumption, and is collected on business transactions and imports.
Is there a registration limit for the tax?	Yes. It is required to register for VAT from the moment when total supplies in the previous 12 month period, exceed a threshold of €30,000.
Does the same registration limit apply to non-established businesses?	No.
Does a non-established person need to appoint a fiscal representative in order to register?	In certain circumstances, a non-established person shall appoint a fiscal representative.
How often do returns have to be submitted?	Tax period for all taxable persons is each calendar month; therefore a taxable person shall submit VAT returns every month.
Are penalties imposed for the late submission of returns/payment of tax?	Yes. If a VAT return, or the corresponding payment, is submitted late a penalty can be imposed.
Are any other declarations required?	Yes. Purchase and sales books must be uploaded with VAT declaration.
Are penalties imposed in other circumstances?	Yes. Penalties can be imposed for a range of errors or omissions.
Can the tax incurred by overseas businesses be claimed if they are not registered in your country?	Not applicable.

What is the principal indirect tax?

Value Added Tax (VAT) is the main type of indirect taxation in the Republic of Kosovo.

It is a tax on consumption which is applied in different phases of the production, delivery and trade with goods and services, and in the end it is carried forward from the last consumer. It is also applied to goods, and certain services, entering the country. Although VAT in the end is carried forward from the last consumer by being included in the price paid, the responsibility for charging, collecting and paying it to the tax authority at each stage of the process rests with the taxable person making the supply.

Taxable person is any natural or legal person who is, or is required to be registered for VAT, and who in Kosovo independently carries out any economic activity in a regular or non-regular manner, whatever the purpose or results of that economic activity.

A taxable person will charge VAT (output tax) on its sales, and will deduct VAT (input tax) on its purchases (including any VAT paid at importation). The difference between the output tax and the deductible input tax in each tax period will be the amount of VAT payable by the business to the tax authority. Where the input tax exceeds the output tax, a refund can be claimed.

VAT shall be charged on supply of goods and services made for consideration within the territory of Kosovo by a taxable person and on the importation of goods in Kosovo.

Currently there two VAT rates applicable which are 8% and 18%. In addition, some goods and services are exempted with credit right and some others are exempted with no credit right.

Taxable person that make exempt supplies with no credit right are unable to claim all of the input tax that they incur, so the VAT paid to suppliers will be a 'real' cost, while taxable person that is exempted with credit right is entitled to claim all the input tax which is used for taxable supplies.

Most goods imported into the Republic of Kosovo are subject to VAT. The tax will have to be paid by the importer at the time of importation. Where the importation is for business purposes, it may be possible to reclaim the tax (subject to certain rules).

Is there a registration limit for the tax?

Every person who meets all conditions of the definition of taxable person is required to register for VAT from the moment when total supplies in one calendar year, exceeds a threshold of €30,000.

The month in which the threshold is exceeded counts for one calendar year calculation. Only that proportion of the supply which results in surpassing the threshold will be taken into consideration for purposes of VAT.

When calculating the threshold, the person shall consider the total amount of all supplies during the calendar year. Supplies shall be deemed any supplies of any goods and services at any rate, including those exempt, with or without right to deduct.

When a person is registered for VAT purposes, Tax Authorities shall issue such taxable person a registration certificate containing his information. A physical person conducting the same or different economic activities and has several places of economic activity within Kosovo, shall be identified by one individual and unique VAT registration number.

A natural person conducting the same or different economic activities and has several places of economic activity within Kosovo, shall be identified by one individual and unique VAT registration number. A partnership and grouping of persons shall be identified by one single VAT registration.

Every person who has not notified and has not been registered in due time shall be registered in a compulsory way by tax authorities with retroactive effect as of the date of exceeding the threshold.Furthermore, a penalty may be imposed by the tax authority if a taxable person fails to register at the correct time.

Does the same registration limit apply to non-established businesses?

The normal VAT registration limit does not apply to persons who are not established in the Republic of Kosovo. The persons not established in Kosovo are subject to VAT registration, from the beginning of their economic activity in Kosovo, regardless of the threshold.

Does a non-established business need to appoint a fiscal representative in order to register?

Taxable person not established in Kosovo which is engaged in economic activity in Kosovo shall appoint a tax representative except for those cases that the receiver of the taxable supplies is liable to report and pay VAT.

The taxable person shall be registered under his own name and the name of his tax representative within 5 days after the appointment as tax representative and prior to the starting of economic activity in Kosovo.

How often do returns have to be submitted?

A taxable person shall submit a tax declaration and remit the related payment not later than the 20th of the calendar month following the end of each tax period.

Are penalties imposed for the late submission of returns/ payment of tax?

Administrative penalty for late declaration is 5% of due tax for each month or part of the month that is late, with a maximum administrative penalty of 25% of tax due. While, administrative penalty of late payment is 1% of tax due for each month or part of the month that payment is late, up to maximum 12 months. Furthermore, an interest for late payment at rate of 0.65% per month is also applicable.

Are any other declarations required?

Yes. Purchase and sales books must be uploaded with VAT declaration.

Are penalties imposed in other circumstances?

Penalties are applicable also to the taxpayer who makes supplies without being registered for VAT. Such penalties are provided below:

- 15% of the VAT due on those supplies if failure to register is due to negligence of person making taxable supplies of less than €10,000
- 25% of the VAT due on those supplies if failure to register is due to negligence of person making taxable sales of €10,000 or more.

In addition , a taxable person who fails to issue a VAT invoice, or who issues an incorrect invoice that results in an apparent decrease in the amount of VAT due or an apparent increase in the amount of credit claimable shall be liable to an administrative penalty of:

- 15% of the apparent decrease or increase in the amount of VAT due where the failure to issue a VAT invoice or the issue of an incorrect invoice was due to the negligence of the taxable person
- 25% of the apparent decrease or increase in the amount of VAT due where the failure to issue a VAT invoice or the issuance of an incorrect invoice was due to the carelessness of the taxable person.

A taxable person who commits any of the following violations with respect to VAT shall be liable to an administrative penalty of €250 for each of the violation:

- failure to apply for VAT registration upon reaching the applicable threshold
- failure to apply for removal from the VAT register when required to do so
- failure to display a copy of the VAT registration certificate in the manner required by applicable law.

Furthermore, a taxpayer registered for VAT who allows another person to use its unique VAT registration certificate shall be liable to an administrative penalty of up to €5000. The person using a VAT Certificate belonging to someone else will be liable for the same administrative penalty.

In addition to the administrative penalties, such cases shall be presented by the Tax Investigation Unit to the Public Prosecutor for criminal prosecution.

Can the VAT incurred by overseas businesses be claimed if they are not registered in Kosovo?

Not applicable.

What information must a VAT invoice show?

A taxable person who issues an invoice to a taxable person shall indicate the following data on the invoice:

- the date of issue
- a sequential number enabling the identification of the invoice
- the VAT registration number as well as the fiscal number of the taxable person under which he supplies the goods or services
- the VAT registration number as well as fiscal number of the customer or the purchaser, if the customer or the purchaser is liable to pay VAT on goods or services supplied to him
- the full name and address of the taxable person and his customer
- the quantity and nature of goods supplied, or the extent and nature of the services performed
- the date on which the supply of goods or of services was made or completed, or the date of receipt of the payment on account, in so far as that date can be determined and differs from the date of the issue of the invoice.
- the taxable amount on which VAT is charged for each individual rate or for which the individual exemption applies, the unit price exclusive of VAT for the goods or services, and any price reductions and discounts not included in the unit price
- the VAT rate applied
- the amount of VAT, except where a special arrangement is applied
- in the case a taxable person supplies goods or services for which a VAT exemption is prescribed, the invoice must indicate the provision of the Law that stipulates such exemption
- if a taxable person supplies goods or services where the customer is liable for payment of VAT, reference to the applicable provision of the Law shall be mentioned
- a taxable person who charges VAT on the margin scheme must state on the invoice the provision of the Law pursuant to which VAT on the price difference is charged
- where one of the special arrangements applicable to second-hand goods, works of art, collectors' items and antiques is applied, reference must be made to the relevant articles of these arrangements
- where the person who issues the invoice is liable to pay VAT as a tax representative, the fiscal number and the VAT registration number and his full name and address are obligatory details to be mentioned.

While a taxable person, who issues an invoice to non-taxable person shall at least indicate the following data on the invoice:

- the date of issuance
- the time of the supply
- a sequential number enabling the identification of the invoice
- the VAT registration number and the fiscal number under which the taxable person supplies the goods or services
- the full name and address of the taxable person
- the full name, address and tax identification numbers of the customer
- the total amount to pay including VAT
- the sales value of the goods or services excluding VAT
- the amount of VAT
- if a taxable person supplies goods and services at different tax rates, he must show the value including VAT separately for each tax rate and also show the value of VAT separately
- if a taxable person supplies goods or services for which VAT exemption is prescribed, the invoice must indicate the provisions of the Law which stipulate the exemption.

Are there any current or anticipated Standard Audit File for Tax (SAF-T) or similar electronic/digital filing requirements eg invoice listing data file/real-time VAT reporting?

The VAT return is submitted through the e-system for VAT of Tax Administration of Kosovo, separately for each tax payer. The VAT return is submitted in prescribed format as per the sub legal acts adopted by the Ministry of Finance of Kosovo.

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Kyrgyzstan

Indirect tax snapshot

What are the current rate(s) of indirect tax?	• Standard rate of 12% for most goods and services. • Zero rate for some goods and services including: i export of goods and services ii financial services iii insurance iv agricultural goods and services v utility services vi sales of fixed assets under a finance lease vii supply of medicines (approved list) viii public sector organizations, education, charity.
Are there any confirmed or anticipated changes to these rates?	No.
What is the principal indirect tax?	1 Value Added Tax (VAT) is the principal indirect tax in Kyrgyzstan. It is a tax on consumer expenditure, and is collected on business transactions and imports. 2 Sales tax is paid based on turnover, rates are: • 0% -for non-cash transactions • 1-3% cash transactions.
Is there a registration limit for the tax?	Yes. It relates to the annual turnover of taxable transactions in Kyrgyzstan, and once the limit 8,000,000 KG soms has (or will be) reached it is necessary to register. Company may register before reaching the limit on voluntary basis.
Does the same registration limit apply to non-established businesses?	No.
Does a non-established person need to appoint a fiscal representative in order to register?	No.
How often do returns have to be submitted?	VAT returns have to be submitted every month.
Are penalties imposed for the late submission of returns/payment of tax?	Yes. VAT submission and payment period is month. The deadline is 25th of the subsequent month. Late submission or payment leads to penalties.
Are any other declarations required?	Yes. • Additional declarations have to be submitted for transactions, supply or purchase within Customs Union (Russia, Kazakhstan, Kyrgyzstan, Belorussia, Armenia). • Sales Tax report based on turnover to be submitted and paid on monthly or quarterly basis (report period depends on turnover of the company).
Are penalties imposed in other circumstances?	Yes. Penalties can be imposed for a range of errors or omissions.
Can the tax incurred by overseas businesses be claimed if they are not registered in your country?	Not applicable.
Deduction of VAT	Company may deduct VAT from its purchases or VAT paid for import. Non-deductible: • VAT for the goods purchased to sell or provide services with zero rate • VAT for purchases with wrong or not accordingly filled documents.

What is the principal indirect tax?

Value Added Tax (VAT) is the main type of indirect taxation in Kyrgyzstan

It is a tax on consumption which is applied during the production and distribution process to most goods and services. It is also applied to goods, and certain services, entering the country. Although VAT is ultimately borne by the consumer by being included in the price paid, the responsibility for charging, collecting and paying it to the tax authority at each stage of the process rests with the business making the supply ie the sale.

A business registered for the tax will charge VAT (output tax) on its sales, and incur VAT (input tax) on its purchases (including any VAT paid at importation). The difference between the output tax and the deductible input tax in each accounting period will be the amount of VAT payable by the business to the tax authority. Where the input tax exceeds the output tax the amount can be submitted as prepayment for next month. (Also it may be claimed to refund, but in practice it is unlikely.)

A transaction is within the scope of Kyrgyzstan VAT if the following conditions are met:

- taxable supply (sales of goods or providing services)
- taxable import of goods
- company is registered as VAT payer.

The standard rate is 12%. In addition, some goods and services are exempted from the tax and for some goods and services, the VAT is 0%.

Businesses that make exempt supplies are unable to claim all of the input tax that they incur, so the VAT paid to suppliers will be a 'real' cost.

Most goods imported into Kyrgyzstan from outside are subject to VAT. The tax will have to be paid by the importer at the time of importation. Where the importation is for business purposes and the importer is registered for VAT, it may be possible to reclaim the tax (subject to certain rules).

Sales tax is paid based on turnover, rates are:

- 0% – for non-cash transactions
- 1-3% – for cash transactions.

Is there a registration limit for the tax?

An entity that makes taxable supplies of goods or services must register for VAT if the value of its taxable supplies in exceed the annual (last 12-month) registration limit. A business can register on a voluntary basis even if the registration limit has not been exceeded.

Registration limit is 8,000,000 KGZ (soms). Entity has to apply for registration the next month after exceeding the limit and it will be registered as VAT payer the next month after application.

A penalty may be imposed by the tax authority if a business fails to register at the correct time.

Does the same registration limit apply to non-established businesses?

The VAT registration limit is not applied to businesses who are not established in Kyrgyzstan.

Is there any specific legislation to tax non-resident supplies of electronically supplied/digital services to private consumers resident in your country?

No.

Does a non-established business need to appoint a fiscal representative in order to register?

No.

How often do returns have to be submitted?

VAT returns have to be submitted every month. The deadline is 25th of subsequent month.

Are penalties imposed for the late submission of returns/ payment of tax?

The tax authority may impose a default surcharge penalty if VAT returns are not submitted on time, or the related tax is not paid by the due date.

Penalty for late payment is 0.09% per day and penalty for late submission is 5000-10000 soms.

Are any other declarations required?

- Additional declarations have to be submitted for transactions, supply or purchase within Customs Union (Russia, Kazakhstan, Kyrgyzstan, Belorussia, Armenia).
- Sales Tax report based on turnover to be submitted and paid on monthly or quarterly basis (report period depends on turnover of the company).

Are penalties imposed in other circumstances?

Yes. A range of penalties can be imposed where businesses do not comply with the VAT rules.

Rules for use and filling VAT invoices is strict.

Criminal proceedings may be brought in the case of serious matters.

Can the VAT incurred by overseas businesses be claimed if they are not registered in Kyrgyzstan?

No.

What information must a VAT invoice show?

Tax authority assigns unique VAT invoice number to every company applied.

A VAT invoice must show:

- an invoice number which is unique and sequential
- bank account information for both supplier and customer
- the seller's name and address
- the seller's Tax registration number
- the invoice date
- the time of supply (also known as tax point) if this is different from the invoice date
- the customer's name and address
- a description sufficient to identify the goods or services supplied to the customer
- the total amount of VAT.

For each different type of item listed on the invoice, the following must be shown:

- the unit price or rate, excluding VAT
- the quantity of goods or the extent of the services
- the rate of VAT that applies to what's being sold
- code of VAT supply
- the total amount payable, excluding VAT
- the total amount of VAT.

Where a business makes retail sales and makes a sale of goods or services VAT, a single VAT invoice can be issued for one month.

Are there any current or anticipated Standard Audit File for Tax (SAF-T) or similar electronic/digital filing requirements eg invoice listing data file/real-time VAT reporting?

Not applicable.

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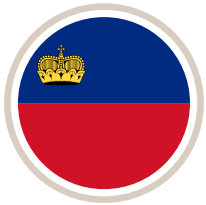

Liechtenstein

Indirect tax snapshot

What are the current rate(s) of indirect tax?	• Standard rate of 7.7% applicable to all supplies of goods and services not explicitly subject to the reduced rate or the special rate. • Reduced rate of 2.5% applicable, inter alia, to foodstuff and non-alcoholic beverages, water in conduits, newspapers, books, medicine, etc. • Special rate of 3.7% applicable to hotel and similar accommodation.
Are there any confirmed or anticipated changes to these rates?	The rates are generally valid as from 1 January 2018.
What is the principal indirect tax?	Value Added Tax (VAT) is the principal indirect tax in the Principality of Liechtenstein. It is a tax on consumer expenditure which is collected on business transactions and imports.
Is there a registration limit for the tax?	Yes. It is related to the annual worldwide turnover of taxable transactions, and once the limit has (or will be) reached it is necessary to register, provided generally taxable supplies with place Liechtenstein are made at all.
Does the same registration limit apply to non-established businesses?	Yes. There is generally the same registration limit for businesses that are not established in the Principality of Liechtenstein.
Does a non-established person need to appoint a fiscal representative in order to register?	Yes, a non-established person is required to appoint a fiscal representative in order to be able to register for VAT purposes in the Principality of Liechtenstein.
How often do returns have to be submitted?	VAT returns are generally to be submitted on a quarterly basis. If certain conditions are met, returns can also be submitted on a monthly basis or semi-annual.
Are penalties imposed for the late submission of returns/payment of tax?	Generally, no penalties are imposed if a VAT return is submitted late. However, interest for late payment (currently 4% p.a.) will be levied on late payment on the VAT amount due.
Are any other declarations required?	The submission of an additional annual reconciliation VAT return is required in case deviations, between the VAT returns submitted and the annual financial statements, are detected.
Are penalties imposed in other circumstances?	Penalties may generally be imposed in the case of negligent tax evasion, unjustified exoneration or refund.
Can the tax incurred by overseas businesses be claimed if they are not registered in your country?	Yes, in certain circumstances and subject to certain conditions.
Deduction of VAT	Yes. VAT-registered persons are allowed to deduct VAT invoiced by third parties.

What is the principal indirect tax?

VAT is a turnover tax levied at each stage of the production and distribution. Liability for VAT rests with the person supplying the taxable goods or services or importing goods into the Principality of Liechtenstein. However, the supplier is allowed to deduct from his VAT liability on sales made the amount of VAT paid and properly invoiced to him in relation to purchases effected by him, or VAT paid by him at importation. The actual burden of the tax is therefore borne by the final consumer.

VAT (MWST/Mehrwertsteuer) is levied on taxable supplies which take place in the Principality of Liechtenstein, self-supplies, acquisition of certain services from foreign entrepreneurs and importation of goods. For VAT purposes, the Principality of Liechtenstein is considered as part of the Swiss territory. VAT is collected by the Liechtenstein tax administration.

A transaction is within the scope of VAT if the following conditions are met:

- it is a supply of goods or services
- the place of supply is considered to take place in the Principality of Liechtenstein
- it is made by, or under certain circumstances, received by a taxable person. For these purposes, a taxable person is a person or entity who is registered for VAT in the Principality of Liechtenstein, or has a liability to become registered.

There are three rates of VAT that are applied to goods and services in the Principality of Liechtenstein; the standard rate, the reduced rate and the special rate. In addition, some goods and services are exempted from VAT.

Exemptions without the right to deduct input tax include, inter alia, hospital and medical treatments, services supplied by social services, welfare institutions and social security institutions, child and youth education, schooling, job education etc., cultural services and sports events, insurance transactions, certain banking transactions, transfer and letting of real estate (with exceptions), operations connected with betting and other games of chance involving money provided that such betting/gaming activity is subject to a specific domestic gaming/betting duty, etc.

The supplier of exempt services or deliveries may opt for taxation. Please note that an option is not possible for financial and insurance services. In certain cases, option is only possible if the customer is a taxable person.

VAT borne by a taxable person on the purchase and importation of goods and services which are connected to taxable operations (also if zero rated) or to operations located abroad which would be taxable if located within the Principality of Liechtenstein can be deducted/refunded. A proper VAT invoice and, in case of importation, original import documents are required. VAT on the acquisition of goods and services directly affected to exempt activities, on operations which are not in connection with the pursuit of business or on private activities is not deductible.

As a general rule, VAT is payable to the customs at the time of importation. However, taxpayers who have given security for the tax amount may pay import VAT within 60 days based on the invoice issued by the Federal Customs Administration.

Is there a registration limit for the tax?

Any person running a business is basically liable to VAT irrespective of the realisation of a turnover. Thus tax liability is not depending on the realisation of a taxable turnover. VAT law allows for an exemption from tax liability if the taxable worldwide turnover is below CHF 100,000. Each enterprise will be able to explicitly abstain from the afore mentioned exemption and therefore become tax liable. The limit is CHF 150,000 for sport or culture clubs (if they do not strive to make profit and are managed in an honorary capacity) and for institutions of public interest.

Companies, partnerships and individuals having their domicile or permanent establishment in the Principality of Liechtenstein (not in Switzerland) and who are closely related to each other, may request to be treated as a fiscal unity for VAT purposes, with one single VAT number. As a consequence, intra-group supplies are not taxable.

Any person whose domicile, registered office or permanent establishment is located in the Principality of Liechtenstein, has to pay VAT on certain services (or under certain circumstances also delivery of goods) provided by foreign entrepreneurs who are not registered for VAT purposes in the Principality of Liechtenstein, if the value of such services exceeds CHF 10,000 during the calendar year. Please note that for already registered persons, no threshold is applicable, ie these persons will have to pay VAT on any import of services and certain goods acquired from a not registered foreign person.

Does the same registration limit apply to non-established businesses?

Non-resident entities supplying goods or services within the Principality of Liechtenstein are generally subject to the same registration rules. However, foreign entities supplying on Swiss and Liechtenstein territory only services which are subject to service import tax (ie services taxable at the place of the domestic recipient, excluding telecommunication services or electrical services provided to non-taxable recipients) are not obliged to register for VAT purposes and the reverse charge treatment will be applicable.

In case of registration, the foreign firm must designate a fiscal representative in the Principality of Liechtenstein and provide guarantees (usually a bank guarantee) to the Tax Authority in respect of likely tax debts.

Is there any specific legislation to tax non-resident supplies of electronically supplied/digital services to private consumers resident in your country?

Based on Liechtenstein tax law a non-established business, which provides services in Liechtenstein exclusively subject to the service import tax (reverse-charge-mechanism), is generally not liable to register for Liechtenstein VAT. However, a non-established business, which provides telecommunication services and electronic services to non-taxable Liechtenstein resident persons, must register for Liechtenstein VAT once the limit of CHF 100,000 of taxable worldwide transactions has (or will be) reached. Whether the recipient of the telecommunication services and electronic services is a taxable or a non-taxable person has to be cleared by the supplier. If the non-established business, which is not registered for VAT in Liechtenstein, provides telecommunication services and electronic services to taxable Liechtenstein resident persons, the recipients of the services should apply the reverse-charge-mechanism. Once the non-established business is registered for VAT in Liechtenstein it must charge Liechtenstein VAT on its telecommunication services and electronic services to Liechtenstein resident persons irrespective whether they are taxable or non-taxable persons.

Does a non-established business need to appoint a fiscal representative in order to register?

Yes, a non-established person is required to appoint a fiscal representative in order to be able to register for VAT purposes in Liechtenstein.

How often do returns have to be submitted?

The VAT returns generally have to be filed on a quarterly basis. The VAT return must be filed and the corresponding payment made within 60 days after the accounting period. However, for small businesses, the tax period is semi-annual. In certain cases, the tax period is monthly. Late payments are subject to interest, at the rate of currently 4% per annum.

Are penalties imposed for the late submission of returns/ payment of tax?

In case of intentional or negligent tax evasion, unjustified exoneration or refund, the taxpayer is punished by a fine up to five times the amount of the unlawful advantage. Persons jeopardizing the levy of the tax (for instance by not fulfilling the duty to register) are punished by a fine up to CHF 800,000 (doubled in severe circumstances) or can be prosecuted according to the Liechtenstein Penal Code.

Are any other declarations required?

At the end of the business year, a turnover and input VAT reconciliation must be made. In case deviations between the VAT returns filed and the annual financial statements are detected, the entity is obliged to submit an additional annual reconciliation VAT return until 31 August of the following year.

Are penalties imposed in other circumstances?

Penalties may generally be imposed in the case of negligent tax evasion, unjustified exoneration or refund.

Can the VAT incurred by overseas businesses be claimed if they are not registered in Liechtenstein?

Foreign taxable persons who are not established in the Principality of Liechtenstein and who do not supply taxable goods or services on the Swiss or Liechtenstein territory may, under certain conditions, claim refund of VAT incurred on their business costs. The claim can be made once a year and must be filed by a Liechtenstein fiscal representative within a period of six months following the end of the calendar year in which the goods and services were bought. There is no refund if the annual amount does not reach CHF 500.

What information must a VAT invoice show?

The seller of the service/goods must produce an invoice to the recipient on request. This invoice must clearly identify provider and recipient as well as the kind of the service provided or good(s) supplied.

Invoices or other accounting documents for taxable recipients as well as for recipients with residence abroad (which are entitled to VAT recovery) should generally include the following:

- the seller's name and address
- the customer's name and address
- the time or period of supply if this is different from the invoice date
- a description sufficient to identify the goods or services supplied to the customer
- the invoice amount (must not be in CHF)
- the applicable VAT rate.

Invoices from automatic cash registers (receipt) do not have to contain information about the beneficiaries if the remuneration is not exceeding a certain amount (defined by the government).

Electronic invoices must comply with the requirements regarding proof of origin and integrity.

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Lithuania

Indirect tax snapshot

What are the current rate(s) of indirect tax?	• Standard rate of 21% for most goods and services. • Reduced 9% VAT rate is applied: 1 to heating power used for heating residential premises including heating energy transmitted via hot water supply systems), to hot water or to cold water used for preparing hot water and to heating power used for preparing hot water if water is supplied to residential premises 2 to books and non-periodical information publications (including textbooks, workbooks, encyclopedias, dictionaries, manuals, information leaflets, photo and reproduction albums, children's picture books, drawing and coloring books, printed or manuscript sheet music, maps, layouts and graphics, but excluding calendars, memo books and similar publications) 3 to periodical publications (eg newspapers, magazines) excluding publications of erotic and/or violent nature or publications failing to comply with professional ethics, recognised as such by an institution authorised under the law, and printed products in which paid advertising accounts for more than 4/5 of total area of the publication 4 to services of passenger transport by regular routes established by the Ministry of Transport or an institution authorised by it or by local authorities as well as services of transportation of such passengers' luggage 5 accommodation services supplied according to the procedures prescribed by legal acts governing tourist activities (the reduced rate is valid till 31/12/2022). • Reduced 5% VAT rate is applied: 1 to supply of medicines and medical aid equipment when such supply is made to persons to whom the acquisition costs are compensated in whole or in partial pursuant to the Law on Health Insurance as well as to prescription drugs where the costs of acquisition are not compensated pursuant to the Law on Health Insurance 2 to technical aids for disabled persons and to repairs of such aids. • 0% VAT rate is applied: 1 0% rate is commonly applicable to goods exported from the territory of European community; goods transported from Lithuania and supplied to VAT payer registered in one of the European Union (EU) member states; new cars supplied Into other EU member state; certain transactions related with international trade. Supplied goods delivered to free zone or warehouse and appropriate customs procedures executed).
Are there any confirmed or anticipated changes to these rates?	No
What is the principal indirect tax?	Value Added Tax (VAT) is the principal indirect tax in the LT. It is a tax on consumer expenditure, and is collected on business transactions and imports.
Is there a registration limit for the tax?	Domestic company – €45 000 turnover during last 12 calendar months. Foreign company – from the start of their activities (€1).
Does the same registration limit apply to non-established businesses?	No. There is no registration limit for businesses that are not established in the Lithuania and they will need to register as soon as they start to make taxable transactions. Different registration requirements also apply to businesses involved with 'distance sales' made within the European Union (EU) eg mail order and internet sales.
Does a non-established person need to appoint a fiscal representative in order to register?	Yes, applicable for entities registered outside EU. The requirement to appoint a fiscal agent to act in Lithuania is not applicable to entities registered in EU member states (such persons may be registered as VAT payers directly).

Indirect tax snapshot

How often do returns have to be submitted?	The taxable period is one month. Under certain circumstances, the taxable period may be six calendar months or a period of other duration. The taxable period is one month. Under certain circumstances, the taxable period may be six calendar months or a period of other duration.
Are penalties imposed for the late submission of returns/payment of tax?	Yes. If a VAT return, or the corresponding payment, is submitted late a penalty can be imposed.
Are any other declarations required?	Yes. Additional declarations have to be submitted in respect of certain supplies made to customers who are registered for VAT elsewhere in the EU. Declarations also have to be submitted in certain circumstances in connection with goods moving to or from the EU.
Are penalties imposed in other circumstances?	Yes. Penalties can be imposed for a range of errors or omissions.
Can the tax incurred by overseas businesses be claimed if they are not registered in your country?	Yes, in certain circumstances and subject to certain conditions.
Deduction of VAT	The following shall not be deductible: 1 input VAT and/or import VAT on goods and services intended for entertainment and representation, if it is not allowed, according to legal acts governing taxation of profit/income, to subtract the costs of their acquisition from the received income for the purposes of calculation of the taxable profit/income; 2 input and/or import VAT paid on behalf of another person; 3 input or import VAT on a passenger car designed for the transportation of no more than 8 persons (excluding the driver), or a motor vehicle of the said class attributed to the category of cross-country vehicles, provided that the car will not be supplied or leased, or it is not used to provide services of passenger.

What is the principal indirect tax?

Value Added Tax (VAT) is the main type of indirect taxation in the Lithuania and in other European Union (EU) countries.

It is a tax on consumption which is applied during the production and distribution process to most goods and services. It is also applied to goods, and certain services, entering the country. Although VAT is ultimately borne by the consumer by being included in the price paid, the responsibility for charging, collecting and paying it to the tax authority at each stage of the process rests with the business making the supply ie the sale.

A business registered for the tax will charge VAT (output tax) on its sales, and incur VAT (input tax) on its purchases (including any VAT paid at importation). The difference between the output tax and the deductible input tax in each accounting period will be the amount of VAT payable by the business to the tax authority. Where the input tax exceeds the output tax, a refund can be claimed.

The supply of goods and/or services is subject to Lithuanian VAT providing the following conditions are satisfied:

- the supply of goods and/or services is effected for consideration
- the supply of goods and/or services, according to the provisions of the Republic of Lithuania VAT law, is considered to be effected within the territory of Lithuania
- the goods and/or services are supplied by a taxable person for economic activities.

There are four rates of VAT that are applied to goods and services in the Lithuania: the standard rate (21%), the reduced rates (9% and 5%), and the zero rate. In addition, some goods and services are exempted from VAT.

Businesses that make exempt supplies are unable to claim all of the input VAT that they incur, so the VAT paid to suppliers will be a 'real' cost.

Most goods imported into Lithuania from outside the EU are subject to VAT. If the established conditions are met, import VAT is not required to be paid to customs by the importer at the time of importation. Where the importation is for VAT chargeable activities and the importer is registered for VAT purposes, import VAT is declared as deductible in a VAT return and due to the import, a payable amount shall not occur.

It is also important to note the interaction between VAT and customs duty. Customs duty is levied across the EU at the place where goods are imported into the community. It is levied in order to bring the cost of goods produced outside the EU up to the same level as those produced within it. Once duty (and VAT) has been paid by the importer, the goods are in 'free circulation' and they can then be released for use in the home market. Unlike other indirect taxes, such as VAT, once duty has been paid it is not usually recoverable by the importer. It therefore represents a bottom line cost to the importing business if it cannot be passed on in higher prices. It is therefore very important to ensure that the correct rate of duty is applied. VAT is charged on the value of the importation, including any customs duty.

Is there a registration limit for the tax?

Yes, €45000; a 'domestic person' who either makes or intends to make taxable supplies of goods or services in the course or furtherance of a business must register for VAT if the value of its taxable supplies in Lithuania exceeds the annual registration limit, or is expected to exceed the limit in the near future. A business can register on a voluntary basis even if the registration limit has not been exceeded.

For these purposes, a 'domestic person' includes any legal entity and natural person performing economic activity. Therefore, once a person is registered for VAT, all of his business activities will be covered by the registration – even if the nature of some of those activities is very different.

Even if the above threshold has not been reached, a person has to register as a VAT payer in Lithuania if they acquire goods in Lithuania from another EU member state (except the new vehicles or the goods which are subject to excise duties) and the value of such goods was above the limit of €14,000 last calendar year or it is foreseen that the value of such goods will be above the limit of €14,000 this calendar year.

Lithuanian legislation does not provide for a possibility that two or more corporate bodies be registered together as a VAT group.

A penalty may be imposed by the tax authority if a business fails to register at the correct time.

Does the same registration limit apply to non-established businesses?

No, the limit is not applied. The VAT registration limit does not apply to businesses who are not established in Lithuania, but for the purposes of the tax are making taxable supplies there. Those businesses will need to register as a VAT payer in Lithuania when they begin to supply goods or services and the place of such a supply is Lithuania (with some exceptions), irrespective of the level of turnover.

Foreign person (legal or natural) have to register as a VAT payer in Lithuania:

- when beginning to supply goods or services and the place of such a supply is Lithuania (with some exceptions) if it acquires goods in Lithuania from another EU member state (except the new vehicles or the goods which are subject to excise duties) and the value of such goods was above the limit of €14,000 last calendar year or it is foreseen that the value of such goods will be above the limit of €14,000 this calendar year if Lithuania was chosen as the place for distance selling or the value of the goods supplied in Lithuania under the distance selling scheme is above the limit of €35,000 or the goods supplied under the distance selling scheme are subject to excise duties.

It is worth noting that distance selling is where a VAT payer of one EU member state supplies goods (other than new vehicles and goods supplied after they are assembled and installed in Lithuania) to persons of another EU member state (tax exempted or taxable persons not entitled to VAT refunds), who are not VAT payers in their own state, and the goods are, by order of the supplier or another person, transported from one EU member state to that another EU member state. Distance sales from another EU country to non-taxable persons in the Lithuania will be subject to VAT at the appropriate rate in the suppliers' country. However, once the value of those distance sales to the Lithuania exceeds the threshold of €35,000:

- the supplier becomes liable to register as VAT payer in the Lithuania
- the Lithuania becomes the place of supply
- any further sales to customers in the Lithuania are subject to Lithuania VAT.

Suppliers can choose to make the Lithuania the place where the goods are supplied by registering for VAT voluntarily before the threshold is reached.

Is there any specific legislation to tax non-resident supplies of electronically supplied/digital services to private consumers resident in your country?

The Mini One-Stop-Shop (MOSS Scheme) allows you to supply the following services within the EU without the need to register in each EU country you supply to:

- telecommunication services
- television and radio broadcasting services
- electronically supplied services.

Does a non-established business need to appoint a fiscal representative in order to register?

Persons from territories outside the area of EU are registered through their branch in Lithuania, and where they do not have a branch – through the fiscal agent appointed to act in Lithuania.

The requirement to appoint a fiscal agent to act in Lithuania is not applicable to persons from EU member states. Such persons may be registered for VAT purposes directly.

How often do returns have to be submitted?

A VAT return for a tax period must be submitted no later than 25 days after the end of a tax period.

There is a difference between the tax periods applied to natural persons who are VAT payers and legal persons who are VAT payers: a tax period for a legal person is a calendar month and a tax period for a natural person is a calendar half-year (in certain cases, at the request of a VAT payer, a tax period other than a calendar month or a calendar half-year may be established).

In certain cases there may be a requirement to file annual VAT return. This return is normally used for the correction of pro-rata. It must be submitted and the VAT due must be paid no later than 1 October of the following year.

VAT calculated in a tax period return (calendar month, calendar half-year or other tax period) as well as in an annual return must be paid to the budget no later than 25 days after the end of a tax period.

Are penalties imposed for the late submission of returns/payment of tax?

Late payment of VAT is subject to default interests of 0.03% for each day of delay. A fine may also be imposed that is from 10% to 50% of the outstanding tax amount.

Failure to present tax returns is subject to administrative liability attracting a warning or administrative fine from.

Are any other declarations required?

Businesses that are registered for VAT in Lithuania and make supplies of goods or services to VAT payers of other EU country are required to file the statements of inter-community supply of goods/services. The reporting period of the statement is a calendar month. Completed statements of inter-community supply of goods/services have to be submitted not later than within 25 days after the end of the reporting period.

In addition, if the value of the intra-EU trade in goods dispatched or arriving from other EU is above an annual threshold, a supplementary declaration (referred to as an Intrastat declaration) has to be submitted for either or both. These declarations have to be submitted on a monthly basis.

Are penalties imposed in other circumstances?

Yes. A range of penalties can be imposed where businesses do not comply with the VAT rules.

Fines and default interest can be applied for errors and omissions made on tax returns, or where the tax is paid late. Administrative fines can also be applied where the business has failed to maintain adequate records, provide information (including additional declarations), or makes repeated mistakes.

Criminal proceedings may be brought in the case of more serious matters.

Can the VAT incurred by overseas businesses be claimed if they are not registered in Lithuania?

Yes, it may be possible to reclaim the VAT incurred in certain circumstances.

Two schemes exist, one for businesses established in the EU and another for businesses established elsewhere. The foreign taxable person, established in another EU member state, has to submit an electronic refund application via the system provided to him by the EU member state of establishment. The foreign taxable person established outside the EU has to submit a paper refund application directly to the 'State Tax Inspectorate' of Lithuania. It is worth noting that VAT is refunded to those taxable persons of foreign states that refund VAT to Lithuanian VAT payers. This restriction shall not apply to non-EU electronic service providers that are registered for VAT purposes in other EU member states.

A foreign taxable entity shall have the right to submit an application to be refunded VAT paid in Lithuania only in the case where during that period in which the VAT paid is requested to be refunded it satisfies the following criteria:

- had no divisions/subdivisions in the Republic of Lithuania
- had not performed any activity which is subject to VAT in Lithuania, except the cases when it supplied only such services and goods the VAT on which must be calculated and paid by the purchaser.

VAT may be refunded to the foreign entity if the goods and services acquired are designated for economic activity of that foreign entity, which is granting right to deduct VAT in the country of its establishment. VAT paid by the foreign taxable entity in respect of the goods and/or services, the input and/or import VAT whereof shall, under the provisions of the law, in no case be deductible by VAT payers, shall not be refundable to foreign taxable entities. VAT is also not refundable if supply of goods and services were not subject to VAT.

According to the Lithuanian VAT legislation, the minimum refundable amount is:

- €400 if the request is presented for the term less than calendar year but not less than three calendar months of that calendar year
- €50 if the request is presented for the entire calendar year or part of the term remaining until the end of the calendar year which is less than three calendar months.

A foreign taxable entity may present application to refund VAT for the period, which is not longer than calendar year and not less than three calendar months of that calendar year; or less than three calendar months provided these months are the last months of the calendar year.

The taxable person, established in another EU member state, must submit the application to refund VAT no later than 30 September of the following year for the preceding calendar year. The taxable person, established outside the EU, must submit the application to refund VAT no later than 30 June of the following year for the preceding calendar year.

The decision to refund VAT (or refuse to refund) may take the tax authorities up to 4 months, if additional information is not requested.

What information must a VAT invoice show?

Mandatory details of VAT invoice:

- the date of issue
- a sequential number, based on one or more series which uniquely identifies the invoice
- the supplier's VAT identification number
- the customer's VAT identification number
- the full name and address of the supplier
- the full name and address of the customer
- the nature of the goods supplied or the nature of the services rendered and the quantity of the goods supplied and extent of the services rendered
- the date on which the supply of goods or services was made (if it differs from date of the invoice)
- the unit price exclusive of VAT and any discounts or rebates if they are not included in the taxable amount
- the taxable amount per rate or exemption
- the VAT rate applied
- the VAT amount in Eur.

in case of an exemption and when 0% rate applicable, reference to the applicable provision of this directive, or to the corresponding national provision, or any other reference indicating that the supply of goods or services is exempt or 0% rate applicable for certain sales other details are required, like: 'Reverse charge', 'Margin scheme', VAT code of fiscal agent, etc.

Following the established requirements, VAT invoices can be issued, received and stored in an electronic format. Invoices in a paper format must be stored in Lithuania.

Invoices must be kept for ten years.

Are there any current or anticipated Standard Audit File for Tax (SAF-T) or similar electronic/digital filing requirements eg invoice listing data file/real-time VAT reporting?

Lithuania is to launch its delayed Standard Audit File for Tax (SAF-T) in July 2018.

SAF-T was original introduced to the country in 2016 for invoice listings and transport documentation. But this was effectively just an e-invoice reporting requirement. The third requirement, SAF-T accounting transactions, was delayed from 1 January 2017. Initially, only resident companies with a turnover about €8m will be required to submit SAF-T on request. This will be reduced to €0.7m. The new on-demand requirement will launch in July 2018, and will be for 2017 data.

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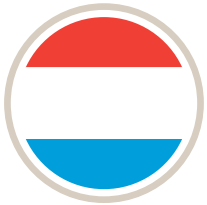

Luxembourg

Indirect tax snapshot

What are the current rate(s) of indirect tax?	• Standard rate of 17% for most goods and services. • Intermediary rate of 14% for advertising, custody fees, wine, etc. • Reduced rate of 8% on liquefied or gaseous gases, destined for heating, lighting and to supply engines, electricity, living plants and other floriculture products. Certain services also benefit (temporarily) from this rate: hairdressing; bicycles, shoe and leather article repairs; clothes and household linen alterations; window cleaning and household cleaning with respect to private residences. • Super reduced rate of 3% on food and medical products, books, shoes and clothes for children, water, transporting passengers etc.
Are there any confirmed or anticipated changes to these rates?	No.
What is the principal indirect tax?	Value Added Tax (VAT) is the principal indirect tax in Luxembourg.
Is there a registration limit for the tax?	There is a threshold for small enterprises that have an annual turnover of less than €30,000. Such enterprises still formally need to VAT register, but no VAT has to be charged on their supplies and not VAT returns have to be filed.
Does the same registration limit apply to non-established businesses?	No.
Does a non-established person need to appoint a fiscal representative in order to register?	No. The fiscal representative for VAT purposes in Luxembourg only applies for the import of goods.
How often do returns have to be submitted?	The VAT periodicity depends on the turnover. Annual VAT return is always mandatory and depending on the taxpayer's turnover additional periodic VAT returns are required.
Are penalties imposed for the late submission of returns/payment of tax?	Yes. If a VAT return is submitted late a penalty can be imposed (between €250 and €10,000 per late return).
Are any other declarations required?	Yes. Additional declarations have to be submitted in respect of certain supplies (goods and services) made to customers who are registered for VAT in another EU Member State (EC Sales Listing). Declarations also have to be submitted in certain circumstances in connection with goods moving to or from another VAT EU member state (Intrastat report).
Are penalties imposed in other circumstances?	Yes. Penalties can be imposed for a range of errors or omissions.
Can the tax incurred by overseas businesses be claimed if they are not registered in your country?	Yes, in certain circumstances and subject to certain conditions.

What is the principal indirect tax?

Value Added Tax (VAT) is the main type of indirect taxation in Luxembourg.

Created in 1970, VAT (value added tax) is a high yield tax that applies to transactions (goods or services) connected with an economic activity. It represents almost half of the state's tax revenue.

At each stage of the production and distribution process, the tax only applies to the added value given to the product. Companies thus add VAT to the sale price of their products and deduct the tax relating to the goods or services that contributed to the manufacture of their products or the provision of their services from that 'collected' tax. Only the difference between the 'collected' tax and the deductible tax is paid to the VAT authorities.

VAT is a general consumption tax. It is levied on all economic activities as defined by the VAT law.

To be subject to VAT, the transaction must involve either the delivery of movable assets (goods) or the provision of services.

The transaction must be connected with an economic activity in the commercial, craft, industrial, agricultural or liberal professions sectors. Some professions, such as professions related to the agricultural sector, benefit from a special regime. Activities not connected with the economic sector do not fall within the scope of VAT. Therefore, the activities of administrative public services that do not compete with those of the private sector are not subject to VAT. Transactions carried out as part of private asset management for individuals are also exempt from VAT. The activities carried out by certain associations might benefit from an exemption regime.

The delivery of goods or the provision of a service is subject to VAT if it involves a consideration which corresponds to the payment of the price agreed between the parties (cash) or the delivery of a good or a service in exchange. It does not matter whether the transaction generates a profit or a loss.

The transaction must be carried out by a taxable person. A taxable person is a person who independently carries out transactions falling within the scope of VAT (taxable or exempt) regardless of legal status, nationality or the aim.

Is there a registration limit for the tax?

Businesses that made less than €30,000 in the previous year (delivery of goods or services) are exempt from VAT. They do not need to submit a VAT return but they are still of course obliged to formally register for VAT and to provide the tax authorities with information allowing them to ensure that the threshold of €30,000 has not been exceeded. Businesses benefiting from the exemption cannot charge VAT on their invoices. They therefore cannot offset any input VAT incurred on goods or services supplied to them either.

Does the same registration limit apply to non-established businesses?

No.

Is there any specific legislation to tax non-resident supplies of electronically supplied/digital services to private consumers resident in your country?

With effect from 1 January, 2015, Article 58 of Directive 2006/112/EC was amended. The rules determining the place of supply of electronically supplied services supplied to private consumers (B2C) changed from the Member State where the supplier is established to the Member State of the consumer. The result of this is that local VAT is chargeable at the applicable rate in each of the Member States in which electronically supplied services are made (ie where the private customer resides). To ensure compliance with this, suppliers have the choice to either register for VAT in each Member State where their customers reside, or elect to register under the EU VAT Mini One Stop Shop (MOSS) simplification scheme in a single Member State (where they are established). Businesses with multiple establishments in the EU can choose which Member State to operate MOSS (the Member State of identification). However, the MOSS cannot be used to report local sales to customers in a Member State in which suppliers of electronically supplied services have a fixed establishment. Non-EU suppliers without an establishment in a Member State are free to select a Member State of their choosing to operate MOSS and become their Member State of Identification.

Does a non-established business need to appoint a fiscal representative in order to register?

No. The non-established entity can directly register for VAT in Luxembourg.

How often do returns have to be submitted?

Concerning the VAT periodicity, the VAT authorities fix it on the basis of the (expected) total annual turnover of the company, as follows:

- expected annual turnover higher than €620,000: Submission of monthly VAT returns and an additional annual VAT return
- expected annual turnover between €112,000 and €620,000: Submission of quarterly VAT returns and an additional annual VAT return
- expected annual turnover less than €112,000: Submission of an annual VAT return (only).

The decision of the VAT authorities in that respect is notified in the VAT registration notification or when a different tranche of turnover has been reached.

If periodical VAT returns are required, all VAT returns (including the annual one) have to be filed in an electronic format (e-CDF system).

The deadlines for submission of the VAT returns are the following:

- for monthly VAT return: the deadline is before the 15th day of the month following the month for which tax is due
- for quarterly VAT return: the deadline is before the 15th day of the quarter following the quarter for which tax is due
- in case of periodical VAT returns (monthly or quarterly) the deadline for annual VAT return is before 1 May of the following year with a tolerance until 31 December (confirmed each year by VAT authorities)
- in case of single annual VAT return: the deadline is before 1 March of the following year with a tolerance until 31 October (confirmed each year by VAT authorities).

Are penalties imposed for the late submission of returns/ payment of tax?

Yes. If a VAT return is submitted late a penalty can be imposed (between €250 and €10,000 per late return).

Failure to pay within the statutory period may also be punished by a fine of up to 10%of the tax due per year.

Are any other declarations required?

Businesses that are registered for VAT in Luxembourg and make supplies of goods or services to traders' registered in other EU countries are required to complete EC sales Listings (ECLs).

In principle the submission of the ECLs is on a monthly basis. By way of derogation, a quarterly submission can be authorised if the total amount of intercommunity deliveries of goods and/or triangular operations does not exceed €100,000.00 during the quarter concerned nor in respect of the four previous quarters.

If the taxable person does not exceed the threshold indicated above, he can choose to submit the listings either on a monthly or on a quarterly basis. There is no formal procedure for choosing, and no need to inform the VAT authorities.

The submission of the ECLs for services can be monthly or quarterly. It is up to the taxpayer to decide. There is no threshold, no formal procedure for choosing, and no need to inform the VAT authorities.

The periodicity for ECLs for services is in no way linked to the periodicity for filing ECLs for goods (and vice versa).

In case of periodical VAT submissions, the ECLs must be submitted via internet, using the 'eCDF' system of the Luxembourg VAT authorities.

The deadline for filing the listings is before the 15th day of the month following the reporting period if the listing is submitted in paper format and before the 25th following day if it is filed via internet.

To correct an ECL, the taxable person should simply report the corrections in the following ECL, via the respective boxes of the form.

In addition, if the value of the intra-EU trade of goods dispatched or arriving from another EU member state is above an annual threshold (€200,000 for acquisition of goods and €150,000 for delivery of goods), a supplementary declaration (referred to as an Intrastat declaration) has to be submitted for either or both. These returns have to be submitted on a monthly basis.

The thresholds are the following – type of return:

Thresholds	Annual values of the intercommunity operations (in €)			
Arrival	< 200,000	≥ 200,000	≥ 375,000	≥4,000,000
Dispatch	< 150,000	≥ 150,000	≥ 375,000	≥8,000,000
Type of return	Exemption	Simplified	Detailed	Extended

The deadlines are either (always on a monthly basis):

- within six working days after the end of the month of reference (in case of paper submission)
- within 16 working days after the end of the month of reference (in case of electronically submission).

Are penalties imposed in other circumstances?

Yes. A range of penalties can be imposed when businesses do not comply with the VAT rules.

Anyone who tries, in some way, to evade payment of tax or to obtain in a fraudulent or improper manner a tax refund, is subject to a tax penalty of between 10% and 50% of the evaded tax or the tax fraudulently obtained.

The tax penalties are imposed by the director of administration or his delegates, payable within one month after notification of the written decision.

Criminal proceedings may be brought to court in case of more serious matters.

Can the VAT incurred by overseas businesses be claimed if they are not registered in Luxembourg?

Yes, it may be possible to reclaim the VAT incurred in certain circumstances.

Two schemes exist, one for businesses established in the EU and another for businesses established elsewhere.

The EU cross border refund scheme is available in all EU member states, and enables a business established in an EU country to recover VAT incurred in another member state (in which it is not VAT registered). To be eligible to make a claim, the claimant must be a taxable person established in an EU member state other than the one from which the claim is to be sought.

In addition, the claimant:

- must not be registered, liable, or eligible to be registered in the member state from which he is claiming the refund
- must have no fixed establishment, seat of economic activity, place of business or other residence there during the refund period he must not have supplied any goods or services in the member state of refund, apart from certain limited exceptions.

The amount that is refundable is determined by the deduction rules that apply in the country making the refund. The claim is submitted electronically with an authenticated e-signature to the tax authority from whom the repayment is being sought.

The refund period must not cover more than one calendar year or less than three calendar months – unless it is covering the remainder of a calendar year. The claim has to be made by 30 September of the year following that in which the VAT was incurred.

Businesses established outside of the EU can, subject to certain conditions, also reclaim the VAT incurred on imports into Luxembourg or purchases of goods and services used in Luxembourg. The scheme is available to any person carrying on a business established in a third country ie outside the EU, provided that in the period of the claim:

- he was not registered or liable to be registered for VAT in Luxembourg
- he was not established in any EU country
- he made no supplies of goods and services in Luxembourg other than certain specified exceptions
- where he is established in a third country having a comparable system of turnover taxes, unless the Luxembourg tax authority allows otherwise, that country provides reciprocal arrangements for refunds to be made to taxable persons established in the Luxembourg.

Claim forms have to be submitted to the Luxembourg tax authorities no later than six months as from the end of the relevant year ie by 30 June each year.

What information must a VAT invoice show?

The following information has to be mentioned on the invoices for VAT purposes:

- the date of issue
- a sequential number, based on one or more series, which uniquely identifies the invoice
- the VAT identification number under which the taxable person supplied the goods or services
- the customer's VAT identification number under which the customer received a supply of goods or services in respect of which he is liable for the payment of VAT or received a supply of goods as referred to in Article 43(1)(d),(e) and (f)
- the full name and address of the taxable person and of the customer
- the quantity and nature of goods supplied or the extent and nature of services rendered
- the date on which the supply of goods or services was made or completed or the date on which the payment on account was made, in so far as that date can be determined and differs from the date of issue of the invoice
- the taxable amount per rate or exemption, the unit price exclusive of VAT and any discounts or rebates if they are not included in the unit price
- the VAT rate applied
- the VAT amount payable, except where a special arrangement is applied for which such a detail is to be excluded
- where an exemption is involved or where the customer is liable to pay the VAT, reference to the applicable provisions of Directive 2006/112/EC or to the corresponding provision of VAT act, or in case the liability is shifted to the recipient that the supply is subject to the reverse charge procedure.

For further information on indirect tax in Luxembourg please contact:

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Republic of Macedonia

Indirect tax snapshot

What are the current rate(s) of VAT?	• Standard rate of 18% for most goods and services. • Preferential rate of 5% for supply and import of certain goods and services.
Are there any confirmed or anticipated changes to these rates?	No.
What is the principal indirect tax?	Value Added Tax (VAT) is the principal indirect tax in the Republic of Macedonia. The value added tax, as a general consumption tax, shall be calculated and paid in all stages of the production and trade, as well as in the whole service sector, unless otherwise prescribed by Law.
Is there a registration limit for the tax?	Yes. All taxpayers, whose total turnover has exceeded the amount of 1,000,000 Denars in the past calendar year or whose total turnover is anticipated to exceed the amount at the beginning of the performance of the business activity or to exceed the amount during the year, shall be obliged to register for value added tax.
Does the same registration limit apply to non-established businesses?	No. There is no registration limit for businesses that are not established on the territory of Republic of Macedonia.
Does a non-established person need to appoint a fiscal representative in order to register?	Not applicable.
How often do returns have to be submitted?	It depends on the amount of the annual turnover and the returns may be submitted quarterly or monthly.
Are penalties imposed for the late submission of returns/payment of tax?	Yes. If a VAT return, or the corresponding payment, is submitted late a penalty can be imposed.
Are any other declarations required?	No.
Are penalties imposed in other circumstances?	Yes. Penalties can be imposed for a range of errors or omissions.
Can the tax incurred by overseas businesses be claimed if they are not registered in your country?	Yes, in the case of existence of reciprocity and meeting certain conditions.

Indirect tax snapshot

Deduction of VAT	The following shall be exempt in the country without the right to deduction of the input tax: 1 the trade in residential buildings and apartments, in the part used for housing purposes, with the exception of the first sale which is to be conducted within a time period of five years following the construction 2 the rental of residential facilities and apartments, if they are used for residential purposes 3 the sale and purchase of postal and tax stamps at their nominal value, of envelopes, postal cards and other postal stationeries on which a postal stamp is impressed, as well as control stamps (banderoles) 4 the postal services of the Macedonia Post Office 5 the banking and financial transactions 6 the insurance and reinsurance services, including the related services of insurance brokers and agents 7 the games of chance and entertainment games, whose performance is regulated by the Law on Games of Chance and Entertainment Games 8 the transactions of the institutions in the field of culture with a non-profit purpose for the cultural services and goods directly related to those services in accordance with the regulations in the field of culture and transactions of botanical gardens, zoos, parks, archives and documentation centres – the tickets for public events which are of national interest in the field of culture, and which are so determined and financed by the annual program for achievement of the national interest in the field of culture for the year in which the public event is organized, adopted by the Ministry of Culture. In order to exercise the exemption, before the sale of the tickets, the taxpayer shall ensure a document from the Ministry of Culture confirming that the public event for which the tax exemption is requested has been determined in the annual program for achievement of the national interest in the field of culture 9 the services of broadcasting and television stations, except the commercial activities 10 the health services by hospitals, clinics, health institutions, medical and chemical diagnostic laboratories, rehabilitation centres and similar institutions; 11 the services and supply of goods by institutions for social care and protection, including the services of the centres for hospitalization, care and treatment of elderly people; 12 the services within the scope of treatment and supervision of children and youths, as well as closely related supply of goods thereon; 13 the services within the framework of accommodation of children and youths with the purpose of their upbringing, education or training, as well closely related supply of goods thereon; and 14 the services within the scope of the professional activity of doctors, dentists and dental technicians, or other medical professions providing medical health protection, as well as delivery of dental prosthesis by dentists and dental technicians, 15 the transportation services to sick and injured persons with vehicles especially intended for such purposes; 16 the supply of human blood, breast milk, human organs, cells and tissues; 17 the educational services 18 the services of undertaking institutions and crematories, as well as the supply of goods connected with such activities; 19 the international transportation of passengers; – the use of public road, its part or facility on the road (tolls); – the use of public roads by motor vehicles and trailers (road fee); and 20 the supply of goods, as well as their use, for which the right to deduction of the input taxes during their procurement, production or import in accordance has been excluded.

What is the principal indirect tax?

The principal indirect tax in Republic of Macedonia is Value Added Tax (VAT).

The VAT, as a general consumption tax, shall be calculated and paid in all stages of the production and trade, as well as in the whole service sector, unless otherwise prescribed by the Macedonian law on VAT.

The following shall be taxable under VAT:

- the sale and purchase of goods and provision of services (hereinafter: supply), that is conducted in the country by the taxpayer for consideration within the framework of its economic activity
- the import of goods.

Supply of goods, shall be the transfer of the right to dispose of movable or immovable tangible assets. Supply of services, in terms of this law, shall be any activity not being a supply of goods.

If the supply of goods as basic supply is supplemented with a supply of another good or service as ancillary supply, the complete supply shall be deemed supply of goods. If the supply of services as basic supply is supplemented with supply of another service or good as ancillary supply, the complete supply shall be deemed supply of services.

The taxpayer shall be a person that, permanently or occasionally, independently, performs an economic activity, regardless of the purposes and the results of such an activity. Economic activity shall be deemed any activity of the producers, the traders and the persons providing services aiming at generating income, including the activities in the field of mining, agriculture and forestry, as well as giving tangible and nontangible goods for the purpose of being used. Independent activity shall not be deemed the activity of:

- the natural persons that, separately or jointly, are employed in an enterprise and on such basis receive salary and are obliged to refer to the instructions of the employer
- the subsidiaries, the branch offices or the other separate organizational units of an enterprise.

The state bodies, the bodies of the local self-government units and the other public-legal bodies shall not be taxpayers for the part of their activities limited to the exercise of public powers, even if they charge taxes, fees, contributions or other duties for those activities. The state bodies, the bodies of the local self-government units and the other public-legal bodies shall be taxpayers in the cases where, within the framework of a certain economic activity, they carry out supply which, in accordance with this Law, is taxable in respect to the other taxpayers.

The tax base for the value added tax shall be the total amount of the consideration received or to be received for the supply, without the value added tax included. Money, goods, services and other benefits according to the market price paid or to be paid by the recipient of the good, or the user of the service or another person, shall be deemed consideration.

The tax base shall include:

- the taxes, including the excise, fees, contributions and other duties prescribed by separate laws, except the value added tax
- the related costs for packaging, loading, unloading, transportation and insurance, as well as the commissions and other costs calculated by the taxpayer to the recipient of the good or the user of the service
- the subsidies directly connected with the price of supply of the good or the service.

The tax base shall not include:

- the deduction of the price in a form of discount for advance payments
- the price discount, the rebate and the other types of deduction of the price approved for the recipient of the good or the user of the service at the time of supply, if they are separately shown in the invoice and recorded in the book-keeping
- the amount received by the taxpayer from the recipient of the good or the user of the service as a payment of the costs incurred on their behalf and their account, provided that such amount is recorded in the book-keeping.

The value added tax shall be calculated by applying a proportional tax rate to the tax base for the taxable supply of goods and services and import that is according to the general tax rate of 18% and according to the preferential tax rate of 5%.

The general tax rate of 18% shall apply to the complete supply and import, except for the supply and import taxed at preferential tax rate.

Preferential tax rate of 5% shall apply to the supply and import of: Products for human consumption; drinking water of the public systems for supply and discharge of urban waste waters and water for irrigation of agricultural land; publications, that is: books, brochures and similar printed materials, newspapers and other periodical publications, children's picture-books, drawing books and coloring books, and cartographic products of any type, except publications serving mostly for advertising purposes, as well as publications with pornographic contents; Seeds and planting material for production of agricultural plants; fertilizers; substances for plants protection; plastic foils for use in agriculture; agricultural mechanization; medicaments; machines for automatic processing of data and their units (computers); thermal solar systems and components; medical equipment, apparatuses and other devices the purpose of which is to alleviate or treat a disability, exclusively for personal purposes of people with disabilities; crude oil for production of food for human consumption; and trade in residential buildings and apartments, regarding the part used for housing purposes and effectuated within a period of five years after construction.

The following services shall be charged with 5% preferential rate: transportation of persons and their accompanying luggage; software for machines for automatic processing of data and their units (computers); services for maintaining public cleanliness and disposal of waste; and accommodation services (overnight accommodation) or bed and breakfast, half board or full board accommodation.

The tax debt shall incur:

- at the moment of completion of the supply of the good. If the good is transported or dispatched, the moment of commencement of the transport or dispatch shall be considered. If the supply includes assembly or installation, the moment of completion of the corresponding activities shall be considered
- at the moment of completion of the service in full.

Where the payment is made prior to the completion of the supply, time of incurrence of the tax debt shall be considered the moment when the payment is received, in the amount of the tax for the received amount.

In the case of periodic or continuous supply, for which consecutive payments are anticipated, time of incurrence of the tax debt shall be considered the day when the invoice for the corresponding period is issued or, if earlier, the day when the payment for the corresponding period is received.

If the economically divisible supply is owed and conducted in parts, time of incurrence of the tax debt shall be considered the day when the corresponding part of the supply is completed.

Where automatic machines that operate with coins, banknotes or tokens are used for sale of goods or rendering services, time of incurrence of the tax debt shall be considered the day when the coins, banknotes or tokens are taken out of the automatic machine.

Time of incurrence of the tax debt, upon import of goods, shall be considered:

- the day of occurrence of the obligation to pay the customs duty and the other import duties, or the day of import of the good in the country, in the cases of goods that are not subject to payment of customs duties
- the moment when the good, which is subject to the regime of goods in free zones, customs zones and customs warehouses or if the good is in transit or temporarily imported, is released in free circulation.

Tax debtor shall be:

- the taxpayer in the cases referred to the sale and purchase of goods and provision of services (hereinafter: supply), that is conducted in the country by the taxpayer for consideration within the framework of its economic activity
- the person importing goods in the cases of the import of goods
- the person issuing an invoice referred to states separately the value added tax in the invoice although not authorized to do so, it shall be liable for the stated amount and as well if it states separately a higher tax than the amount it is liable for in accordance with the Law, the person shall as well be liable for the extra tax
- the recipient of the good or the user of the service, provided that it is a taxpayer or an institution in terms of state bodies, the bodies of the local self-government units and the other public-legal bodies, in the case of supply, completed by a taxpayer which has no head office nor subsidiary in the Republic of Macedonia.

In such cases, the obligation for calculation of the tax, for submission of a tax return, for payment of the tax, and for payment of the interest rate in the case of late tax payment, shall be borne by the tax debtor registered in Republic of Macedonia.

Where the input tax exceeds the output tax, a refund can be claimed. Taxpayers may recover the sales tax by means of credit or since cash reimbursements, as applicable.

Businesses that make exempt supplies are unable to claim all of the input tax that they incur, so the VAT paid to suppliers will be a 'real' cost.

Is there a registration limit for the tax?

All taxpayers, whose total turnover has exceeded the amount of 1,000.000 Denars in the past calendar year or whose total turnover is anticipated to exceed the amount at the beginning of the performance of the business activity or to exceed the amount during the year shall be obliged to register for value added tax.

The obligation for registration for value added tax shall not apply to taxpayers in terms of a taxpayer that do not have head office nor subsidiary in the Republic of Macedonia and the case of tax refund of a tax payer and in the case of existence of reciprocity, the taxpayers that have no head office or subsidiary in the country and do not perform any supply therein, or that do not have sales tax due.

The total turnover shall be a sum of the supplies completed by the taxpayer during the calendar year, which are subjected to taxation, including as well the tax related thereto, except for the turnover exempted from tax without the right to deduction of the input tax. If the taxpayer has carried out its activity only in one part of the calendar year, the actual total turnover shall be calculated on a level of total turnover for the whole calendar year.

Taxpayers – residents in the country that are not obliged to register shall not be levied value added tax for supply of goods and services conducted by them. They shall not be authorized to separately declare the tax in the invoices or in other documents and shall not have the right to deduction of input taxes. Taxpayers may voluntarily register for value added tax on the beginning of each calendar year.

The taxpayers shall be obliged to submit a request for registration for value added tax to the competent tax authority. The competent tax authority shall perform the entry in the register of value added taxpayers as of the beginning of the current calendar year and shall issue the taxpayers a certificate.

If the taxpayer has commenced the performance of its activity during the calendar year, the registration shall be performed with the commencement of the performance of the activity. Commencement of the performance of the activity shall be considered the first performance of an activity by the taxpayer as first completed purchase of goods (capital assets, sales goods and alike), service used (rent, market research and alike) and completed supply of goods or service. If during the year the taxpayer exceeds the amount of completed total turnover of 1,000.000 Denars, the registration shall be performed upon the expiry of the month when the supply has been completed.

The taxpayers shall remain registered at least in a period of five calendar years, regardless of the amount of the total turnover. If the total turnover in the fifth calendar year does not exceed the amount, the taxpayer may, upon the expiry of the time period, submit a request for deregistration for value added tax to the competent tax authority which shall issue to the taxpayer a decision on deletion from the register of value added taxpayers.

As an exception to the time period determined above, the termination of the registration may be realized in a shorter time period than five calendar years, upon adoption of a decision by the competent tax authority.

The competent tax authority may terminate the registration if:

- in the previous calendar year, the taxpayer submits tax returns without declaring the tax for the completed turnover and without declaring the input tax for deduction
- in the two previous calendar years, the taxpayer submits tax returns without declaring the tax for the completed turnover, with the exception of the cases when the same periods in the tax returns declare only supplies exempted from tax with the right to deduction or input tax resulting from the supplies of investment goods performed towards the taxpayer or imported by it
- the taxpayer cannot be found on the reported address and on the address for performance of business activities
- the taxpayer does not submit a tax return for at least two tax periods in respect to the monthly and quarterly taxpayers, and for one tax period in respect to the annual taxpayers
- tax evasion has been previously identified at the taxpayer
- the cases referred to several persons being registered for VAT as a single taxpayer.

The taxpayers shall submit the return by the 15th of January in the current year at the latest. If the taxpayer has commenced the performance of its activity during the calendar year, the return shall be submitted in a period of 15 days as of the commencement of the performance of the activity. If during the year, the amount of realized total turnover exceeds 1,000.000 Denars, the taxpayer shall submit the return by the 15th in the month following the month of realization of the turnover at the latest.

The taxpayers shall submit the request for termination of the registration for value added tax by the 15th of January in the year when they want to terminate the registration for value added tax at the latest.

The competent tax authority may reject to register the taxpayer that commences the performance of an activity and the taxpayer that has voluntarily applied for registration if:

- it cannot be found on the reported address and on the address for performance of business activities
- it cannot prove the real intention to perform an activity
- tax evasion has been previously determined at the taxpayer.

Does the same registration limit apply to non-established businesses?

The normal VAT registration limit does not apply to businesses which are not established in the Republic of Macedonia.

In the case of supply, completed by a taxpayer which has no head office nor subsidiary in the Republic of Macedonia the recipient of the good or the user of the service, provided that it is a taxpayer or an institution in terms of state authorities, the authorities of the local self-government units and the other public-legal authorities shall be obliged to calculate the tax, submit the tax return, payment of the tax, and payment of the interest rate in the case of late tax payment ie the mechanism of 'reverse charge' shall apply .

Is there any specific legislation to tax non-resident supplies of electronically supplied/digital services to private consumers resident in your country?

The normal VAT registration limit does not apply to businesses which are not established in the Republic of Macedonia.

In the case of supply, completed by a taxpayer which has no head office nor subsidiary in the Republic of Macedonia the recipient of the good or the user of the service, provided that it is a taxpayer or an institution in terms of state authorities, the authorities of the local self-government units and the other public-legal authorities shall be obliged to calculate the tax, submit the tax return, payment of the tax, and payment of the interest rate in the case of late tax payment.

Does a non-established business need to appoint a fiscal representative in order to register?

The fiscal representative is a topic that is still not introduced in the respective VAT legislation of Republic of Macedonia.

How often do returns have to be submitted?

The period for which the value added tax is calculated and paid shall be a tax period. A tax period shall be considered the calendar month or, if the total turnover in the previous calendar year has not exceeded the amount of 25 million Denars, the tax period shall be a calendar quarter.

If the taxpayer performs its activity only in one part of the calendar year, only the referred period shall be considered to be the tax period.

Are penalties imposed for the late submission of returns/ payment of tax?

Fine in the amount of €1,500 in Denar counter-value for perpetrated misdemeanor shall be imposed on a legal entity taxpayer:

- if it submits a tax return to the competent tax authority after the expiry of the prescribed time period.

Fine in the amount of 30% of the determined fine for the legal entity and sole proprietor shall be imposed on the responsible person in the legal entity and on the responsible person in the sole proprietor for the misdemeanor referred to above.

A natural person – taxpayer shall be imposed a fine for the above mentioned misdemeanor in the amount of €150 to 225 in Denar counter-value.

The responsible person in the legal entity and the natural person – taxpayer that has not submitted a tax return within the prescribed time period, or has submitted a tax return, but has not fill it in with correct data, or has submitted a tax return and has not pay the tax due to the established accounts, in order to acquire greater property benefit or value, shall be sentenced to imprisonment of six months to five years and shall be fined.

If the amount of the liability is substantial, the perpetrator shall be sentenced to imprisonment of at least four years and shall be fined. If the offense is committed by a legal entity, it shall be fined. The property benefit acquired by the committed offense shall be seized based on a court decision.

Are any other declarations required?

The taxpayer shall be obliged, for each tax period, to submit a tax return in a period of 25 days after the expiry of the tax period where it shall calculate the taxes on its own.

For the corresponding tax period, the taxpayer shall be obliged to enclose a periodical financial report of the approved fiscal equipment systems for registration of cash payments to the tax return and through the bearer of payment operations to submit a periodical report for Denar transaction accounts and foreign currency accounts through which it realizes its operations.

The tax return shall be submitted in the deadline, even if the taxpayer has not carried out a taxable supply in the corresponding tax period.

As an exception, in the case of termination of performance of an activity, the taxpayer shall be obliged to submit a tax return in a period of 25 days after the expiry of the calendar month in which it has terminated its activity.

Furthermore, as an exception, in the case of altering the tax period, in cases of voluntary registration of the taxpayer that proves by documents that in the course of the current calendar year there are to be input realizations resulting from investments in equipment and immovable for commencement or expansion of its economic activity in the amount of 100,000,000 Denars at least, on annual basis, with no value added tax included, the taxpayer shall be obliged to submit a tax return in a period of 25 days after the expiry of the calendar month in which the request has been submitted, for the period starting from the beginning of the calendar year until the end of the month when the request has been submitted.

Are penalties imposed in other circumstances?

A fine in the amount of €1,500 in Denar counter-value for a perpetrated misdemeanor shall be imposed on a legal entity taxpayer if:

- it a tax return is submitted to the competent tax authority after the expiry of the prescribed time period
- keeps the records unduly
- do not issue an invoice within the prescribed time period
- it does not submit a report together with the tax return to the competent tax authority regarding the supplies made during the period to which the tax return refers.

Fine in the amount of 30% of the determined fine for the legal entity and sole proprietor shall be imposed on the responsible person in the legal entity and on the responsible person in the sole proprietor for this misdemeanor. A natural person – taxpayer shall be imposed a fine for this misdemeanor in the amount of €150 to 225 in Denar counter-value.

A fine in the amount of €2,500 in Denar counter-value for perpetrated misdemeanor shall be imposed on a legal entity taxpayer if:

- it does not submit a tax return to the competent tax authority
- the value added tax is not paid to the established account
- it does not submit a request for registration for the value added tax
- it does not keep or keeps the records incorrectly
- it issues an unduly invoice
- the invoices and the other documents issued in accordance with this law or the business books are not kept within the prescribed time period.

Fine in the amount of 30% of the determined fine for the legal entity and sole proprietor shall be imposed on the responsible person in the legal entity and on the responsible person in the sole proprietor for the misdemeanor referred to above.

For the misdemeanor referred above, a natural person – taxpayer shall be imposed a fine in the amount of €250 to 375 in Denar counter-value.

A fine in the amount of €1,200 in Denar counter-value shall be imposed on a legal entity – taxpayer, for a perpetrated misdemeanor if it submits a request for registration for value added tax after the expiry of the prescribed time period. Fine in the amount of 30% of the determined fine for the legal entity and sole proprietor shall be imposed on the responsible person in the legal entity and on the responsible person in the sole proprietor for this misdemeanor. The natural person – taxpayer shall be imposed a fine for the same misdemeanor in the amount of €120 to 180 in Denar counter-value.

Fine in the amount of €500 in Denar counter-value shall be imposed on the bearer of payment operations if, upon the receipt of the data, it does not submit, via electronic means, a periodical report from the Denar transaction account and the foreign currency account of the taxpayer registered for value added tax to the competent tax body for a period and within a deadline when the tax return is submitted.

Fine in the amount of €1.500 in Denar counter-value shall be imposed on the entity responsible for coercive collection, that is, coercive enforcement if it does not submit a Report for a Withheld Value Added Tax in a Procedure for Coercive Collection and Coercive Enforcement to the competent tax body, the debtor and the acquirer of the goods. Fine in the amount of € 2.500 in Denar counter-value shall be imposed on the entity responsible for coercive collection, that is, coercive enforcement if it does not calculate and does not pay the value added tax.

Can the VAT incurred by overseas businesses be claimed if they are not registered in the Republic of Macedonia?

Yes, it may be possible to reclaim the VAT in case of existence of reciprocity.

The taxpayers that have no head office or subsidiary in the country and do not perform any supply therein, or that do not have sales tax due, shall be paid off, upon a request, the input tax that may be deduced in accordance with the special procedure prescribed by the minister of finance.

The application for tax refund should be filed by the non-resident tax payers in front of the tax authority in Republic of Macedonia, accompanied with the following documents:

- original invoices
- proof of invoices being paid
- proof that the non-resident tax payer has been registered as tax payer in the country of origin. This proof may be submitted in English, German or French accompanied with Macedonian translation.

The tax authority shall review the application for tax refund and within six months from the date of submission to refund the amount in case all prescribed conditions are met.

What information must a VAT invoice show?

The invoice must contain the following data:

- place, date of issuance, number
- name (title) and address of the taxpayer carrying out the supply and its tax number registered under for value added tax
- name (title) and address of the recipient of the goods or user of the service
- day of the completed supply
- quantity and description of the supply
- amount of the consideration for the completed supply, not including the value added tax
- tax rate applied
- amount of the calculated value added tax
- total amount of the consideration for the completed supply and the value added tax, and
- name, surname and signature of the authorized person for signing invoices at the issuer of the invoice.

The taxpayer shall be obliged to issue an invoice for the supply to other taxpayers upon a request. The invoice may be issued in a paper or electronic form.

An invoice shall be considered any document issued by the taxpayer or by another person upon its order in regard to the completed supply. An invoice shall also be considered the calculation, whereby the taxpayer calculates certain taxable supply completed towards it by another taxpayer. As an exception, an invoice shall not be issued by the taxpayer in the case of transfer of movable and immovable property in a procedure for coercive collection and in an enforcement procedure, and the entity which implements the procedure shall prepare a decision on transfer of the property into possession of the buyer or a certificate for the completed sale in accordance with the Law on Tax Procedure or a conclusion for the completed sale in accordance with the Law on Enforcement that are the basis for the acquisition of ownership of the movable and immovable property and a Report for a Withheld Value Added Tax in a Procedure for Coercive Collection and Coercive Enforcement, in the cases where the creditor is not the acquirer of the good, that is, a Report for calculation of the value added tax in the procedure for coercive collection and coercive enforcement, in the cases where the creditor is the acquirer of the good.

Where consideration is received only for partially completed supply, prior to completing the supply, the taxpayer shall issue separate invoices for each partially completed supply.

The taxpayer shall issue an invoice for each payment received in advance (advance payment), prior to the completion of the supply.

In the course of exchange of goods or services, each individual taxpayer shall issue an invoice.

The supply shall be separately showed in the invoices issued for taxable supply, as well as for supply exempted from tax. Where the supply exempted from tax is made, the invoice shall state: 'without value added tax calculated'. Where the recipient of the goods and services is a tax debtor in the cases of 'reverse charge', the taxpayer that makes the supply shall state in the invoice 'tax obligation transfer'.

The taxpayer shall be obliged to submit, that is, to provide an invoice to the recipient of the goods or the user of the service and to provide a copy of the invoice for its personal records.

The invoice shall be issued on the day of the completed supply, and in a period of five business days at the latest.

Where consideration is received prior to completion of the supply, the invoice shall be issued on the same day when the advance payment is received, and within the time period of 5 working days at the latest.

Are there any current or anticipated Standard Audit File for Tax (SAF-T) or similar electronic/digital filing requirements eg invoice listing data file/real-time VAT reporting?

The VAT return is submitted through the e-system for VAT separately for each tax payer. The VAT return is submitted in prescribed format as per the sub legal acts adopted by the Ministry of Finance of Republic of Macedonia.

For further information on indirect tax in the Republic of Macedonia please contact:

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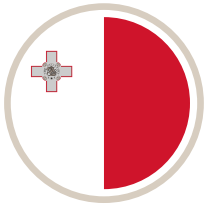

Malta

Indirect tax snapshot

What are the current rate(s) of indirect tax?	• Standard rate of 18% for most goods and services. As from 1 January 2018, the standard rate applies to certain e-gaming services. • Special rate of 7% for licensed holiday accommodation, gym membership, fitness centres, bicycle rental, football academies and certain other approved sporting facilities. • Reduced rate of 5% for some goods and services including the supply of electricity, confectionery items, printed matter, medical accessories, items for the exclusive use of the disabled and admission to museums, art exhibitions, concerts and the theatre. • Zero-rated goods and services include most food and pharmaceuticals. • Besides, Maltese law offers specific VAT schemes for yacht and aircraft leasing as well as for e-gaming services.
Are there any confirmed or anticipated changes to these rates?	No.
What is the principal indirect tax?	Value Added Tax (VAT) is the principal indirect tax in Malta. It is a tax on consumer expenditure, and is collected on business transactions and imports.
Is there a registration limit for the tax?	Yes. It relates to the annual turnover of taxable transactions in Malta, and once the limit has (or will be) reached it is necessary to register under article 10 of the VAT Act. Small Businesses are defined by the VAT Act as those businesses that dot reach this limit and are required to register under article 11 unless they opt to register under article 10. A taxable person who makes solely exempt supplies is obliged to register in terms of article 12 if he exceeds the intra-community acquisition of goods threshold or receives services from outside Malta where VAT is due in Malta in terms of the reverse charge mechanism.
Does the same registration limit apply to non-established businesses?	No. There is no registration limit for businesses that are not established in Malta and they will need to register as soon as they start carry out out transactions. However, the non-established business is not required to register for VAT in Malta if the business makes only supplies in respect of which the tax liability falls upon the recipient of the supply. Different registration requirements also apply to businesses involved with 'distance sales' made within the European Union (EU) eg mail order and internet sales.
Does a non-established person need to appoint a fiscal representative in order to register?	A non-established person who is not established in the Community and is registered, or obliged to be registered for VAT in Malta has to appoint fiscal representative.
How often do returns have to be submitted?	Most businesses are required to submit VAT returns covering three month accounting periods. Returns can also be submitted on a monthly basis if the taxpayer is in a tax refundable position, subject to approval by the Commissioner.
Are penalties imposed for the late submission of returns/payment of tax?	Yes. If a VAT return, or the corresponding payment, is submitted late a penalty can be imposed. Interest is also chargeable on late payment of VAT.
Are any other declarations required?	Yes. Additional declarations have to be submitted in respect of certain supplies made to customers who are registered for VAT elsewhere in the EU. Declarations also have to be submitted in certain circumstances in connection with goods moving to or from the EU.
Are penalties imposed in other circumstances?	Yes. Penalties can be imposed for a range of errors or omissions.

Indirect tax snapshot

Can the tax incurred by overseas businesses be claimed if they are not registered in your country?	Yes, in certain circumstances and subject to certain conditions.
Deduction of VAT	Input VAT may not be claimed on tobacco and tobacco products, alcoholic beverages, works of art and antiques, entertainment and motor vehicles, vessels, aircraft and fuelling thereof other than in the course of business, such as goods acquired for resale. In addition, input VAT may not be claimed on goods and services acquired for private reasons and costs incurred in relation to VAT exempt or non-business supplies.

What is the principal indirect tax?

Value Added Tax (VAT) is the main type of indirect taxation in Malta and is regulated by the Maltese VAT Act, Chapter 406 of the laws of Malta and subsidiary legislation thereto.

It is a tax on consumption which is applied during the production and distribution process to most goods and services. It is also applied to goods, and certain services, entering the country. Although VAT is ultimately borne by the consumer by being included in the price paid, the responsibility for charging, collecting and paying it to the tax authority at each stage of the process rests with the business making the supply ie the sale.

A transaction is within the scope of Maltese VAT if the following conditions are met:

- it is a supply of goods or services. Although the term 'supply' is not defined in the legislation, it has a broad interpretation
- the supply is made for consideration
- it takes place in Malta
- it is made by a taxable person. For these purposes, a taxable person or entity who carries on an economic activity
- it is made in the course or furtherance of any economic activity carried on by that person or entity.

There are four rates of VAT that are applied to goods and services in Malta; the standard rate of 15%, the special rate of 7%, the reduced rate of 5%, and the zero rate. Maltese legislation provides also specific schemes relating to the leasing of private yachts and aircrafts.

Businesses that make taxable, zero-rated and exempt supplies are unable to claim all the input tax that they incur and have to apply the partial attribution method to determine the amount of input VAT that they may recover. Businesses that make solely exempt supplies are unable to claim any input tax that they incur, so the VAT paid to suppliers will be a 'real' cost.

Most goods imported into Malta from outside the EU are subject to VAT. The tax will have to be paid by the importer at the time of importation. Where the importation is for business purposes and the importer is registered for VAT, it may be possible to reclaim the tax (subject to certain rules).

It is also important to note the interaction between VAT and Customs duty. Customs duty is levied across the EU at the place where goods are imported into the Community. It is levied in order to bring the cost of goods produced outside the EU up to the same level as those produced within it. Once duty (and VAT) has been paid by the importer, the goods are in 'free circulation' and they can then be released for use in the home market. Unlike other indirect taxes, such as VAT, once duty has been paid it is not usually recoverable by the importer.

It therefore represents a bottom line cost to the importing business if it cannot be passed on in higher prices. It is therefore very important to ensure that the correct rate of duty is applied.

VAT is charged on the value of the importation, including any customs duty.

Is there a registration limit for the tax?

A 'person' who either makes or intends to make taxable supplies of goods or services in the course or furtherance of his economic activity must register for VAT in terms of article 10 if the value of its taxable supplies in Malta exceeds the annual registration limit, or is expected to exceed the limit in the near future. A business can register on a voluntary basis even if the registration limit has not been exceeded.

For these purposes, a 'person' includes an individual and any legal entity. Therefore, once a person is registered for VAT, all of his business activities will be covered by the registration – even if the nature of some of those activities are very different.

Small businesses (ie do not exceed the annual limit registration) are still obliged to register in terms of article 11 to satisfy local requirements unless they opt to register in terms of article 10.

Taxable persons making solely exempt supplies and non-taxable legal persons must register for VAT in terms of article 12 if they exceed the intra-community acquisitions thresholds or receive services on which VAT is to be accounted for in Malta in terms of the reverse charge mechanism. They may also register on a voluntary basis.

Penalties apply for late registration

Two or more companies and other legal persons can, with effect from 1 June 2018, be registered together as a VAT group if:

- each of the applicants is established in Malta for VAT purposes
- at least one of the applicants is a taxable person licensed in terms of one of the following – Banking Act, Financial Institutions Act, Lotteries and other Games Act, Retirement Pensions Act and the Securitisation Act
- each of the applicants is bound to each of the others by financial, organization and economic links.

A member of one VAT group may not be a member of another group.

The main advantage of VAT grouping is that any supply of goods or services by one member entity to another is disregarded for VAT purposes which will in certain circumstances reduce the incidence of embedded VAT.

There are, however, certain disadvantages and any decision whether to establish a VAT group should be taken with care.

Does the same registration limit apply to non-established businesses?

The normal VAT registration limit does not apply to businesses that are not established in Malta, but for the purposes of the tax are making taxable supplies there. Those businesses will need to register for VAT as soon as they commence trading in Malta, irrespective of the level of turnover.

Registration for VAT in Malta may also be required where a non-established EU business is involved with distance selling or if the non-established business has a sufficient degree of permanence and a suitable structure in terms of human and technical resources to enable it to make the supply from Malta. Distance selling occurs when a taxable supplier in one EU country supplies and delivers goods to a customer in another EU country who is not registered or liable to be registered for VAT. Such customers are known as non-taxable persons and include private individuals and businesses and other organizations that are not registered for VAT (either because of their size, or the fact that they are exempt from having to register due to the nature of their activities). The common examples of distance sales are goods supplied by mail order and via the internet.

Each EU country has the option of applying a distance selling threshold of either €35,000 or €100,000 per calendar year, or the equivalent in its own currency. Malta has adopted an annual threshold of €35,000.

Distance sales from another EU country to non-taxable persons in Malta will be subject to VAT at the appropriate rate in the suppliers' country. However, once the value of those distance sales to Malta exceeds the threshold of €35,000:

- the supplier becomes liable to register for VAT in Malta
- Malta becomes the place of supply
- any further sales to customers in Malta are subject to Maltese VAT.

Suppliers can choose to make Malta the place where the goods are supplied by registering for VAT voluntarily before the threshold is reached.

Is there any specific legislation to tax non-resident supplies of electronically supplied/digital services to private consumers resident in your country?

As from 1 January 2015, the place of supply for VAT of electronically supplied/digital services to private customers established or resident in Malta are considered to take place in Malta and a supplier that is not established in this country is obliged to account for and pay VAT in Malta.

Suppliers providing such services may opt to register for VAT in terms of article 10 and account for VAT in the standard manner.

Alternatively, they may register in terms of the Mini One Stop Shop (MOSS) special scheme. There are two types of scheme, one for suppliers established in the Community and one for those established outside the Community.

Suppliers established in an EU Member State, register in terms of this special scheme in their State of establishment and account for VAT due in Malta by using the said scheme.

Suppliers established outside the Community register in terms of the special scheme applicable to them in a Member State of their choice and account for VAT due in Malta in terms of this scheme.

Does a non-established business need to appoint a fiscal representative in order to register?

A person who is not established in Malta and is not established in the Community must appoint a fiscal representative in Malta if the said person is registered or is required to be registered in Malta for the purposes of VAT.

How often do returns have to be submitted?

VAT returns (article 10) normally cover an accounting period of three months, ending on the last day of a calendar month. Businesses that are in a net repayment position (because of the nature of their activities) and those incurring exceptionally high expenditure (egas a result of set up costs or a capital project) can apply to submit returns on a monthly basis to improve cash flow.

All VAT returns have to be submitted by the 11th day of the second month following the month in which the VAT reporting period ends together with any tax due.

Where a person opts to submit the return electronically, taxpayers get a further seven days in which to submit the return and pay the tax due.

Small businesses that register in terms of article 11 submit a prescribed form generally on an annual basis summarising their sales and costs for the relevant year.

Taxpayers registered in terms of article 12 submit the prescribed form. With respect to services received from suppliers established in other EU Member States or established outside the EU, the form together with payment of VAT is to be submitted by not later than the 15th day of the second month following either the date of invoice or the month during which the service was received, whichever is the earlier. Where during the relevant period, the taxpayer made intra-community acquisition of goods, the return and payment is to be submitted by the 15th day of the month following that during which the VAT became chargeable.

Are penalties imposed for the late submission of returns/ payment of tax?

A default surcharge penalty may be imposed by the tax authority if VAT returns are not submitted on time, or the related tax is not paid by the due date. Interest is also chargeable on late VAT payments.

Are any other declarations required?

Businesses that are registered for VAT in Malta and make supplies of goods or services to traders registered for the tax in other EU countries are required to complete and submit EC Sales Lists (ESLs) also often referred to as the Recapitulative Statement. The ESLs must show details of the recipients of the goods and services and values per client, distinguishing between sales of goods and sales of services.

Generally, where the value of goods supplied to businesses in other EU member States exceeds €50,000 in the current or four previous quarters, the ESLs must be submitted each calendar month. Otherwise the document for goods is submitted for each calendar quarter.

ESLs for services should be submitted for each calendar quarter unless the taxpayer also supplies goods and has exceeded the threshold. In such cases, the ESL for services must also be submitted monthly.

ECLs may only be submitted electronically and have to be submitted within 15 days of the end of the relevant month or quarter.

In addition, if the value of the intra-EU trade in goods dispatched or arriving from other EU States is above an annual threshold, a supplementary declaration (referred to as an Intrastat declaration) has to be submitted for either or both. These declarations have to be submitted up to ten working days after the reference month.

Are penalties imposed in other circumstances?

Yes. A range of penalties can be imposed where businesses do not comply with the VAT rules.

Civil penalties and interest can be applied for errors and omissions made on tax returns, or where the tax is paid late. Penalties can also be applied where the business has failed to maintain adequate records, provide information (including additional declarations), or makes repeated mistakes. Criminal proceedings may be brought if the taxpayer fails to comply after being officially notified by the Commissioner.

Can the VAT incurred by overseas businesses be claimed if they are not registered in Malta?

Yes, it may be possible to reclaim the VAT incurred in certain circumstances.

Two schemes exist, one for businesses established in the EU and another for businesses established elsewhere.

The EU cross border refund scheme is available in all EU member States, and enables a business established in an EU country to recover VAT incurred in another member State.

To be eligible to make a claim, the claimant must be a taxable person established in an EU member State other than the one from which the claim is to be sought. In addition, the claimant:

- must not be registered, liable, or eligible to be registered in the member State from which he is claiming the refund
- must have no fixed establishment, seat of economic activity, place of business or other residence there
- during the refund period he must not have supplied any goods or services in the member state of refund, apart from certain limited exceptions.

The amount that is refundable is determined by the deduction rules that apply in the country making the refund. The claim is submitted electronically to the tax authority from whom the repayment is being sought.

The refund period must not cover more than one calendar year or less than three calendar months – unless it is covering the remainder of a calendar year. The claim has to be made by 30 September of the year following that in which the VAT was incurred.

Businesses established outside of the EU can, subject to certain conditions, also reclaim the VAT incurred on imports into Malta or purchases of goods and services used in Malta.

The scheme is available to any person carrying on a business established in a third country, ie outside the EU, provided that in the period of the claim:

- he was not registered or liable to be registered for VAT in Malta
- he was not established in any EU country
- he made no supplies of goods and services in Malta other than certain specified exceptions
- where he is established in a third country having a comparable system of turnover taxes, unless the Maltese tax
- authority allows otherwise, that country provides reciprocal arrangements for refunds to be made to taxable persons established in Malta.

Claim forms have to be submitted to the Maltese tax authority by not later than the 30th June from the end of the calendar year in which the tax becomes chargeable.

What information must a VAT invoice show?

A VAT invoice referred to as a tax invoice must show:

- an invoice number which is unique and sequential
- the seller's name and address
- the seller's VAT registration number
- the invoice date
- the time of supply (also known as tax point) if this is different from the invoice date
- the customer's name and address and VAT number, if applicable
- a description sufficient to identify the goods or services supplied to the customer
- the quantity of the goods supplied
- discounts or rebates if not included in the unit price
- the total amount of VAT charged expressed in Euro.

For each different type of item listed on the invoice, the following must be shown:

- the unit price or rate, excluding VAT
- the quantity of goods or the extent of the services
- the rate of VAT that applies to what's being sold
- the total amount payable, excluding VAT.

Where a VAT invoice includes zero-rated or exempt goods or services, it must:

- show clearly that there is no VAT payable on those goods or services
- show the total of those values separately
- indicate the grounds on which no tax is chargeable such as stating exempt with credit or exempt without credit.

Where the customer is responsible for the payment of VAT, the tax invoice should include the wording 'Reverse Charge'. Where VAT is chargeable on a cash basis, 'cash accounting' must be mentioned on the invoice.

Where any special arrangement applies such as the second-hand scheme or travel agents margin scheme, the tax invoice must refer to the applicable scheme.

A simplified invoice may be issued if the value of the sale inclusive of VAT is equal to or less than €100.

In the case of sales made to persons not registered for VAT, suppliers are obliged to issue a fiscal receipt. Fiscal receipt booklets are issued by the Commissioner upon application.

Retailers do not issue tax invoices but must issue fiscal receipts for each and every sale from approved fiscal cash registers unless the Commissioner authorizes them to avail of other systems such as the point of sales.

VAT invoices can be issued, received and stored in electronic format and there is no need to tell the tax authority.

Electronic invoices must contain the same information as paper invoices. The method used to ensure the authenticity of origin, the integrity of content and legibility of the invoices is a business choice and can be achieved by any business controls which create a reliable audit trail between an invoice and a supply of goods or services. The use of an electronic invoice is subject to acceptance by the recipient.

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Moldova

Indirect tax snapshot

What are the current rate(s) of indirect tax?	• Standard VAT rate is 20% for most goods and services. • Reduced VAT rate of 8% is applied for certain goods (classified at a certain tariff positions) such as bread, bakery products, milk and dairy products, pharmaceutical products, natural and liquefied gas imported and supplied on the territory of Moldova, the transport and distribution services for natural gas, agricultural products, sugar made from sugar beet either produced domestically or imported and supplied in the territory of Moldova, supply of solid biofuels, intended for the production of electric, thermal and hot water supplied on the territory of RM, as well as the raw materials supplied for the production of solid biofuels (agricultural and forestry products, wood waste) and heat energy produced from solid biofuels and delivered to public institutions. • Certain supplies of goods and services (financial services, educational services, medical services (with certain exceptions), construction works for eolian and photovoltaic parks, food for children, cars, land, dwellings, waste management equipment, specific agricultural equipment, goods placed under certain customs regimes, etc.) are exempt without credit. • Certain supplies are exempt from VAT with deduction right, such us supplies of goods and services for export, and all kind of international transportation services, electric power, thermal energy and hot water for population, import and/or delivery within the country of goods and services destined for technical assistance projects conducted on the territory of Moldova by international organizations and investment support projects, financed from loans and grants awarded to the Government, from loans granted by international financial institutions, goods and services supplied within the free economic zones, goods supplied in duty-free shops. The standard rate of VAT applies to all supplies of goods or services, unless a specific measure provides a reduced rate or an exemption.
Are there any confirmed or anticipated changes to these rates?	No.
What is the principal indirect tax?	Value Added Tax (VAT) is the principal indirect tax in Moldova. It is generally payable by a taxable person on the supply of goods and services in Moldova, as well as for import of goods and services for which the place of supply is within territory of Moldova.
Is there a registration limit for the tax?	Yes. A taxable person is required to register for VAT purposes if carries out taxable supplies and/or imports of taxable services exceeding the threshold of MDL 1,200,000 within a period of 12 consecutive months. Also, companies may apply for voluntary registration for VAT purposes if they intend to carry out taxable supplies, irrespective of their turnover value.
Does the same registration limit apply to non-established businesses?	No. A non-resident entity which carries out economic activities in Moldova and/or performs import of services taxable in Moldova can be registered for VAT purposes in Moldova only if its activity results in a permanent establishment.
Does a non-established person need to appoint a fiscal representative in order to register?	Not applicable. A non-established person cannot register for VAT purposes in Moldova, unless the condition of having a permanent establishment is fulfilled.
How often do returns have to be submitted?	The person registered for VAT purposes in Moldova must file VAT returns on a monthly basis. The VAT return must be filled and submitted to the authorities monthly until the 25th day of the month following the reporting period. The return must be submitted electronically.
Are penalties imposed for the late submission of returns/payment of tax?	Yes. If a VAT return, or the corresponding payment, is submitted late, penalties and fines per VAT return can be applied.

Indirect tax snapshot

Are any other declarations required?	Yes. There are some additional information that must be reported such as an appendix to the VAT return containing the list of invoices received from suppliers during the reporting period and list of invoices issued. Tax invoice issued shall be registered mandatory by the supplier with the General Electronic Register of Invoices organised by the Moldovan Tax Authorities, within 10 working days from the date of issuance, in cases when the amount of the taxable value of VAT taxable supplies exceeds the amount of the 100,000 lei, except fiscal invoices issued electronically.
Are penalties imposed in other circumstances?	Yes. Penalties and fines can be applied in other cases such as the information included in the filled VAT returns is not correct or veridic, delayed VAT registration when the threshold is exceeded, failure to issue invoices and to record invoices in the General Electronic Register of Invoices.
Can the tax incurred by overseas businesses be claimed if they are not registered in your country?	Only in certain circumstances and subject to certain conditions.
Deduction of VAT	Input VAT may be deducted for acquisitions of goods or services that are related to the economic activity of the VAT registered person. There are certain restrictions in respect of the deductibility of input VAT in relation to, for example, the private use of acquisitions made, goods and services used for supplies exempt from VAT without credit, goods that were lost, stolen or destroyed or became waste and natural perishability limits were exceeded, entertainment expenses, disposal of goods not fully depreciated, fuel and other operating expenses for cars used by the management if the specific limit provided by the law is exceeded.

What is the principal indirect tax?

Value Added Tax (VAT) is the main type of indirect taxation in Moldova. VAT in Moldova is levied pursuant to title III of the Moldovan Tax Code and other acts of the Moldovan authorities (Ministry of Finance and State Tax Service). The Association Agreement between the Republic of Moldova and the European Union signed in 2014 and entered into force on 1 July 2016 includes a gradual harmonisation of the indirect taxes applicable in Moldova (including value added tax, excise duties) with the current rules established within the European Union.

VAT is a state tax and a form of collection to the budget of a part of the value of supplied goods and services that are taxable in Moldova, as well as a part of the taxable goods and services imported to Moldova. VAT is levied on top of the cost of a product or service and it applies to most goods and services that are bought and sold for use or consumption within Moldova.

A registered person for VAT purposes will charge VAT (output tax) on its sales and incur VAT (input tax) on its purchases. The difference between the output tax and the deductible input tax in each reporting period will be the amount of VAT payable by the taxable person to the state budget. In case the difference resulted is negative, a VAT refund can be claimed under certain conditions. The amount of VAT paid on goods and services which are to be used for the purpose of making supplies exempt from VAT is not subject to credit and shall be included into the cost of goods or expenditures.

A transaction is within the scope of Moldovan VAT if the following conditions are met:

- it is a supply of goods or services (except those exempt, without deduction right) performed by a taxable person or it is an import of goods and services
- it takes place in Moldova
- it is made in the course of the business carried by the respective taxable person.

There are two rates of VAT that are applied to goods and services in Moldova: the standard rate (20%) and the reduced rate (8%). In addition, some goods and services are exempt from VAT such as land, dwellings, specific food for children, financial services, educational services, medical services, betting and gambling, etc. A particular exemption with deduction right is granted for the goods and services imported and/or supplied in Moldova for the purpose of technical assistance projects conducted on the territory of Moldova by international organizations and donor states or assistance for investment projects financed from loans and grants awarded to the Government or with state guarantee, from loans granted by international financial institutions (including the Government share) and from grants awarded to the institutions financed from budget, according with the limits prescribed by international treaties and agreements ratified by Moldova.

Imports of goods and services are also subject to VAT. Value added tax on imported goods must be paid as part of the customs clearance process. VAT on imported services for which the place of supply is within territory of Moldova must be paid no later than the date of payment for such imported services. The tax for the goods imported by individuals is paid only if the value of goods exceeds the non-taxable amount of €300 for road transport, or €430 for air and maritime transport.

Is there a registration limit for the tax?

A company is required to register for VAT purposes in case the total value of taxable supplies of goods and services (except supplies which are exempt without deduction right or non-taxable or out-of-scope of VAT) within the last 12 consecutive months exceeds the threshold established by legislation, which is MDL 1,200,000. The company shall officially notify the State Tax Service by filling out the respective form and register not later than the last day of the month when this threshold was exceeded. The registration shall take effect on the first day of the month following the month when the threshold was exceeded.

A company may apply voluntary for VAT registration if it plans to carry out taxable supplies, irrespective of the turnover value.

The VAT registration procedure consists in submission of a VAT registration application to the State Tax Service together with additional documentation as requested by the authorities.

The registration as a VAT group is not permitted under the Moldovan legislation. In case two or more entities are closely connected, they must fill VAT returns separately.

Does the same registration limit apply to non-established businesses?

A foreign entity which performs economic activities in Moldova can register for VAT purposes in Moldova only if it has a permanent establishment registered in Moldova. According to the Moldovan legislation, a permanent establishment is a fixed place of business through which a non-resident carries out, wholly or partially, business activity, either directly or via a dependent agent. A permanent establishment may include a branch, an office, a factory, a plant, a store, a construction site, the rendering of services or the pursuit of other activities during a period longer than three months except through representative offices, etc.

The VAT registration requirement for a permanent establishment of a non-resident entity as a VAT payer is the same as for residents. Therefore the registration threshold for non-established businesses is the same, namely, MDL 1,200,000, with the possibility to apply for a voluntary VAT registration in Moldova.

Is there any specific legislation to tax non-resident supplies of electronically supplied/digital services to private consumers resident in your country?

Yes. According to the Moldovan tax rules, for electronic communications services, broadcasting and television and services provided by radio-electronic means, the place of supply is established were they are domiciled or reside.

Does a non-established business need to appoint a fiscal representative in order to register?

Not applicable. In order to register for VAT purposes, a non-resident entity must be established through (at least) a permanent establishment in Moldova.

How often do returns have to be submitted?

All entities registered for VAT purposes are obliged to submit electronically VAT returns on a monthly basis. VAT liabilities must be declared and paid monthly no later than the 25th day of the month following the reporting period. Additionally, the VAT payer must complete the appendix to the VAT return representing the list of the invoices received from suppliers and invoices issued during the reporting period.

Whenever taxpayers discover an error in the tax return previously submitted, they have the right to submit a rectified tax return, provided that the related tax period was not covered by a tax control or is subject to an ongoing tax audit.

Are penalties imposed for the late submission of returns/ payment of tax?

For the payment with delay of the VAT, penalties (ie late payment interests) are due.

For not complying with the legal requirements, the taxpayers are subject to fines, as provided by the Moldovan Tax Code. In case the taxpayers discover an error in the tax return previously submitted and perform a correction by submission of a rectifying tax return and pay the additional tax liability resulted until a tax audit begins, the fines must not be applied.

The under-declaration is sanctioned with a fine of 30% from the amount not declared. If this is performed with intention, the fine is 100% from the amount not declared.

Are any other declarations required?

VAT taxpayers are obliged to prepare and submit to the Moldovan tax authorities the VAT return and the appendix regarding the list of all purchase invoices received and issued during the reporting period.

Are penalties imposed in other circumstances?

The Moldovan Tax Code contains provisions regarding fines applicable in case of various types of breaches of the tax law, such as:

- preventing the tax authorities to perform their duties
- not fulfilling the obligation to use electronic cash register machines
- not meeting the rules to keep the fiscal evidence
- not meeting the rules regarding the registration for fiscal purposes
- not meeting the rules regarding the tax returns and the fiscal invoices
- not meeting the rules regarding the payment of taxes.

Can the VAT incurred by overseas businesses be claimed if they are not registered in Moldova?

Moldova does not refund VAT incurred by businesses that are not established or registered for VAT, unless a reciprocal/bilateral agreement is ratified by Moldova (as state of refund – similar to implementation of 13th Council Directive 86/560/EEC of 17 November 1986 on the harmonization of the laws of the Member States relating to turnover tax arrangements for the refund of value-added tax to taxable persons not established in Community territory.

For VAT registered taxpayers, if the amount of input tax declared in a monthly period exceeds the amount of output tax payable in that period, the VAT payer may request a refund of VAT if the excess VAT results from a specific activities such as: production of bakery and dairy products; exempt supplies with deduction right (eg exports); financial and/or operational lease; certain types of capital investments etc.

For other activities, refundable VAT may be carried forward to the following months and can be used against future payable VAT.

The reimbursement of VAT is made based on the request submitted by the registered person to the Moldovan tax authorities. Once the request is submitted, the tax inspectors have to check if the VAT computation is correct and if the taxpayer has any debts to the state budget.

What information must a VAT invoice show?

Fiscal invoice is a standard form of primary document with special regime, issued either in pre-printed (paper) format or electronic service. VAT payers are obliged to issue fiscal invoices for taxable supplies of good and services performed in Moldova and in other specific cases.

The invoices are issued by using the pre-printed (paper) forms released by the Moldovan tax authorities (State Tax Service) following written request submitted by the taxpayer. The taxpayers who are issuing electronic invoices or the ones who choose to print the invoices by their own means must issue the invoices by using the serial number as released and approved by the Moldovan tax authorities.

The invoices that are issued and stored in electronic format must contain the same information as the paper invoice.

The invoice must show the following mandatory information:

- the sequential number of the invoice
- the name, the address and the fiscal code of the supplier
- the date when the invoice is issued
- the date when the goods/services were supplied if the date differs from the date when the invoice was issued
- the name, the address and the fiscal code of the customer
- the type of supply
- for each type of delivery of goods:
  - the quantity of goods
  - the acquisition cost and
  - the unit price of the goods without VAT and margin applied in case of goods of social importance as established by Government decision (eg milk, bread, sun-flower oil, rice etc.
  - the applicable VAT rate
  - total value of goods, services which needs to be paid
  - total value of VAT.

An appendix to the invoice issued is mandatory if the layout of the invoice does not allow a full description of the goods or services.

There are certain cases stipulated by Moldovan law when the use of fiscal invoice is not mandatory (eg supplies of electric, thermal energy, water, gas and services to individuals. Electronic supplied services which are paid through international payment cards, retail sales and services rendered in special places).

Are there any current or anticipated Standard Audit File for Tax (SAF-T) or similar electronic/digital filing requirements eg invoice listing data file/real-time VAT reporting?

There is no SAF-T requirement in Moldova. The taxpayers have to comply with the use of General Electronic Register of Invoices introduced in Moldova. All entities registered for VAT purposes are required to register all their invoices with a total value of taxable base exceeding MDL 100,000 in the General Electronic Register of Invoices within 10 working days after the date of issuing. Electronic invoices should not be registered in the General Electronic Register of Invoices.

Failure to register the invoices correctly and on time in the General Electronic Register of Invoices may trigger significant fines as imposed by the Moldovan tax authorities and also banning the right to deduct input VAT at the level of beneficiary for those acquisition invoices not generated through the use of this register if there are not declared by the recipient in the appendix regarding the list of purchase invoices received.

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Indirect tax snapshot

What are the current rate(s) of indirect tax?	• Standard rate of 21% for most goods and services. • Reduced rate of 6% for goods and services including food (supplements); admission to sports and cultural events, books and many other. • Zero-rated goods and services.
Are there any confirmed or anticipated changes to these rates?	Yes, the reduced rate is due to change from 6% to 9% as from 1 January 2019.
What is the principal indirect tax?	Value Added Tax (VAT) is the principal indirect tax in the Netherlands. It is a tax on consumer expenditure, and is collected on business transactions and imports.
Is there a registration limit for the tax?	Yes. It relates to the an annual amount VAT due, and once the limit has (or will be) reached it is necessary to register. Only applicable to natural persons.
Does the same registration limit apply to non-established businesses?	No. There is no registration limit for businesses that are not established in the Netherlands and they will need to register as soon as they start to make taxable transactions. Different registration requirements also apply to businesses involved with 'distance sales' made within the European Union (EU) eg mail order and internet sales.
Does a non-established person need to appoint a fiscal representative in order to register?	Article 33a of the VAT Act offers non-resident taxable persons (taxable persons not established in the Netherlands and not having a fixed establishment in the Netherlands) the opportunity to appoint a Dutch fiscal representative in relation to their VAT obligations. According to article 24c(4) and (5) of the VAT Implementing Decree, a general or a limited license may be granted to a fiscal representative.
How often do returns have to be submitted?	Most businesses are required to submit quarterly VAT returns. Returns can also be submitted on a monthly or yearly basis. Intrastat returns and EC Sales Lists (ESLs) are also due monthly.
Are penalties imposed for the late submission of returns/payment of tax?	Yes. If a VAT return, or the corresponding payment, is submitted late a penalty can be imposed.
Are any other declarations required?	Yes. Additional declarations have to be submitted in respect of certain supplies made to customers who are registered for VAT elsewhere in the EU. Declarations also have to be submitted monthly in certain circumstances in connection with goods moving to or from the EU.
Are penalties imposed in other circumstances?	Yes. Penalties can be imposed for a range of errors or omissions.
Can the tax incurred by overseas businesses be claimed if they are not registered in your country?	Yes, in certain circumstances and subject to certain conditions.

What is the principal indirect tax?

Value Added Tax (VAT) is the main type of indirect taxation in the Netherlands and in other European Union (EU) countries.

It is a tax on consumption which is applied during the production and distribution process to most goods and services. It is also applied to goods, and certain services, entering the country. Although VAT is ultimately borne by the consumer by being included in the price paid, the responsibility for charging, collecting and paying it to the tax authority at each stage of the process rests with the business making the supply, ie the sale.

A business registered for the tax will charge VAT (output tax) on its sales, and incur VAT (input tax) on its purchases (including any VAT paid at importation). The difference between the output tax and the deductible input tax in each accounting period will be the amount of VAT payable by the business to the tax authority. Where the input tax exceeds the output tax, a refund can be claimed.

A transaction is within the scope of Dutch VAT if the following conditions are met:

- it is a supply of goods or services. Although the term 'supply' is not defined in the legislation, it has a broad interpretation
- it (is deemed to) takes place in the Netherlands
- it is made by a taxable person. For these purposes, a taxable person is a person or entity who is registered for VAT in the Netherlands, or has a liability to become registered
- it is made in the course or furtherance of any business carried on by that person or entity.

There are three rates of VAT that are applied to goods and services in the Netherlands; the standard rate, the reduced rate, and the zero rate. Special rates may apply to farmers. In addition, some goods and services are exempted from the tax.

Businesses that make exempt supplies are – in general – unable to claim all of the input tax that they incur, so the VAT paid to suppliers will be a 'real' cost.

Most goods imported into the Netherlands from outside the EU are subject to VAT. The tax will have to be paid by the importer at the time of importation. Where the importation is for business purposes and the importer is registered for VAT, it may be possible to reclaim the tax (subject to certain rules). However, it's possible to postpone payment of import VAT to the periodic VAT return, hence no cash-flow occurs (referred to 'article 23 license').

It is also important to note the interaction between VAT and customs duty. Customs duty is levied across the EU at the place where goods are imported into the community. It is levied in order to bring the cost of goods produced outside the EU up to the same level as those produced within it. Once duty (and VAT) has been paid by the importer, the goods are in 'free circulation' and they can then be released for use in the home market. Unlike other indirect taxes, such as VAT, once duty has been paid it is not usually recoverable by the importer. It therefore represents a bottom line cost to the importing business if it cannot be passed on in higher prices. It is therefore very important to ensure that the correct rate of duty is applied. VAT is charged on the value of the importation, including any custom and excise duty.

Is there a registration limit for the tax?

A 'person' who either makes or intends to make taxable supplies of goods or services in the course or furtherance of a business must register for VAT .

For these purposes, a 'person' includes any legal entity. Therefore, once a person is registered for VAT, all of his business activities will be covered by the registration – even if the nature of some of those activities are very different.

Two or more corporate bodies can be registered together as a VAT group if:

- each of the bodies is established, or has a fixed establishment, in the Netherlands
- they satisfy the 'control' test, ie one of them controls each of the others, or one person or a business partnership controls all of them
- each of the bodies perform more or less the same economic activities.

A corporate body cannot be treated as a member of more than one VAT group at a time.

The main advantage of VAT group registration is that, apart from a few limited exceptions, any supply of goods or services by a member of the group to another member of the group is disregarded for VAT purposes. This reduces the risk of VAT being accidentally omitted on supplies between separately registered connected companies.

However, there are some disadvantages and any decision on whether to group register should be taken with care. For example, all VAT group members (including former members) could be jointly and severally liable for the VAT debt of the group during the period of their membership.

Does the same registration limit apply to non-established businesses?

Registration for VAT in the Netherlands may also be required where a non-established EU business is involved with distance selling. Distance selling occurs when a taxable supplier in one EU country supplies and delivers goods to a customer in another EU country who is not registered or liable to be registered for VAT. Such customers are known as non-taxable persons, and include private individuals and businesses and other organisations that are not registered for VAT (either because of their size, or the fact that they are exempt from having to register due to the nature of their activities). The common examples of distance sales are goods supplied by mail order and via the internet.

Each EU country has the option of applying a distance selling threshold of either €35,000 or €100,000 per calendar year, or the equivalent in its own currency. The Netherlands has adopted an annual threshold of €100,000.

Distance sales from another EU country to non-taxable persons in the Netherlands will be subject to VAT at the appropriate rate in the suppliers country. However, once the value of those distance sales to the Netherlands exceeds the threshold of €100,000:

- the supplier becomes liable to register for VAT in the Netherlands
- the Netherlands becomes the place of supply
- any further sales to customers in the Netherlands are subject to Dutch VAT.

Suppliers can choose to make the Netherlands the place where the goods are supplied by registering for VAT voluntarily before the threshold is reached. Non-EU entities would need to appoint a general VAT representative.

Is there any specific legislation to tax non-resident supplies of electronically supplied/digital services to private consumers resident in your country?

With effect 1 January, 2015, Article 58 of Directive 2006/112/EC was amended. The rules determining the place of supply of electronically supplied services supplied to private consumers (B2C) changed from the Member State where the supplier belongs (ie where established) to the Member State of the consumer. The result of this is that local VAT is chargeable at the applicable rate in each of the Member States in which electronically supplied services are made (ie where the customer belongs). To ensure compliance with this, suppliers have the choice to either register for VAT in each Member State where their customers reside, or elect to register under the EU VAT MOSS simplification scheme in a single Member State. Businesses with multiple establishments in the EU can choose which Member State to operate MOSS (the Member State of Identification). However, the MOSS cannot be used to report local sales to customers in a Member State in which suppliers of electronically supplied services have a fixed establishment. Non-EU suppliers without an establishment in a Member State are free to select a Member State of their choosing to operate MOSS and become their Member State of Identification.

Does a non-established business need to appoint a fiscal representative in order to register?

No, however, Article 33a of the VAT Act offers non-resident taxable persons (taxable persons not established in the Netherlands and not having a fixed establishment in the Netherlands) the opportunity to appoint a Dutch fiscal representative in relation to their VAT obligations. According to article 24c(4) and (5) of the VAT Implementing Decree, a general or a limited license may be granted to a fiscal representative.

General license

A fiscal representative with a general license acts on behalf of a non-resident taxable person with respect to all his supplies of goods and services for which Dutch VAT is due, intra-Community acquisitions and importation of products, unless a fiscal representative with a limited license is appointed for those transactions. A non-resident entrepreneur may use the services of a general fiscal representative only after registering for VAT himself. A non-resident taxable person may use the services of only one general fiscal representative. If a non-resident company has appointed a Dutch fiscal representative with a general license, the representative's VAT identification number, name and address need not be indicated on the invoices raised by the non-resident company.

When companies established outside the EU make distance sales to private persons or equivalent persons exceeding the Dutch threshold of €100,000 in a calendar year, a fiscal representative with a general license must be appointed. This also applies to distance sellers established outside the EU who voluntarily register in the Netherlands.

A license to act as a general taxable person may be granted, upon written request, to an entrepreneur established in the Netherlands if certain conditions are met and if the original power of attorney signed by the principal is enclosed. A fixed establishment of a non-resident taxable person may not act as a fiscal representative with a general license. The general representative is required to provide a bond (cash or bank guarantee). His joint and several liability in respect of his client's transactions is limited to the amount of this bank guarantee.

Limited license

A fiscal representative with a limited license can represent a non-resident taxable person for a limited number of transactions. According to article 24c(5a) of the VAT Implementing Order, as a general rule, a fiscal representative with a limited license may act as such with respect to:

- the importation of products into the territory of the Netherlands and the subsequent supply of the goods
- the supply of goods subject to the zero rate according to Table II(a)(7) and (8) of the VAT Act (excise and bulk products)
- export and intra-Community supplies subject to the zero rate according to Table II(a)(2) or (a)(6) of the VAT Act.

A non-resident taxable person, using the professional services of a fiscal representative with a limited license is not required to register. He can use the VAT identification number of the limited representative. When making intra-Community transactions, the VAT identification number of the representative must be indicated on the invoice.

A Dutch entrepreneur may be granted a license to act as a limited fiscal representative. A fixed establishment of a non-resident taxable person may not act as such. It is permitted that certificates on the taxable status of the applicant are not attached to the request but kept in the administration of the limited representative. The limited representative is jointly and severally liable for the VAT due on the transactions for which he operates as a limited VAT representative. He is also required to provide a bond (cash or bank guarantee).

How often do returns have to be submitted?

VAT returns normally cover a calendar quarter ending on the last day of a calendar month, taxpayers can apply to submit returns on a monthly basis.

All VAT returns have to be submitted within the end of next month following the relevant accounting period, together with any tax due. VAT returns has to be submitted electronically.

Non-resident business may file within the end of the second month following the relevant accounting period, together with the VAT due. VAT returns have to submitted electronically.

Are penalties imposed for the late submission of returns/ payment of tax?

Yes. A range of penalties can be imposed where businesses do not comply with the VAT rules.

Civil penalties and interest can be applied for errors and omissions made on tax returns, or where the tax is paid late. Penalties can also be applied where the business has failed to maintain adequate records, provide information (including additional declarations), or makes repeated mistakes.

Criminal proceedings may be brought in the case of more serious matters.

Can the VAT incurred by overseas businesses be claimed if they are not registered in the Netherlands?

Yes, it may be possible to reclaim the VAT incurred in certain circumstances.

Two schemes exist, one for businesses established in the EU and another for businesses established elsewhere.

The EU cross border refund scheme is available in all EU member states, and enables a business established in an EU country to recover VAT incurred in another member state. To be eligible to make a claim, the claimant must be a taxable person established in an EU member state other than the one from which the claim is to be sought. In addition, the claimant:

- must not be registered, liable, or eligible to be registered in the member state from which he is claiming the refund
- must have no fixed establishment, seat of economic activity, place of business or other residence there
- during the refund period he must not have supplied any goods or services in the member state of refund, apart from certain limited exceptions.

The amount that is refundable is determined by the deduction rules that apply in the country making the refund. The claim is submitted electronically to the tax authority from whom the repayment is being sought.

The refund period must not cover more than one calendar year or less than three calendar months – unless it is covering the remainder of a calendar year. The claim has to be made by 30 September of the year following that in which the VAT was incurred.

Businesses established outside of the EU can, subject to certain conditions, also reclaim the VAT incurred on imports into the Netherlands or purchases of goods and services used in the Netherlands. The scheme is available to any person carrying on a business established in a third country, ie outside the EU, provided that in the period of the claim:

- he was not registered or liable to be registered for VAT in the Netherlands
- he was not established in any EU country
- he made no supplies of goods and services in the Netherlands other than certain specified exceptions.

By exception, businesses may claim a refund of VAT dating back five years.

What information must a VAT invoice show?

A VAT invoice must show:

- an invoice number which is unique and sequential
- the seller's name and address
- the seller's VAT registration number
- the invoice date
- the time of supply (also known as tax point) if this is different from the invoice date
- the customer's name and address
- a description sufficient to identify the goods or services supplied to the customer
- the rate of any cash discount
- the total amount of VAT charged expressed in Euros.

For each different type of item listed on the invoice, the following must be shown:

- the unit price or rate, excluding VAT
- the quantity of goods or the extent of the services
- the rate of VAT that applies to what's being sold
- the total amount payable, excluding VAT.

Where a VAT invoice includes zero-rated or exempt goods or services, it must:

- show clearly that there is no VAT payable on those goods or services
- show the total of those values separately.

Where a business makes retail sales and makes a sale of goods or services for €100 or less including VAT, a simplified VAT invoice can be issued.

VAT invoices can be issued, received and stored in electronic format and there is no need to tell the tax authority. Electronic invoices must contain the same information as paper invoices. The method used to ensure the authenticity of origin, the integrity of content and legibility of the invoices is a business choice and can be achieved by any business controls which create a reliable audit trail between an invoice and a supply of goods or services.

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Indirect tax snapshot

What are the current rate(s) of indirect tax?	• Standard rate of 25% for most goods and services. • Reduced rate of 12% and 15%. • Zero-rated goods and services to foreign ships, and aircrafts and ships involved foreign trade and books/newspapers.
Are there any confirmed or anticipated changes to these rates?	No.
What is the principal indirect tax?	Value Added Tax (VAT) is the principal indirect tax in Norway.
Is there a registration limit for the tax?	Yes. The VAT registration threshold is NOK 50,000 during a 12-month period. However, for charitable bodies and some non-profit organizations, the 12-month threshold is NOK 140,000.
Does the same registration limit apply to non-established businesses?	Yes.
Does a non-established person need to appoint a fiscal representative in order to register?	Taxpayers who do not have a place of business or domicile in the VAT area, must be registered by a representative. The representative must have a registered office or place of business in the VAT area. However, the duty to be registered by a representative does not apply to taxpayers who are domiciled in an EEA State who, pursuant to a tax treaty or other international agreement with Norway, shall exchange information and assist with the charging of VAT claims.
How often do returns have to be submitted?	Bi-monthly, ie 6 periods per year.
Are penalties imposed for the late submission of returns/payment of tax?	Yes. If a VAT return, or the corresponding payment, is submitted late a penalty can be imposed.
Are any other declarations required?	No.
Are penalties imposed in other circumstances?	Yes. Penalties can be imposed for a range of errors or omissions.
Can the tax incurred by overseas businesses be claimed if they are not registered in your country?	A non-established business must register for VAT if it makes taxable supplies of goods or services in Norway in excess of the registration threshold. Non-resident foreign transporters that supply only international, zero-rated transportation services may choose between registering for VAT and thereafter applying for refunds of input VAT on VAT returns or remaining not registered and applying for VAT refunds through the refund regime.
Deduction of VAT	Examples of items for which input VAT is non-deductible: • alcohol and tobacco • restaurant meals • personal expenses • business entertainment.

What is the principal indirect tax?

VAT applies to the following transactions:

- supply of goods or services made in Norway by a taxable person
- importation of goods, regardless of the status of the importer
- purchase of intangible or remote supply services from abroad by a Norwegian taxable person or public body
- withdrawals of goods/services from a registered enterprise or an enterprise with a registration obligation for a use outside the scope of the VAT Act.

Is there a registration limit for the tax?

VAT liable is any business entity or individual that makes taxable supplies of goods or services in Norway, in the course of a business.

The threshold for VAT registration is NOK 50 000 during a 12-month period. For charitable bodies and some non-profit organizations, the 12-month threshold is NOK 140 000.

Voluntary registration for VAT purposes for certain activities is possible, eg for leasing property for use by a taxable business.

'Collaborating companies' may form a VAT group. Group registration may apply if one or more companies own at least 85% of the capital in each company and if the companies are collaborating. There may be special issues for companies with foreign presence. VAT group may be formed upon notification to the VAT authorities.

The VAT group is regarded as one taxable person liable to payment of VAT. All of the VAT group members are jointly and severally liable for the correct payment of VAT. Transactions between companies within a VAT group are generally not subject to VAT. Note that the withdrawal of taxable goods or services from a taxable part of the group's business may be subject to VAT.

Does the same registration limit apply to non-established businesses?

Yes, the threshold for registration is the same.

Is there any specific legislation to tax non-resident supplies of electronically supplied/digital services to private consumers resident in your country?

Foreign suppliers of electronic services, eg e-books, films, music and software, must calculate and collect VAT on their B2C sales to Norway.

The Norwegian Tax authorities have established VOES Norway for registration and reporting for non-established suppliers offering electronic services (e-services), including electronic communication services, to private individuals and non-business customers (B2C) in Norway.

Does a non-established business need to appoint a fiscal representative in order to register?

Taxpayers who do not have a place of business or domicile in the VAT area, must be registered by a representative. The representative must have a registered office or place of business in the VAT area. However, the duty to be registered by a representative does not apply to taxpayers who are domiciled in an EEA State who, pursuant to a tax treaty or other international agreement with Norway, shall exchange information and assist with the charging of VAT claims.

How often do returns have to be submitted?

In general, VAT returns should be filed bi-monthly, ie 6 periods per year.

Farmers and fishermen file VAT returns annually.

If the businesses have a taxable turnover less than NOK 1 million the file the VAT returns annually.

Businesses that receive regular VAT refunds may request shorter VAT return periods.

The business must contact the VAT authorities to register for annual returns or for permission to use shorter VAT return periods.

The VAT due for each period must be reported and paid in full within 1 month and 10 days after the end of the VAT period.

Are penalties imposed for the late submission of returns/payment of tax?

Penalty interest is assessed for late payment of VAT. The penalty interest rate is announced twice a year. The annual interest rate as of 1 July 2017 was 8,5%.

An additional penalty of up to 60% of the tax due for a period may be imposed on taxable persons that wilfully or negligently contravene the provisions of the VAT Act.

Penalties with up to NOK 56 500 may also be assessed for failing to submit VAT returns.

Are any other declarations required?

No, not in connection with VAT.

Are penalties imposed in other circumstances?

Yes, see above.

Can the VAT incurred by overseas businesses be claimed if they are not registered in Norway?

Non-resident foreign transporters that supply only international, zero-rated transportation services may choose between registering for VAT and thereafter applying for refunds of input VAT on VAT returns or remaining not registered and applying for VAT refunds through the refund regime.

What information must a VAT invoice show?

The invoice needs to have this information:

- VAT output tax in NOK
- the Business Register Number followed by the letters VAT
- information regarding the VAT representative (name, address and Business Register Number).

Are there any current or anticipated Standard Audit File for Tax (SAF-T) or similar electronic/digital filing requirements eg invoice listing data file/real-time VAT reporting?

SAF-T requirement has not been adopted yet.

For further information on indirect tax in Norway please contact:

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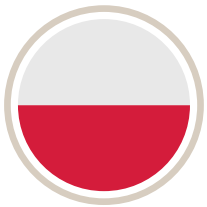

Poland

Indirect tax snapshot

What are the current rate(s) of indirect tax?	• Standard rate of 23% for most goods and services. • Reduced rate of 5% and 8% for some goods and services.
Are there any confirmed or anticipated changes to these rates?	No.
What is the principal indirect tax?	Value Added Tax (VAT) is the principal indirect tax in Poland. It is a tax on consumer expenditure, and is collected on business transactions and imports.
Is there a registration limit for the tax?	Yes. It relates to the annual turnover of taxable transactions in Poland, and once the limit has (or will be) reached it is necessary to register.
Does the same registration limit apply to non-established businesses?	No. There is no registration limit for businesses that are not established in Poland and they will need to register as soon as they start to make taxable transactions. Different registration requirements also apply to businesses involved with 'distance sales' made within the European Union (EU), eg mail order and internet sales.
Does a non-established person need to appoint a fiscal representative in order to register?	In certain circumstances, a non-established person may be directed by Polish tax authority to appoint a fiscal representative.
How often do returns have to be submitted?	The taxable persons shall submit to a tax office the tax returns for monthly periods by the 25th day of the month following every subsequent month.
Are penalties imposed for the late submission of returns/payment of tax?	Polish Fiscal Penal Code stipulates certain penalties for late submission of returns and late payment of tax. There is no any particular extra penalty for late submission of returns or late payment of tax. The taxpayer is obliged to settle VAT plus interest. He may also by punished by tax authority for criminal offence.
Are any other declarations required?	Yes. Additional declarations have to be submitted in respect of certain supplies made to customers who are registered for VAT elsewhere in the EU. Declarations also have to be submitted in certain circumstances in connection with goods moving to or from the EU.
Are penalties imposed in other circumstances?	Yes. Penalties can be imposed for a range of errors or omissions according to Penal Fiscal Code.
Can the tax incurred by overseas businesses be claimed if they are not registered in your country?	Yes, in certain circumstances and subject to certain conditions.
Deduction of VAT	The rule is that to the extent to which goods and services are used for carrying out taxable activities, the taxpayer shall enjoy the right to reduce the amount of output tax by the amount of input tax. The reduction of the amount and the refund of the difference of the output tax shall not apply to the following items being acquired by the taxpayer: • accommodation and catering services except for the purchase of prepared meals for passengers by taxpayers providing the passenger transport services • in the case of expenditures related to motor vehicles, the input tax amount shall be 50% of the tax amount resulting from the invoice received by the taxpayer.

Indirect tax snapshot

Are there any specific rules for decreasing output VAT in case the correction invoice is issued?	Yes, in Poland it is important to obtain the proof that the recipient of the correction invoice received it. Only under this condition output VAT may be decreased. In the cases price reduction or returning of the goods, the tax base shall be reduced, in relation to the tax base shown in the invoice which has already been issued and which shows the tax, provided that the taxpayer is in possession, before the lapse of the time limit for filing the tax return for a given settlement period during which the acquirer of goods or service recipient received a corrective invoice, of the confirmation of the receipt of the corrective invoice by the acquirer of goods or service recipient to which the invoice was issued. If the taxpayer obtains the confirmation of receipt by the acquirer of goods or service recipient of the corrective invoice after the time limit for filing the tax return for a given settlement period, he shall be entitled to take account of the corrective invoice for the settlement period during which such a confirmation has been obtained. This rule shall apply accordingly if any error is found in the amount of the tax shown in the invoice and if the corrective invoice is issued in respect of the invoice in which the tax amount shown was higher than the due one. The condition of possessing by the taxpayer of the confirmation of receipt of the corrective invoice by the acquirer of goods or services recipient shall not apply: 1 in the case of export of goods and intra-Community supply of goods 2 in the case of supply of goods and provision of services whose place of taxation is located outside the territory of the country 3 in the case of the sale of: electricity, heating or cooling energy, pipeline gas, telecommunication services and the services listed under items 140 to 153, 174 and 175 of Schedule 3 to the Act 4 if the taxpayer has not obtained the confirmation, despite documented attempts to hand in the corrective invoice and it appears from the documentation they hold that the acquirer of goods or service recipient is aware that the transaction has been carried out in accordance with the conditions specified in the corrective invoice.

What is the principal indirect tax?

Value Added Tax (VAT) is the main type of indirect taxation in Poland and in other European Union (EU) countries.

It is a tax on consumption which is applied during the production and distribution process to most goods and services. It is also applied to goods, and certain services, entering the country. Although VAT is ultimately borne by the consumer by being included in the price paid, the responsibility for charging, collecting and paying it to the tax authority at each stage of the process rests with the business making the supply, ie the sale.

A business registered for the tax will charge VAT (output tax) on its sales, and incur VAT (input tax) on its purchases (including any VAT paid at importation). The difference between the output tax and the deductible input tax in each accounting period will be the amount of VAT payable by the business to the tax authority. Where the input tax exceeds the output tax, a refund can be claimed.

A transaction is within the scope of Polish VAT if the following conditions are met:

- it is a supply of goods or services. The supply of goods shall be understood as transfer of the right to dispose of the goods as their owner. The provision of services shall be understood as each performance for the benefit of a natural person, legal person or organizational unit without legal personality which does not constitute supply of goods
- it takes place in Poland
- it is made by a taxable person. Taxpayers shall be legal persons, organizational units without legal personality and natural persons, who individually carry on the economic activity regardless of the purpose or results of such activity. Economic activity shall include any activity of manufacturers, traders or service providers, including the subjects acquiring natural resources and farmers, as well as the activity of persons practising liberal professions. Economic activity shall particularly include activities consisting in using goods or intangible fixed assets in a continuous manner for profit-gaining purposes.

There are three rates of VAT that are applied to goods and services in Poland; the standard rate, the reduced rates, and the zero rate. In addition, some goods and services are exempted from the tax.

Businesses that make exempt supplies are unable to claim all of the input tax that they incur, so the VAT paid to suppliers will be a 'real' cost.

Most goods imported into Poland from outside the EU are subject to VAT. The tax will have to be paid by the importer at the time of importation. Where the importation is for business purposes and the importer is registered for VAT, it may be possible to reclaim the tax (subject to certain rules).

It is also important to note the interaction between VAT and Customs duty. Customs duty is levied across the EU at the place where goods are imported into the community. It is levied in order to bring the cost of goods produced outside the EU up to the same level as those produced within it. Once duty (and VAT) has been paid by the importer, the goods are in 'free circulation' and they can then be released for use in the home market. Unlike other indirect taxes, such as VAT, once duty has been paid it is not usually recoverable by the importer. It therefore represents a bottom line cost to the importing business if it cannot be passed on in higher prices. It is therefore very important to ensure that the correct rate of duty is applied. VAT is charged on the value of the importation, including any custom duty.

Is there a registration limit for the tax?

A 'person' who either makes or intends to make taxable supplies of goods or services in the course or furtherance of a business must register for VAT if the value of its taxable supplies in Poland exceeds the annual registration limit, or is expected to exceed the limit in the near future. A business can register on a voluntary basis even if the registration limit has not been exceeded.

The sale carried out by taxpayers for which the total sales value did not exceed in the preceding tax year the amount of 200,000 PLN shall be exempt from tax. The value of sales shall not include the tax amount.

A penalty may be imposed by the tax authority if a business fails to register at the correct time.

Does the same registration limit apply to non-established businesses?

The normal VAT registration limit does not apply to businesses who are not established in Poland, but for the purposes of the tax are making taxable supplies there. Those businesses will need to register for VAT as soon as they commence trading in Poland, irrespective of the level of turnover.

Registration for VAT in Poland may also be required where a non-established EU business is involved with distance selling. Distance selling occurs when a taxable supplier in one EU country supplies and delivers goods to a customer in another EU country who is not registered or liable to be registered for VAT. Such customers are known as non-taxable persons, and include private individuals and businesses and other organisations that are not registered for VAT (either because of their size, or the fact that they are exempt from having to register due to the nature of their activities). The common examples of distance sales are goods supplied by mail order and via the internet.

Each EU country has the option of applying a distance selling threshold of either 35,000 or 100,000 per calendar year, or the equivalent in its own currency. Poland has adopted an annual threshold of 160,000 PLN.

Distance sales from another EU country to non-taxable persons in Poland will be subject to VAT at the appropriate rate in the suppliers' country. However, once the value of those distance sales to Poland exceeds the threshold of 160,000 PLN:

- the supplier becomes liable to register for VAT in Poland
- Poland becomes the place of supply
- any further sales to customers in Poland are subject to Polish VAT.

Suppliers can choose to make Poland the place where the goods are supplied by registering for VAT voluntarily before the threshold is reached.

Is there any specific legislation to tax non-resident supplies of electronically supplied/digital services to private consumers resident in your country?

There is a special scheme for telecommunication, broadcasting or electronic services supplied by subjects having their seat of economic activity in the EU but not having such a seat in a member state of consumption, to persons not being taxpayers.

A taxpayer providing telecommunication, broadcasting or electronic services to persons not being taxpayers, having their seat, permanent place of residence or ordinary place of stay in a Member State of consumption, may submit a notification indicating the intention to make use of the special VAT-settlement scheme in the Member State in which it has:

1 its seat of economic activity
2 a permanent place of carrying on economic activity, if it does not have its seat of economic activity in the territory of the EU
3 a permanent place of pursuing economic activity and that it chooses for the purpose of submission of the notification, if it does not have its seat of economic activity in the territory of the European Union, but has more than one permanent place of pursuing economic activity in the territory of the EU.

Where Poland is the member state of identification, the notification shall be filed with the head of the second revenue office by electronic communication means.

Taxpayers identified for the purposes of a special VAT-settlement scheme shall be obliged to file by electronic communication means returns for the purposes of VAT settlement, hereinafter referred to as VAT returns, with Drugi Urz d Skarbowy Warszawa-Srodmiescie [the Second Revenue Office Warsaw-Centre].

VAT returns shall be submitted for quarterly periods, by the 20th day of the month following each subsequent quarter.

Taxpayers identified for the purposes of a special VAT-settlement scheme shall be obliged to keep in electronic form records of the transactions covered by the special VAT-settlement scheme, in accordance with the requirements referred to in Article 63 c of Regulation No 282/2011.

The VAT records referred to shall be stored for the period of ten years from the end of the year in which the telecommunication, broadcasting or electronic services were provided.

Does a non-established business need to appoint a fiscal representative in order to register?

The taxpayer not having his seat of economic activity or permanent place of carrying on economic activity in the territory of a Member State, which is subject to the duty to register as an active VAT payer, shall be obliged to appoint a tax representative.

The taxpayer having his seat of economic activity or permanent place of carrying on economic activity in the territory of a Member State other than the territory of the country may appoint a tax representative.

The minister competent for public finance may, by regulation, specify the cases in which there is no need to appoint a tax representative, taking into account the need to ensure a correct tax settlement by subjects not having their seats of economic activity or permanent place of carrying on economic activity in the territory of a member state.

How often do returns have to be submitted?

The taxpayers shall be obliged to submit their tax returns to the revenue office monthly, by the 25th day of the month following each subsequent month.

Are penalties imposed for the late submission of returns/payment of tax?

Polish Fiscal Penal Code stipulates certain penalties for late submission of returns and late payment of tax.

However there is no any extra penalty added to the tax.

Only penalty interest are calculated and taxpayer is obliged to pay it. It taxpayer pays late VAT by himself he has to calculate the interests according to proper rate established by law (currently it is 8% per annum). However if tax authority finds out the irregularity, the penalty interests increase to 150% of rate therefore now it is 12% per annum.

Are any other declarations required?

Businesses that are registered for VAT in Poland, and make supplies of goods or services to traders registered for the tax in other EU countries are required to complete and submit EC Sales Lists (ESLs). The ESLs must show details of the recipients of the goods and services.

Summary information documents shall be submitted for monthly periods by electronic means by the 25th day of the month following the month in which the obligation arose upon the completion of the transactions.

In addition, if the value of the intra-EU trade in goods dispatched or arriving from other EU is above an annual threshold, a supplementary declaration (referred to as an Intrastat declaration) has to be submitted for either or both. These declarations have to be submitted on a monthly basis.

Are penalties imposed in other circumstances?

Yes. A range of penalties can be imposed where businesses do not comply with the VAT rules. These penalties come from Penal Fiscal Code.

Penalties and interest can be applied for errors and omissions made on tax returns, or where the tax is paid late. Penalties can also be applied where the business has failed to maintain adequate records, provide information (including additional declarations), or makes repeated mistakes.

Criminal proceedings may be brought in the case of more serious matters.

Can the VAT incurred by overseas businesses be claimed if they are not registered in Poland?

Yes, it may be possible to reclaim the VAT incurred in certain circumstances.

Two schemes exist, one or businesses established in the EU and another for businesses established elsewhere.

The EU cross border refund scheme is available in all EU member States, and enables a business established in an EU country to recover VAT incurred in another member State. To be eligible to make a claim, the claimant must be a taxable person established in an EU member State other than the one

from which the claim is to be sought. In addition, the claimant:

- must not be registered, liable, or eligible to be registered in the member State from which he is claiming the refund
- must have no fixed establishment, seat of economic activity, place of business or other residence there
- during the refund period he must not have supplied any goods or services in the member state of refund, apart from certain limited exceptions.

The amount that is refundable is determined by the deduction rules that apply in the country making the refund. The claim is submitted electronically to the tax authority from whom the repayment is being sought.

The refund period must not cover more than one calendar year or less than three calendar months – unless it is covering the remainder of a calendar year. The claim has to be made by 30 September of the year following that in which the VAT was incurred.

Businesses established outside of the EU can, subject to certain conditions, also reclaim the VAT incurred on imports into Poland or purchases of goods and services used in Poland. The scheme is available to any person carrying on a business established in a third country, ie outside the EU, provided that in the period of the claim:

- he was not registered or liable to be registered for VAT in Poland
- he was not established in any EU country
- he made no supplies of goods and services in Poland other than certain specified exceptions
- where he is established in a third country having a comparable system of turnover taxes, unless the Polish tax authority allows otherwise, that country provides reciprocal arrangements for refunds to be made to taxable persons established in Poland.

What information must a VAT invoice show?

A VAT invoice must show:

- an invoice number which is unique and sequential
- the seller's name and address
- the seller's VAT registration number
- the invoice date
- the time of supply (also known as tax point) if this is different from the invoice date
- the customer's name and address
- a description sufficient to identify the goods or services supplied to the customer
- the rate of any cash discount
- the total amount of VAT charged expressed in PLN.

For each different type of item listed on the invoice, the following must be shown:

- the unit price or rate, excluding VAT
- the quantity of goods or the extent of the services
- the rate of VAT that applies to what's being sold
- the total amount payable, excluding VAT.

Where a VAT invoice exempt goods or services, it must:

- show clearly that there is no VAT payable on those goods or services
- show the total of those values separately
- show clearly the provision of the Act or an instrument issued under the Act on the basis of which the taxpayer applies tax exemption or the provision of Directive 2006/112/EC which exempts such supply of goods or such provision of services from tax or other legal grounds indicating the fact that supply of goods or provision of services is subject to tax exemption.

Where a business makes retail sales and makes a sale of goods or services for 100 or less including VAT, a simplified VAT invoice can be issued.

VAT invoices can be issued, received and stored in electronic format and there is no need to tell the tax authority. Electronic invoices must contain the same information as paper invoices. The method used to ensure the authenticity of origin, the integrity of content and legibility of the invoices is a business choice and can be achieved by any business controls which create a reliable audit trail between an invoice and a supply of goods or services. The authenticity of the origin and integrity of the content of an electronic invoice are guaranteed, in particular, by means of:

1 an advanced electronic signature within the meaning of Article 3, subparagraph 2 of the Act of 18 September 2001 on Electronic Signature (Dziennik Ustaw 2001, No. 130, item 1450, as amended), verifiable by means of a valid qualified certificate
2 electronic data interchange (EDI) in accordance with the European Model EDI Agreement, where the agreement relating to the exchange provides for the use of procedures guaranteeing the authenticity of the origin of invoices and integrity of their data.

The use of electronic invoices shall be subject to acceptance by the invoice recipient.

The invoices shall be drawn up in at least two copies, one of which is issued to the acquirer and the other one is kept in files by the taxpayer affecting the sale.

The invoice shall be issued not later than on the 15th day of the month following the month in which the goods or services were supplied (general rule, the exceptions refer to specific transactions).

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Portugal

Indirect tax snapshot

What are the current rate(s) of indirect tax?	• Standard rate of 23% for most goods and services (22% in Madeira and 18% in Azores). • Intermediate rate of 13% (12% in the Autonomous Region of Madeira and 9% in the Autonomous Region of Azores) – applies to a specific list which includes for example preserved produce of fish and meat, bottled water, table wine, tickets to specific shows (singing, dancing, music, theatre, cinema, etc.). • Reduced rate of 6% (5% in the Autonomous Region of Madeira and 4% in the Autonomous Region of Azores) – applies to agriculture or farm produce, newspapers and magazines, medication, products for agricultural use, passenger transport, hotel accommodation, public works contracts, etc. • Exempt supplies – an extensive list including the following broad categories: insurance and financial activities, renting and sale of real estate, medical and veterinary services, education, health and welfare, etc.
Are there any confirmed or anticipated changes to these rates?	No.
What is the principal indirect tax?	Value Added Tax (VAT) is the principal indirect tax in Portugal, being generally applicable to the supplies of goods and/or services. As such, it is a tax on consumer expenditure, and is collected on business transactions and imports.
Is there a registration limit for the tax?	No.
Does the same registration limit apply to non-established businesses?	There is no registration limit for businesses that are not established in Portugal and they will need to register as soon as they start carrying out taxable transactions. Different registration requirements also apply to businesses involved with 'distance sales' made within the European Union (EU), eg mail order and internet sales.
Does a non-established person need to appoint a fiscal representative in order to register?	A non-EU established person is obliged to appoint a Portuguese tax representative. For EU-residents, such appointment is not compulsory.
How often do returns have to be submitted?	Depending on the turnover, returns can be submitted quarterly or monthly.
Are penalties imposed for the late submission of returns/payment of tax?	Yes. If a VAT return, or the corresponding payment, is submitted late a penalty can and is usually imposed.
Are any other declarations required?	Yes. Additional declarations (EC Sales and Services List or ESLs) have to be submitted in respect of certain supplies made to customers who are registered for VAT elsewhere in the EU. Declarations also have to be submitted in certain circumstances in connection with goods moving to or from the EU (ie, Intrastat returns). Lastly, Annual VAT returns also need to be filed on a yearly basis (exceptions apply, namely if nil VAT returns have been filed throughout the year).
Are penalties imposed in other circumstances?	Yes. Penalties can be imposed for a range of errors, omissions or failures.
Can the tax incurred by overseas businesses be claimed if they are not registered in your country?	Yes, in certain circumstances and subject to certain conditions.

What is the principal indirect tax?

Value Added Tax (VAT) is the main type of indirect taxation in Portugal and in other European Union (EU) countries.

It is a tax on consumption which is applied during the production and distribution process to most goods and services. It is also applied to goods, and certain services, entering the country. Although VAT is ultimately borne by the consumer by being included in the price paid, the responsibility for charging, collecting and paying it to the tax authority at each stage of the process rests with the business making the supply, ie the sale.

A business registered for the tax will charge VAT (output tax) on its sales, and incur VAT (input tax) on its purchases (including any VAT paid at importation). The difference between the output tax and the deductible input tax in each accounting period will be the amount of VAT payable by the business to the tax authority. Where the input tax exceeds the output tax, a refund can be claimed.

There are three rates of VAT that are applied to goods and services in Portugal; the standard rate, the intermediate rate and the reduced rate. In addition, some goods and services are exempted from the tax (with or without right to deduction of the input VAT).

In general, businesses that make exempt supplies are unable to claim all of the input tax that they incur, so the VAT paid to suppliers will be a 'real' cost.

Most goods imported into Portugal from outside the EU are subject to VAT. The tax will have to be paid by the

importer at the time of importation. Where the importation is for business purposes and the importer is registered for VAT, it may be possible to reclaim the tax (subject to certain rules).

At the moment it is possible to apply to the reverse charge mechanism on imports, proven that criteria is met.

It is also important to note the interaction between VAT and Customs duty. Customs duty is levied across the EU at the place where goods are imported into the community. It is levied in order to bring the cost of goods produced outside the EU up to the same level as those produced within it. Once duty (and VAT) has been paid by the importer, the goods are in 'free circulation' and they can then be released for use in the home market. Unlike other indirect taxes, such as VAT, once duty has been paid it is not usually recoverable by the importer. It therefore represents a bottom line cost to the importing business if it cannot be passed on in higher prices. It is therefore very important to ensure that the correct rate of duty is applied. VAT is charged on the value of the importation, including any custom duty.

Is there a registration limit for the tax?

No. A 'person' who either makes or intends to make taxable supplies of goods or services in the course or furtherance of a business must register for VAT as soon as it starts its operations.

For these purposes, a 'person' includes any legal entity (or individuals performing an economic activity for VAT purposes). Therefore, once a person is registered for VAT, all of his business activities will be covered by the registration – even if the nature of some of those activities is very different.

Apart from very specific situations, there is no VAT grouping in Portugal.

A penalty may be imposed by the tax authority if a business fails to register at the correct time or if this registration is performed with backdated effects.

Does the same registration limit apply to non-established businesses?

There is no registration limit either for established or non-established businesses. All businesses will need to register for VAT as soon as they commence trading in Portugal, irrespective of the level of turnover.

Registration for VAT in Portugal may also be required where a non-established EU business is involved with distance selling. Distance selling occurs when a taxable supplier in one EU country supplies and delivers goods to a customer in another EU country who is not registered or liable to be registered for VAT. Such customers are known as non-taxable persons, and include private individuals and businesses and other organisations that are not registered for VAT (either because of their size, or the fact that they are exempt from having to register due to the nature of their activities). The common examples of distance sales are goods supplied by mail order and via the internet.

Each EU country has the option of applying a distance selling threshold of either €35,000 or €100,000 per calendar year, or the equivalent in its own currency. Portugal has adopted an annual threshold of €35,000.

Distance sales from another EU country to non-taxable persons in Portugal will be subject to VAT at the appropriate rate in the supplier's country. However, once the value of those distance sales to Portugal exceeds the above mentioned threshold of €35,000:

- the supplier becomes liable to register for VAT in Portugal
- Portugal becomes the place of supply
- any further sales to customers in Portugal are subject to Portuguese VAT.

Suppliers can choose to make Portugal the place where the goods are supplied by registering for VAT voluntarily before the threshold is reached.

Is there any specific legislation to tax non-resident supplies of electronically supplied/digital services to private consumers resident in your country?

With effect 1 January, 2015, Article 58 of Directive 2006/112/EC was amended. The rules determining the place of supply of electronically supplied services supplied to private consumers (B2C) changed from the Member State where the supplier belongs (ie where established) to the Member State of the consumer. The result of this is that local VAT is chargeable at the applicable rate in each of the Member States in which electronically supplied services are made (ie where the customer belongs). To ensure compliance with this, suppliers have the choice to either register for VAT in each Member State where their customers reside, or elect to register under the EU VAT MOSS simplification scheme in a single Member State (where they are established). Businesses with multiple establishments in the EU can choose which Member State to operate MOSS (the Member State of Identification). However, the MOSS cannot be used to report local sales to customers in a Member State in which suppliers of electronically supplied services have a fixed establishment. Non-EU suppliers without an establishment in a Member State are free to select a Member State of their choosing to operate MOSS and become their Member State of Identification.

Does a non-established business need to appoint a fiscal representative in order to register?

It is mandatory to appoint a fiscal representative herein in case the person is established outside the EU.

How often do returns have to be submitted?

Businesses whose annual turnover is more than €650,000 must prepare and file monthly returns within one month and ten days of the end of each month.

Businesses whose annual turnover is less than €650,000 must prepare and file quarterly returns within one month and fifteen days of the end of each quarter.

Annual returns must be submitted by the 15th of July of the following calendar year (this return is a summary of the periodic VAT returns filled).

Are penalties imposed for the late submission of returns/payment of tax?

Returns which are filed late can be fined between €300 and €3,750. However, reductions are applicable under certain conditions.

Late payments are subject to interest at the rate of 4% per year of the tax and a penalty ranging between 30% and 100% of the tax due is normally applicable.

Are any other declarations required?

Businesses that are registered for VAT in Portugal and make supplies of goods or services to traders registered for the tax in other EU countries are required to complete and submit ESLs. The ESLs must show details of the recipients of the goods and services.

In addition, if the value of the intra-EU trade in goods dispatched or arriving from other EU is above an annual threshold, a supplementary declaration (referred to as an Intrastat declaration) has to be submitted for either or both. These declarations have to be submitted on a monthly basis. Lastly, Annual VAT returns also need to be filed on a yearly basis (exceptions apply, namely if nil VAT returns have been filed throughout the year).

Are penalties imposed in other circumstances?

Yes. A range of penalties can be imposed where businesses do not comply with the VAT rules.

Penalties and interest can be applied for errors and omissions made on tax returns, or where the tax is paid late. Penalties can also be applied where the business has failed to maintain adequate records, provide information (including additional declarations) or makes repeated mistakes.

Criminal proceedings may be brought in the case of serious damages caused to the Portuguese tax authorities.

Can the VAT incurred by overseas businesses be claimed if they are not registered in Portugal?

Yes, it may be possible to reclaim the VAT incurred in certain circumstances. Two schemes exist, one for businesses established in the EU and another for businesses established elsewhere.

The EU cross border refund scheme is available in all EU member states, and enables a business established in an EU country to recover VAT incurred in another member state. To be eligible to make a claim, the claimant must be a taxable person established in an EU member state other than the one from which the claim is to be sought. In addition, the claimant:

- must not be registered, liable, or eligible to be registered in the member state from which he is claiming the refund
- must have no fixed establishment, seat of economic activity, place of business or other residence there
- during the refund period he must not have supplied any goods or services in the member state of refund, apart from certain limited exceptions.

The amount that is refundable is determined by the deduction rules that apply in the country making the refund. The claim is submitted electronically to the tax authority from whom the repayment is being sought.

The refund period must not cover more than one calendar year or less than three calendar months – unless it is covering the remainder of a calendar year. The claim has to be made by 30 September of the year following that in which the VAT was incurred.

Businesses established outside of the EU can, subject to certain conditions, also reclaim the VAT incurred on imports into Portugal or purchases of goods and services used in Portugal. The scheme is available to any person carrying on

a business established in a third country, ie outside the EU, provided that in the period of the claim:

- they were not registered or liable to be registered for VAT in Portugal
- they were not established in any EU country
- they made no supplies of goods and services in Portugal other than certain specified exceptions
- where they are established in a third country, having a comparable system of turnover taxes that country provides reciprocal arrangements for refunds to be made to taxable persons established in Portugal.

What information must a VAT invoice show?

Invoices issued by VATable persons must be dated, sequentially numbered and contain the following data:

1. Name, address and tax number of both the supplier and the acquirer of the goods and/or services.
2. Quantity and description of the goods and/or services supplied (including the necessary information that enables the determination of the applicable VAT rate).
3. Taxable amount.
4. Applicable VAT rate and the amount of VAT charged.
5. Grounds for the non-application of VAT; if applicable.
6. The date in which the supply of goods and/or services took place (or the date in which any advanced payment was made, if such date is not the same as the date of issuance of the invoice).

Please note: if the operation(s) at stake, concerns goods and/or services subject to different VAT rates, the data referred on bullets 2, 3 and 4 above shall be indicated separately, according to the respective applicable rate.

Disclosing the name and address of the acquirer of the goods and/or services, when it does not refer to a VATable person, is not mandatory on invoices whose amount is lower than €1,000, unless otherwise requested.

Disclosing the acquirer's tax number, when it does not refer to a VATable person, is always mandatory when requested.

Where a business makes retail sales and makes a sale of goods or services for €100 or less including VAT, a simplified VAT invoice can be issued (with less strict requirements)

Electronic VAT invoices can be issued, received and stored in electronic format and there is no need to inform the Portuguese tax authorities upfront. Electronic invoices must contain the same information as paper invoices.

The method used to ensure the authenticity of origin, the integrity of the content and legibility of the invoices is a business choice and can be achieved by any business controls which create a reliable audit trail between an invoice and a supply of goods or services.

Are there any current or anticipated Standard Audit File for Tax (SAF-T) or similar electronic/digital filing requirements eg invoice listing data file/real-time VAT reporting?

It is mandatory to submit the SAF-T (PT) file until the 20th day of the following month, containing the details of the issued invoices (and other relevant information). This obligation applies to all taxable persons, except to entities which are merely registered herein for VAT purposes.

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Indirect tax snapshot

What are the current rate(s) of indirect tax?	• Standard rate of 19% for most goods and services. • Reduced rate of 9% for some goods and services including orthopedic products and prostheses (except dental prostheses), medicines for human and veterinary use, accommodation in hotels and similar establishments, food items, including beverages, except alcoholic beverages for human and animal consumption, livestock, seeds, plants and ingredients used in aliments preparation or products used to complete or replace aliments having certain commodity classification, restaurant and catering services (other than draught beer), irrigation and drinkable water, fertilizers and pesticides used in agriculture, seeds or other agricultural products used for sowing or planting, as well as services related to agricultural sector. • Reduced rate of 5% applies for school textbooks, books, newspapers and magazines, other than those solely or mainly intended for publicity , services consisting of admission to castles, museums, memorial houses, historical, architectural and archaeological monuments, zoos, botanical gardens, fairs, exhibitions and similar cultural and sports events, cinemas; supply of buildings if they are part of a social policy or if they are supplied as housing to an individual/family in certain conditions. • Other – Domestic reverse charge mechanism may be applied for certain supplies of goods (eg waste, buildings and land, mobile phones, devices with integrated circuits) provided certain conditions are met. In addition, supply of certain goods and services is exempt of VAT under domestic legislation.
Are there any confirmed or anticipated changes to these rates?	Yes. Starting 1 January 2019, the reduced VAT rate of 9% will be applicable also for supply of water and sewerage services.
What is the principal indirect tax?	The main indirect tax in Romania is value added tax (VAT). The VAT legislation in Romania follows the structure of the European VAT Directive; however there are still different practises, habits and loopholes.
Is there a registration limit for the tax?	Yes. The annual turnover threshold for VAT registration is RON 220,000 (the equivalent of €65,000 at the conversion rate on the day of accession), and, once the limit is reached, it is necessary to register. Romania was authorised in 2017 by European Commission to increase the exemption threshold to the equivalent in national currency of €88 500 (RON 300,000). This planned change is expected to become effective during 2018, following application of certain transitory measures.
Does the same registration limit apply to non-established businesses?	No. There is no registration limit for businesses that are not established in Romania and they need to register before commencing the taxable transactions. Different registration requirements also apply to businesses involved in 'distance sales' made within the European Union (EU), eg mail orders and/or Internet sales, for which the threshold for VAT registration in Romania is of €35,000.
Does a non-established person need to appoint a fiscal representative in order to register?	A non-established person, who is established outside EU, must appoint a fiscal representative for VAT registration in Romania. A taxpayer who is not established in Romania, but it is established in other EU Member State may either register directly or appoint a fiscal representative.
How often do returns have to be submitted?	Taxpayers must file VAT returns with the Romanian tax authorities and pay VAT on a monthly basis, specifying the taxable amount and the tax due. The tax return must be filed and the respective VAT paid by the 25th of the following month. In case of taxpayers whose annual turnover is less than €100,000 and no intra-Community acquisitions of goods are performed, the VAT returns must be submitted with the tax authorities on a quarterly basis.

Indirect tax snapshot

Are penalties imposed for the late submission of returns/payment of tax?	Yes. If a VAT return, or the corresponding payment, is submitted with delay, a fine could be imposed, as well as penalties and interest for late payment are assessed.
Are any other declarations required?	Yes. Taxable persons registered for VAT purposes have to submit the recapitulative statement regarding intra-community purchases/supplies of goods/services (EC Sales List). Also, taxable persons registered for VAT purposes in Romania must submit a declaration including all taxable supplies/acquisitions of goods/services taking place in Romania (ie list of domestic transactions). For the intra-community trade of goods, taxable persons also have to submit an Intrastat statistical report.
Are penalties imposed in other circumstances?	Yes. Fines can be imposed for a range of errors or omissions, as well as penalties imposed for non-declaration.
Can the tax incurred by overseas businesses be claimed if they are not registered in your country?	Yes, in certain circumstances and subject to certain conditions.
Deduction of VAT	The following items are not deductible from the VAT point of view: • private expenditure • VAT due or paid for purchases of alcoholic beverages and tobacco products, except where such goods are intended for resale or for provision of services • 50% of the input VAT incurred on expenses related to vehicles with less than 3,500 kg and 9 seats (including driver seat), if not used exclusively for business purpose; • VAT for purchases from suppliers which appear in the Register for inactive taxpayers (this may be recovered once the suppliers are re-activated as VAT payers and re-issue invoices in compliance with Romanian tax law). Also Romania has implemented an anti-abuse provision for cases when taxable person knew or should have known that it was involved in a VAT fraud. Input VAT on fiscal receipts is not deductible, unless the VAT identification number of the customer is written on it and the total value of acquisition (including VAT) is less than €100.

What is the principal indirect tax?

The main indirect tax in Romania is Value Added Tax (VAT).

The VAT is an indirect tax on the consumption of goods and services and is normally borne by the final consumer. This, in general, is accomplished by imposing VAT on all stages of manufacturing, wholesaling, retailing, etc., but allowing the supplier to offset the tax payable against VAT incurred on its business expenses.

In practice, VAT is charged on goods and services (actual or deemed) supplied by taxpayers in Romania, goods acquired from the European Union (EU) and on goods imported into Romania. Only the VAT charged by the suppliers on purchases incurred by the taxpayer for generating taxable activities can be deducted.

Operations which fulfil the following conditions fall within the scope of VAT:

- they represent a supply of goods/services in return for a consideration or an operation treated as such
- the deemed place of supply is in Romania
- they are performed by taxable persons
- they result from economic activities.

Moreover, the import of goods, intra-community acquisitions of goods and operations deemed as intra-community acquisitions of goods are also within the scope of VAT.

VAT on imported goods continues to be paid in customs, except for taxable persons registered for VAT purposes that obtain an import VAT deferment certificate from the customs authorities. For these, the VAT is not paid in customs, but shown in the VAT return as both input and output VAT (reverse charge mechanism).

The taxable amount for VAT purposes for imported goods is the customs value, to which customs duties, excise duties (if any) and ancillary expenses, such as commissions, packing, transport and insurance costs occurring subsequent to the entry of goods into Romania until their first destination, as well as those incurred for the transport to another destination place within the Community, if the place is known at the moment of the import, are added.

As of 1 January 2013, the cash accounting scheme for VAT was introduced in the Romanian VAT legislation and consists in the deferment of the VAT payment until the value of goods or services delivered is cashed in, while the right to deduct the input VAT for the acquisitions performed by the taxpayers applying the VAT cash accounting system is also postponed until the moment when the invoices are paid. Furthermore, the right to deduct the input VAT by the beneficiaries of invoices issued by the taxpayers applying the cash accounting system for VAT is postponed until the payment is performed.

The VAT cash accounting system is optional for taxpayers with an annual turnover lower than RON 2,250,000 registered in the previous calendar year and for newly established companies. By exception, the system does not apply for taxpayers which are part of a fiscal group, for taxpayers who are not established for VAT purposes in Romania or for taxpayers whose turnover exceeds the aforementioned threshold. Likewise, the VAT cash accounting system does not apply for VAT exempted transactions, for transactions subject to special VAT schemes (eg the special schemes for travel agencies, second-hand goods, works of art, gold investments), for transactions performed between related parties or for those subject to reverse charge mechanism (ie when the beneficiary is the person obliged for paying the VAT). Moreover, the system does not apply for intra-community operations, imports or exports.

As of 1 October 2017, the VAT split payment system was introduced in Romania as a strict method to administrate VAT payments. This system applies to all taxable supplies of goods and services with the place of supply in Romania. Taxpayers who voluntarily opt to apply the VAT split payment system are entitled to certain tax incentives.

Starting 1 March 2018 the system is mandatory for all the VAT payers if they fall under one of the following situations:

- on 31 December 2017, they have outstanding VAT debts (with the exception of the amounts whose enforcement was suspended) higher than RON 15,000 (for large taxpayers), RON 10,000 (for medium taxpayers), RON 5,000 (for other taxpayers), which are not paid at 31 January 2018
- after 1 January 2018, they register VAT debts exceeding more than 60 business days from maturity date (with the exception of the amounts whose enforcement was suspended) and higher than RON 15,000 (for large taxpayers), RON 10,000 (for medium taxpayers), RON 5,000 (for other taxpayers).

Also, the VAT split payment mechanism is mandatory for taxpayers that are subject to national law on insolvency and insolvency prevention procedures.

Public institutions and persons not registered for VAT purposes are not obliged to pay the VAT amount related to the purchase of goods and services in a VAT account of the supplier/provider who applies the VAT split payment mechanism.

The VAT split mechanism is not applicable for the following cases:

- payments or collections made on behalf of another person
- compensations or payments in kind
- factoring and other types of financing granted by a bank or a non-banking financial institution in case of assignment of receivables.

Non-complying with the rules of the VAT split mechanism may trigger significant penalties and fines Romanian Tax authorities will keep a register with all taxpayers which are obliged to apply VAT split payment system.

Is there a registration limit for the tax?

The annual turnover threshold valid starting with 1 April 2018 is 88,500 EURO, computed by using the foreign exchange rate of the date of Romania's accession to the EU (ie RON RON 300,000). Some transitory measures were introduced following change of VAT registration threshold (previously set at RON 220,000, which is the equivalent of EUR 65,000). When calculating the turnover, revenues derived from some types of VAT exempt transactions without deduction right operations are also taken into consideration, if they are not considered ancillary to the main transactions.

As of 1 February 2012, companies which are legally independent but are closely related in terms of financial, economic and organisational purposes may opt to be treated as a tax group as long as they are administered by the same competent fiscal body. Starting 2016, the procedure was changed to allow also the companies which are not administered by the same competent tax body. The following conditions should also be met:

- a taxable person is allowed to be part of only one single tax group
- the option for a tax group must refer to at least two-year period
- all the taxable persons within a group must apply the same fiscal period.

The VAT group may be formed of minimum two taxable persons. The following shall be deemed closely inter-related from a financial, economic and organisation perspective: taxable persons whose capital is directly or indirectly held in proportion of more than 50% by the same shareholders.

The competent tax authority shall take an official decision whereby approving or rejecting the implementation of the VAT group and shall notify the decision to the group representative within 60 days as of the receipt of the application.

As of implementation of the single tax group, each member of the tax group, other than the representative has the following obligations:

- shall report in the VAT return any supply of goods, or services, import or intra-Community acquisition of goods or any other transaction carried on by or to the benefit of such member throughout the tax period
- shall send its VAT return to the representative
- shall not pay any tax due and shall not request any refund according to its VAT return.

The representative has, in its turn, the following obligations:

- shall report in the VAT return any supply of goods or services, import or intra-Community acquisition of goods or services and any other transaction carried on by or to the benefit of such member throughout the tax period
- shall report in a consolidated return the results of all VAT returns received from other members of the tax group as well as the result of its own VAT return for such tax period
- shall file with the tax authorities of jurisdiction all VAT returns of members as well as the consolidated VAT return
- shall pay or, if applicable, have the right to request VAT refund resulting from the consolidated VAT return.

Each member of the tax group shall:

- file the recapitulative statement (EC Sales List) to the tax authorities of jurisdiction
- be subject to the audit of the tax authorities of jurisdiction
- be liable jointly and severally for any tax due by itself or by any member of the tax group for the entire membership to such group.

Supplies of goods and services made by each member of the group shall be subject to the normal tax scheme, regardless whether they are made to third parties or to the other members of the tax group, each member of the group being considered a separate taxable person.

Does the same registration limit apply to non-established businesses?

Foreign taxpayers may register in Romania for VAT purposes without the need to form a local company – known as a non-resident VAT trading. There is no VAT threshold in Romania for the registration of non-resident traders. For businesses incorporated in other countries, but established for VAT purposes in Romania by means of a fixed establishment, a Romanian VAT number must be obtained before the commencement of taxable supplies.

Foreign traders not established for VAT purposes in Romania have an obligation to register for VAT purposes in Romania for making:

- supplies of goods or services in Romania that are subject to Romanian VAT or are considered exempt with credits, except for the cases where the person who is liable to pay the tax is the beneficiary of goods or services
- intra-community acquisitions/supplies of goods in/from Romania
- distance sales to Romania exceeding the registration threshold.

Not-established VAT payers may register for VAT purposes in Romania for performing imports of goods, as well as transactions with immovable properties for which they chose to apply the taxation regime.

In case of distance sales made from a Member State to Romania the place of supply shall be considered in Romania, if the supply is made to an acquiring taxable person or a non-taxable legal entity which does not have the right to deduct input VAT for its supplies of goods or services and which does not exceeds an €10,000 threshold for the intra-Community acquisitions of goods, or to any other non-taxable person and provided that the following conditions are met:

- the total amount of distance sales whose transport or dispatch in Romania is made by a supplier in the calendar year when a distance sale takes place, inclusively of that distance sale, or in the previous calendar year, exceeds the threshold for distance sales of €35,000, whose RON equivalent is set out in the Norms
- the supplier opted in the Member State wherefrom goods are transported for the consideration of its distance sales involving transport of goods from a Member State to Romania as taking place in Romania.

The threshold shall not apply to distance sales of products subject to excises from a Member State to non-taxable persons from Romania, other than non-taxable legal entities, thus the place of supply for such distance sales shall always be in Romania.

The procedure for distance sales also applies in the reverse situation, where a trader sells goods from Romania to private individuals or non-taxable entities who reside in other EU Member States.

The distance sales rule does not apply to the supply of new means of transportation or to the supply of goods under a 'supply and installation' contract or other specific exceptions.

Is there any specific legislation to tax non-resident supplies of electronically supplied/digital services to private consumers resident in your country?

With effect 1 January, 2015, Article 58 of Directive 2006/112/EC was amended. The rules determining the place of supply of electronically supplied services supplied to private consumers (B2C) changed from the Member State where the supplier belongs (ie where established) to the Member State of the consumer. The result of this change is that local VAT is chargeable at the applicable rate in each of the Member States in which electronically supplied services are made (ie where the customer belongs).

To ensure compliance with this rule, suppliers have the choice to either register for VAT in each Member State where their customers reside, or elect to register under the EU VAT Mini One Stop Shop (MOSS) simplification scheme in a single Member State (where they are established). Businesses with multiple establishments in the EU can choose which Member State to operate MOSS (the Member State of identification). However, the MOSS cannot be used to report local sales to customers in a Member State in which suppliers of electronically supplied services have a fixed establishment.

Non-EU suppliers without an establishment in a Member State are free to select a Member State to operate MOSS and become their Member State of Identification.

Does a non-established business need to appoint a fiscal representative in order to register?

Non-residents which are established in other EU member states, not established in Romania may register with the relevant fiscal authority either directly or by appointing a fiscal representative. In the case of the direct registration, this person shall declare the address in Romania where all the fiscal registers and documents can be examined. In case of registration through a fiscal representative, the registration procedures are carried out by the relevant tax authority where the fiscal representative is located.

Non-resident taxpayers established outside the European Union may register for VAT purposes only through appointment of a VAT fiscal representative. The registration procedures are carried out by the relevant tax authority where the fiscal representative is located.

How often do returns have to be submitted?

Every taxable person registered for VAT purposes has to submit VAT returns.

As a general rule, the fiscal period for submitting the VAT returns is the calendar month. For taxable persons registered for VAT purposes whose previous year-end turnover did not exceed €100,000 the fiscal period is the calendar quarter.

For those taxpayers whose fiscal period is the calendar quarter, the fiscal period becomes the calendar month if they perform a taxable intra-community acquisition of goods in Romania.

Also, the VAT returns must be submitted with the tax authorities by the 25th of the month following the end of the fiscal period (ie month/quarter). The payment of the tax must be performed by the same date as the date of submission with the tax authorities.

Are penalties imposed for the late submission of returns/ payment of tax?

For not complying with the VAT legal requirements (late payments, incorrect fillings, late submission of returns etc.), taxpayers are subject to penalties such as interest and fines as provided by the Romanian Tax Procedure Code.

As of 1 January 2016, the late-payments are subject to interest computed by applying a rate of 0.02% for each day of delay, as well as late payment penalties computed by applying 0.01% per day to the overdue tax liabilities. Also, in case the tax authorities establish differences of VAT by issuing a tax decision following a tax inspection, besides late payment interest and penalties, such differences are subject to a penalty for incorrectly declaring the tax liabilities, computed by applying 0.08%/day to the differences established by the tax authorities The penalty for incorrectly declaring the liabilities is limited to the value of the principal, except for the cases of tax evasion.

For a late submission of the tax return there is a fine ranging between RON 500 and RON 5,000 (approximately €108-€1,075, at an average FX rate of €1 = 4.65 RON).

Are any other declarations required?

Taxable persons registered for VAT purposes in Romania should submit a declaration including all taxable supplies/acquisitions of goods/services taking place in Romania (form 394) by 30th of the month following the tax period which it relates to, except the deadline for submitting the statement for January which is until 28th/29th February respectively.

The taxable persons should also submit the recapitulative statement (EC Sales List) on a monthly basis, not later than the 25th day of the month following that in which the intra-community supply/acquisition of goods or services has occurred, for all intra-community operations made with taxable persons established in other Member States. The recapitulative statements are to be submitted only for the periods during which a chargeability of the tax occurs (no nil-return is required).

The obligation to provide Intrastat statistical data is applicable to all economic operators that simultaneously meet the following conditions:

- are registered for VAT purpose
- are trading goods with other Member States of the EU
- the total annual value of goods traded with other Member States of the EU for each of the two flows, acquisitions and dispatches, respectively, exceeds the annual Intrastat thresholds as approved by the law.

Companies which in the previous year exceeded the value of thresholds set up for the current year, will send Intrastat declarations for all the months of the current year. Companies which in the current year exceed the value of thresholds, will send Intrastat statements starting with the month in which they exceeded the thresholds.

The statistical thresholds are set separately for each type of movement of goods and may have different values for acquisitions and dispatches of goods. For the year 2018, Intrastat thresholds are:

- for intra-community dispatches: RON 900,000 (approximately €193,000, at an average FX rate of €1 = 4.65 RON)
- for intra-community arrivals: RON 900,000 (approximately €193,000, at an average FX rate of €1 = 4.65 RON).

The Intrastat statistical return must be filed on a monthly basis no later than the 15th of the month following the reporting month. Complete forms should include details such as the trade classification of the goods, quantities, shipping costs, countries of departure and arrival, Incoterms delivery condition, etc.

Are penalties imposed in other circumstances?

Yes. A range of penalties can be imposed where businesses do not comply with the VAT rules. Also sanctions are imposed for taxpayers that do not follow VAT split payment mechanism.

Failure to register for VAT purposes

If an entity has the obligation to register for VAT purposes in Romania and does not comply with this requirement, the competent tax authority shall register that entity ex officio unless the entity presents a high fiscal risk. If the entity performs taxable supplies and it is in VAT payable position (ie the output VAT for its taxable transactions is higher that the input VAT for its purchases), late payment interest and penalties will be applied.

Failure to submit/correctly declare the EC sales and acquisitions and 394 Form (ie list of domestic transactions)

Late submission of recapitulative statements will impose a penalty between RON 500 and RON 5,000 (approximately €108 – €1,075, at an average FX rate of €1 = 4.65 RON).

For incorrect filling of the recapitulative statements, the tax authorities will impose a penalty between RON 500 and RON 1,500 (approximately €108-€323, at an average FX rate of €1 = 4.65 RON).

Non-compliance with the requirement of filling the Form 394 regarding sales and acquisitions performed on Romanian territory within legal deadline is sanctioned with fines ranging from RON 2,000 to RON 3,500 for small taxpayers and individuals and from RON 12,000 to RON 14,000 for middle and large taxpayers.

Fraud

Moreover, the following tax offences are considered criminal offences:

- tax evasion is committed if a taxpayer intentionally gives incorrect or incomplete information to the tax authorities or if one withholds information necessary to calculate the correct tax liability;
- evasion of import duties (including import VAT).

Can the VAT incurred by overseas businesses be claimed if they are not registered in Romania?

Taxable persons not registered and which do not have the obligation to register for VAT purposes in Romania may request a VAT reimbursement from Romania based on the refund request transmitted electronically to the authorities from the Member State where they are registered, no later than 30th of September of the year following the reimbursement period.

The settlement period is of four months from the date when the request is received by the Romanian authorities, with the possibility of the authorities to extend the deadline if they require further information.

Taxable persons established outside the EU also have the right to claim a VAT refund from Romania, based on reciprocity agreements signed with Romania by their country of origin.

What information must a VAT invoice show?

The mandatory information that must be included on an invoice is in line with the provisions of the EU VAT Directive 112/2006 on this matter, as follows:

- a sequential number, according to one or more series, that uniquely identifies the invoice
- the date when the invoice is issued
- the date when the goods/services were supplied or the date when the advance was cashed, if the latter date differs from the date when the invoice was issued
- the name, address and VAT ID number or, on a case-by-case basis, the tax number of the taxable person issuing the invoice
- the name of the supplier not established in Romania which appointed a tax representative, as well as the name, address and VAT ID number of such tax representative; the name and address of the beneficiary of goods/services, as well as the VAT ID number or the tax number of the beneficiary, in case the beneficiary is a taxable person or a non-taxable legal entity
- the name of the beneficiary not established in Romania which appointed a tax representative, as well as the name, address and VAT ID number of the tax representative
- the name and the quantity of goods supplied, the name of the services supplied, as well as the relevant details for defining the goods, in case of intra-Community supplies of new transport means
- the taxable base of goods and services or, on a case-by-case basis, the advances cashed, for each tax rate, exemption or non-taxable operation, the unit price, excluding VAT, as well as the discounts and other price reductions, in cases where they are not included in the unit price
- the applicable VAT rate and the output VAT amount, in the Romanian local currency – RON, depending on the applicable VAT rate
- in case the invoice is issued by the beneficiary on account and on behalf of the supplier, the mention 'self-invoice'
- in cases where no VAT is due, the indication of the relevant article from the Tax Code/EU Directive 2006/112/EU or any other mention showing that the respective supply of goods/services is VAT exempt or subject to the reverse charge mechanism
- in cases where the client is the person liable to pay the VAT, the mention 'reverse charge'
- in case the special regime for travel agencies is applicable, the mention 'the margin scheme – travel agents'
- if one of the special regimes for second-hand goods, works of art, collector's items and antiques or farmers is applicable, one of the mentions 'the margin scheme – second-hand goods', 'the margin scheme – works of art', 'the margin scheme – collector's items and antiques' or 'special scheme for farmers', as the case may be
- in case the VAT chargeability occurs at the cashing date for whole or partial counter-value of the supply of goods/services, the mention 'cash accounting for VAT'

- a reference to prior invoices or documents issued, in case more than one invoice or document is issued for the same operation.

As of 1 January 2013, new rules regarding the invoicing procedure have been introduced establishing equal treatment for hard copy or electronic invoices meeting the same requirements. Therefore, any hard copy or electronic document is considered an original invoice if it meets the minimum mandatory requirements concerning the content of the invoice.

An electronic invoice is defined under the Romanian VAT legislation as any invoice, containing all the elements required by domestic VAT provisions, that is issued and received in electronic format. The type of the electronic format for the invoice is up to the company decision (eg xml, pdf, etc.).

According to the Romanian VAT legislation, the manner in which the authenticity, integrity and legibility are guaranteed is, in principle, decided at the level of the taxable persons. Thus, the authenticity of origin, the integrity of the content and the legibility may be guaranteed through management controls only, that set audit trails ensuring a direct connection between a transaction, the corresponding invoice and other documents issued in connection with that transaction. Besides management controls, the authenticity of origin and the integrity of the content could be guaranteed by means of an electronic signature or by using of Electronic Data Interchange system.

The use of the electronic invoice is subject to the acceptance of the recipient. Acceptance may take the following forms: (i) a written agreement, received from the recipient; (ii) an implicit agreement of the recipient consisting in proceeding to the processing or the payment of the electronic invoice.

Moreover, the recipient's acceptance also represents a confirmation that it has the necessary technical resources to receive electronic invoices, as well as the capacity to ensure the authenticity of origin, integrity of the content and legibility of the invoice.

Are there any current or anticipated Standard Audit File for Tax (SAF-T) or similar electronic/digital filing requirements eg invoice listing data file/real-time VAT reporting?

The 394 Form for domestic transactions is one the tools used by the tax authorities for performing risk analysis and cross-check audits between business partners.

Information to be disclosed in 394 Form should be submitted in an extended format, to include details such as serial number of sales invoices issued (including canceled invoices, credit notes), personal identification number (CNP/NIF) of the customers or the billing/delivery address, details on transactions with business partners not registered for VAT purposes in Romania and/or established outside Romania, fiscal receipts issued and simplified invoices received.

All economic operators who are obliged to acquire and use a cash machine for retail sales need to observe new legal requirements introduced in 2018 regarding the exclusive use of electronic cash registers linked to the Tax authorities' servers in order to reduce tax evasion. According to the changes to the legislation on cash registers, this obligation has become effective since 1 June 2018 for large and medium-sized taxpayers, and for small taxpayers, the obligation will become effective as from 1 August 2018.

The sanctions applicable to economic operators for failure to use electronic cash registers in the prescribed legal frameworks are: a fine from RON 8,000 to RON 10,000, the seizure of unjustified amounts and cease n of the economic activity at the unit where the sale of goods or provision of services took place, until installment of a fiscal electronic cash register and the presentation of proof of payment of the fine or half of its amount, as the case may be. There is a grace period of 3 months when sanctions are not applicable, to allow the taxpayers to fully comply with the new requirements.

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Indirect tax snapshot

What are the current rate(s) of indirect tax?	• Standard rate of 18% for most goods and services. • Reduced rate of 10% for certain foods, children's goods, medical and pharmaceutical products, certain books and periodicals, services for the internal air transportation of passengers and baggage, services in transportation of passengers and baggage by railway transport of common use over long distances. • Zero-rated goods and services include export of goods, their international transportation and related freight forwarding services, international passenger transportation, etc. • Computed VAT rates (18/118 and 10/110) are applied to certain transactions including the receipt of advance, transfer of property rights and to withholding VAT by the tax agents.
Are there any confirmed or anticipated changes to these rates?	The amendment changing the standard VAT rate from 18% to 20% is under consideration now. Computed VAT rate will also change from 18/118 to 20/120 if that law is adopted. It is expected that the changes will be applied to tax periods from 1 January 2019.
What is the principal indirect tax?	Value Added Tax (VAT) is the principal indirect tax in Russia. It is applied to sales of goods, work and services in the territory of the Russian Federation, imports to the customs territory of the Russian Federation, transfer of goods for own consumption, performance of construction and assembly work for own purposes.
Is there a registration limit for the tax?	The current tax legislation does not provide for a separate VAT registration with Russian tax authorities. The established general tax registration requirements are applicable to all taxes, including VAT. All taxpayers are required to obtain tax registration and be assigned a taxpayer identification number regardless of the amount of taxable supplies.
Does the same registration limit apply to non-established businesses?	Not applicable.
Does a non-established person need to appoint a fiscal representative in order to register?	Not applicable.
How often do returns have to be submitted?	VAT returns should be submitted quarterly.
Are penalties imposed for the late submission of returns/payment of tax?	Yes. If a VAT return, or the corresponding payment, is submitted late a penalty can be imposed.
Are any other declarations required?	Yes. Companies and individual entrepreneurs that import goods from the territory of Armenia, Belarus, Kazakhstan, Kirgizstan should submit a special VAT return to the tax authorities.
Are penalties imposed in other circumstances?	Yes. A range of penalties can be imposed where businesses do not comply with the VAT rules.
Can the tax incurred by overseas businesses be claimed if they are not registered in your country?	No, only taxpayers, who obtained tax registration and perform taxed activity in Russia, are allowed to reclaim input VAT.
Deduction of VAT	VAT cannot be deducted from VAT base in the several cases: • on purchases of goods (works and services) and property rights which are used in non-taxed activities • on some business expenses that are limited for corporate income tax deduction (for example fuel for cars, business entertainment and travel, conferences, advertising, mobile phone expenses, etc.).

What is the principal indirect tax?

Value Added Tax (VAT) is the principal indirect tax in the Russian Federation. VAT is a federal tax and is payable to the federal budget of the Russian Federation.

VAT is a type of indirect tax which is charged on the final consumption of certain goods and services in the home market but is collected at every stage of production and distribution. Liability for VAT rests with the person supplying the taxable goods, works or services or importing goods into Russia.

However, the supplier is allowed to deduct from his VAT liability on sales made the amount of VAT paid and properly invoiced to him in relation to purchases effected by him, or VAT paid by him at importation. The actual burden of the tax is therefore borne by the final consumer.

Taxpayers are Russian companies, foreign companies and entrepreneurs without forming a legal entity. Taxpayers with taxable supplies below RUB 2,000,000 (approx US$35,000, VAT exclusive) in a three preceding months period have the right to an exemption from the fulfilment of VAT taxpayer obligations unless their taxable supplies exceed the mentioned limit. Please be aware that such exemption of taxpayers does not apply to excisable supplies and to VAT payable at importation of goods to the territory of Russia.

VAT is generally levied upon:

- supply of goods, works and services in the territory of the Russian Federation, including supply on a free-charge basis
- import of goods to the customs territory of the Russian Federation
- transfer of goods for own consumption
- performance of construction and assembly works for own purposes.

VAT is payable if such supplies are made in the Russian Federation by a taxpayer and not exempt or zero-rated. Supplies of goods, works, services, which are made in the Russian Federation and not exempt, are called taxable supplies.

The Russian Federation is regarded to be the place of performing work and providing services in case the purchaser of such work and services is registered (with tax authorities) in the territory of the Russian Federation. This rule applies to advisory, legal, accounting, advertising, marketing, engineering and data processing services. There are certain rules in respect to other types of services.

Generally, VAT amounts paid to suppliers of goods, work, services shall be offset if such goods, work and services were used for the operations subject to VAT; respective goods, services are reported in the taxpayer's accounts, proper documentation is available. VAT amounts may also be offset if goods, work and services sold are subject to VAT at the rate of 0% subject to special rules. If input VAT exceeds output VAT the difference may be reclaimed from the budget.

In some cases VAT amounts paid to the suppliers of goods, work, services are added to the profits tax deductible expenses (for example, if they are used for VAT exempt operations).

Is there a registration limit for the tax?

Russian legislation does not provide for a separate VAT registration. A foreign legal entity that conducts business activities in Russia through a separate division (representative office, branch, construction sites and other places of business) is required to register with the Russian tax authorities within 30 days of the commencement of such activities.

Therefore, once a company with presence in Russia gets registered with the Russian tax authorities it is considered to be registered for all taxes including VAT.

Does the same registration limit apply to non-established businesses?

This is not applicable in Russia, since the Russian legislation does not provide for a separate VAT registration.

Is there any specific legislation to tax non-resident supplies of electronically supplied/digital services to private consumers resident in your country?

From 1 January of 2017, providing electronic services within the territory of Russia by foreign providers are subject to VAT.

Tax legislation provides 14 types of taxable at rate 15,25% electronic services, including granting a right to use software (computer games, databases), rendering of advertisement services on the Internet, providing with domain names, trading of goods on the Internet.

All foreign legal entities that conduct the mentioned activities in Russia shall be registered with the Russian tax authorities within 30 days of the commencement of such activities.

Does a non-established business need to appoint a fiscal representative in order to register?

Not applicable.

How often do returns have to be submitted?

A tax period with respect to VAT is recognised as a quarter for all the taxpayers.

A VAT return shall be completed in relation to standard-rated and reduced-rated supplies, including lists for zero-rated supplies.

A VAT return for each tax period must be completed and submitted to the local tax authorities by 25th of a month

coming after the tax period (quarter). Please note that all VAT-payers must send tax returns in electronic format.

VAT is payable in the amount of 1/3 of VAT due for the quarter by the 25th of each month of the following quarter. For example, VAT for the 2nd quarter 2017 must be paid by 25 July, 25 August and 25 September in equal parts.

Taxpayers must complete the regular VAT return even if no supplies were made in the tax period.

Are penalties imposed for the late submission of returns/ payment of tax?

Failure by a taxpayer to submit a tax return to the tax authority entails a fine in the amount of 5% of tax which is payable (additionally payable) on the basis of that tax return for each full or partial month from the day which was established as the deadline for its submission, but not more than 30% and not less than RUB 1,000 (US$ 18).

If a taxpayer has any underpayment of VAT, Russian tax authorities might impose late payment interest. Currently, late payment interest is calculated as 1/300 of the Russian Central Bank refinancing rate for each day of non-payment of outstanding taxes within first 30 calendar days of non-payment and additionally as 1/150 of refinancing rate for each day from 31st calendar day of non-payment.

A tax agent may also be penalized for failure to withhold and remit VAT to the budget. A fine is equal to 20% of the amount to be withheld and remitted to the budget.

Are any other declarations required?

Companies and individual entrepreneurs that import goods from the territory of Belarus and Kazakhstan should submit a special VAT return to the tax authorities.

Are penalties imposed in other circumstances?

Yes. A range of penalties can be imposed where businesses do not comply with the VAT rules.

Tax and administrative penalties may be also applied for violation of procedure of electronic tax return's submission, failure to maintain adequate records, procedure of documents' storage, non-provision of documents to the tax authorities, repeated mistakes, unjustified reimbursement of VAT from the budget.

Criminal proceedings may be brought in the case of more serious matters.

Can the VAT incurred by overseas businesses be claimed if they are not registered in Russia?

No, foreign companies not registered with Russian tax authorities or foreign legal entities registered with Russian tax authorities, but not performing VAT activity are not entitled to recover Russian VAT charged by suppliers.

What information must a VAT invoice show?

A VAT invoice must show:

- the sequential number and date of issue of the invoice
- the name, address and taxpayer's identification numbers (TIN) of the supplier and the purchaser and the Code of the Reason for Registration (CRR)
- the name and address of the consignor and of the consignee
- the number of the payment and settlement document where advance or other payments are received in respect of future supplies of goods (performance of work, rendering of services)
- a description of goods supplied (dispatched) (a description of work performed or services rendered) a unit of measurement
- the quantity (volume) of goods (work and services) supplied (dispatched) in accordance with the invoice on the basis of the accepted units of measurement
- currency name
- the identifier of the state contract (if any)
- the price (tariff) per unit of measurement under the agreement (contract) excluding tax or, where State regulated prices (tariffs) which include tax are used, including the amount of tax
- the value of goods (work and services) for the entire quantity of goods supplied (dispatched) in accordance with the invoice (work performed, services rendered), excluding tax
- the amount of excise duty in the case of excisable goods
- the tax rate
- the amount of tax charged to the purchaser of goods (work and services)
- the value of the entire quantity of goods supplied (dispatched) in accordance with the invoice (work performed, services rendered), including the amount of tax
- the country of origin of goods
- the number of the customs declaration
- code of the type of goods in accordance with the single Commodity Nomenclature for Foreign Economic Activity of the Eurasian Economic Union (in respect of goods exported outside the territory of Russia).

Any supplies of goods and services, with exception of sale of securities, shall be reflected in VAT invoices. This applies to standard-rated, reduced-rated, zero-rated and exempted goods and services.

A supplier must issue two copies of a VAT invoice and send the original copy to the buyer within five days after the tax event occurred.

VAT invoice must also be issued by the supplier within five days after the advance is received.

Companies that apply Simplified Taxation System and Imputed Tax System do not issue VAT invoices since they are not taxpayers of VAT. Besides VAT invoices are not required in retail trading with individuals.

The VAT invoice shall be signed by the director and the chief accountant of the legal entity or by other officers so authorised in accordance with an internal order of the organisation. Where an invoice is issued by an individual entrepreneur, the invoice shall be signed by the individual entrepreneur indicating the particulars of the certificate of state registration of that private entrepreneur.

Please note that in case a VAT invoice has blank defects or does not indicate all required information, mentioned above, input VAT may not be reclaimed.

A VAT tax agent must issue VAT invoice indicating 'on behalf of a foreign legal entity' within five days after he withheld output VAT and transferred it to the budget.

Exempt supplies must be invoiced with indicating the words 'bot VAT taxable supplies'.

VAT invoices may be issued on the hard copies or electronically.

Are there any current or anticipated Standard Audit File for Tax (SAF-T) or similar electronic/digital filing requirements eg invoice listing data file/real-time VAT reporting?

There is no SAF-T requirement in Russia.

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Indirect tax snapshot

What are the current rate(s) of indirect tax?	• Standard rate of 20% for most goods and services. • Reduced rate of 10% for example for basic foodstuffs, medicines and medical devices, natural gas or passenger transportation. • Zero-rated goods and services include export of goods, transportation and other services related to export, import or transit, international air and river transportation services, goods and services used for supplying of aircrafts and ships used in international transport etc.
Are there any confirmed or anticipated changes to these rates?	No.
What is the principal indirect tax?	Value Added Tax (VAT) is the principal indirect tax in Serbia. It is a tax on consumer expenditure, and is collected on business transactions and imports.
Is there a registration limit for the tax?	Yes. It relates to turnover of taxable transactions in Serbia for the previous 12 months, and once the limit has reached it is necessary to register.
Does the same registration limit apply to non-established businesses?	No. There is no registration limit for businesses that are not established in Serbia. Foreign taxpayers will need to register as soon as they start to make supply of goods and services in Serbia.
Does a non-established person need to appoint a fiscal representative in order to register?	According to the latest changes in the Serbian legislation, foreign entities which make supplies of goods and services in Serbia are obliged to appoint a tax representative. Foreign entities are not obliged to register for VAT only when perform taxable supply to VAT payers, entities performing public administration services or entities performing passenger transportation services by busses. Fines and penalties for violations of mentioned provisions ranges between RSD 100,000 and RSD 2,000,000 for legal entities and RSD 50,000 for individuals.
How often do returns have to be submitted?	Most businesses are required to submit VAT returns on a monthly basis. The exceptions are businesses which total turnover in the last 12 months have not exceeded RSD 50,000,000 (approximately €410,000) and they submit VAT returns quarterly.
Are penalties imposed for the late submission of returns/payment of tax?	Yes. If a VAT return, or the corresponding payment, is submitted late a penalty can be imposed.
Are any other declarations required?	Yes. Additional declarations have to be submitted in certain circumstances. • Supply of goods and services intended for: – official needs of diplomatic and consular missions – official needs of international organisations, if so provided by the international agreements – personal needs of foreign staff of diplomatic and consular missions including their family members – personal needs of foreign staff of international organisations including their family members, if so provided by the international agreements. – supply of goods and services in accordance with donation agreements, under prescribed conditions – supply of goods and services in accordance with credit and/or loan agreements, under certain conditions – supply of goods and services in accordance with international agreements, under certain conditions. Also, starting from the filling of tax return for July 2018, VAT payers shall submit new form – VAT calculation overview, along with tax return.

Indirect tax snapshot

Are penalties imposed in other circumstances?	Yes. Penalties can be imposed for a range of errors or omissions.
Can the tax incurred by overseas businesses be claimed if they are not registered in your country?	Yes, in certain circumstances and subject to certain conditions.
Deduction of VAT	Transactions which are restricted from VAT recovery are the following: • purchase, production and import of cars, motorcycles, yachts, boats and aircrafts, facilities for storing these goods, fuels, spare parts and other expendables as well as renting, maintenance, repairing and other goods and services related to the use of these goods and facilities for their storing • entertainment expenses • expenses for transport of employees and other engaged persons to and from work • expenses for food and drink for employees and other work-engaged persons, except if food and drink are served in taxpayers's own catering facility and taxpayer charges a fee for this supply.

What is the principal indirect tax?

Value Added Tax (VAT) is the main type of indirect taxation in Serbia.

It is a tax on consumption which is applied during the production and distribution process to most goods and services. It is also applied to goods, and certain services, entering the country. Although VAT is ultimately borne by the consumer by being included in the price paid, the responsibility for charging, collecting and paying it to the tax authority at each stage of the process rests with the business making the supply, ie the sale.

A business registered for the tax will charge VAT (output tax) on its sales, and incur VAT (input tax) on its purchases (including any VAT paid at importation). The difference between the output tax and the deductible input tax in each accounting (tax) period will be the amount of VAT payable by the business to the tax authority. Where the input tax exceeds the output tax, a refund can be claimed.

A transaction is within the scope of Serbian VAT if the following conditions are met:

- it must be a supply of goods or services
- it must be made by the taxpayer (taxpayer is the person or entity which is registered for VAT in Serbia – that is person, including person which has not seat or place of residence in Serbia, that makes supply of goods and services independently in the scope of its business)
- the transaction should takes place in Serbia
- the transaction must be taxable supply
- the transaction must be performed within the framevork of the business activity.

There are three rates of VAT that are applied to goods and services in Serbia: the standard rate of 20%, the reduced rate of 10% and the zero rate. In addition, some goods and services are exempted from the tax. Businesses that make exempt supplies are unable to claim all of the input tax that they incur, so the VAT paid to suppliers will be a 'real' cost.

Most goods imported into Serbia are subject to VAT. The tax will have to be paid by the importer at the time of importation. Where the importation is for business purposes and the importer is registered for VAT, it may be possible to reclaim the tax (subject to certain rules).

It is also important to note the interaction between VAT and Customs duty. Customs duty is levied at the place where goods are imported into Serbia. It is levied in order to bring the cost of goods produced outside the country up to the same level as those produced within it. Once duty (and VAT) has been paid by the importer, the goods are in 'free circulation' and they can then be released for use in the home market. Unlike other indirect taxes, such as VAT, once duty has been paid it is not usually recoverable by the importer. It therefore represents a bottom line cost to the importing business if it cannot be passed on in higher prices. It is therefore very important to ensure that the correct rate of duty is applied. VAT is charged on the value of the importation, including any custom duty.

Is there a registration limit for the tax?

A 'person' who either makes or intends to make taxable supplies of goods or services in the course of its business must register for VAT, from the moment when total supplies for the previous 12 month exceeds a threshold of 8 million RSD (approximately €60,000). When calculating the threshold, it must be considered total amount of all taxable supplies and those exempt (with the right to deduct input tax), except amount of supply of equipment and facilities for the business purpose, which have been made by the taxpayer during the previous 12 month period.

For these purposes, a 'person' includes any entity, which fulfils the conditions imposed by the definition of taxpayer.

A business can be also registered on a voluntary basis, even if the registration limit has not been reached.

A penalty may be imposed by the tax authority if a business do not register or fails to register at the correct time. Penalties in this case range from 100,000 RSD to 2,000,000 RSD.

Does the same registration limit apply to non-established businesses?

The VAT registration limit does not apply to persons not established in Serbia. The persons not established in Serbia must register for VAT as soon as they begin their business activity in Serbia, regardless of registration threshold.

Is there any specific legislation to tax non-resident supplies of electronically supplied/digital services to private consumers resident in your country?

Yes, there are three provisions related to this case:

1. in the case non-resident entity makes supply of goods and services to non-taxable persons in Serbia, while considerations for this supply are collected by the taxable person on behalf and for the account of non-resident entity, tax debtor for this supply is taxable person which collects the consideration
2. the tax base does not include amounts collected by the taxable person on behalf and for the account of another taxable person (for example non-resident supplying electronically/digital services), if it is transferring this amount to the person on behalf and for the account of which the taxable person has collected the payment
3. there is obligation for non-established business to register for VAT and appoint a fiscal representative in case this entity performs supply of electronically services to private consumers in Serbia.

Does a non-established business need to appoint a fiscal representative in order to register?

An entity which makes supply of goods and services in Serbia, but has not an established business in Serbia, is obliged to appoint a fiscal representative. Fiscal representative will act on behalf and for the account of this entity while complying with the VAT rules (registering for VAT, calculation and payment of VAT, submitting VAT return etc.).

There is no obligation for non-established business to appoint a fiscal representative only in case this entity performs taxable supply in Serbia to:

- VAT payers
- entities performing public administration services
- entities performing passenger's transportation services by bus.

How often do returns have to be submitted?

Tax period is a calendar month. For the taxpayers which total turnover for the previous 12 month period exceeded 50 million RSD (approximately €410,000), for the tax debtors and for the entities which begin business activity in the current year.

Tax period is a quarter – for the taxpayers which total turnover for the previous 12-month period does not exceed 50 million RSD (approximately €410,000) and for the tax debtors which are not registered for VAT.

Taxable persons shall submit VAT return and make the related payment by the 15th of the calendar month following the end of tax period. Exceptions are tax debtors which are not registered for VAT, for which deadline for submission and payment of VAT liability is 10th day of calendar month following the end of tax period.

Are penalties imposed for the late submission of returns/payment of tax?

A wide range of penalties are imposed by the tax authority if VAT returns are not submitted on time and/or the related VAT liability is not calculated and/or is not paid by the due date.

Penalties range from 10% to 100% of due tax determined during the tax control procedure, but at least from 200,000 RSD to 500,000 RSD for legal entities.

Are any other declarations required?

Additional declarations have to be submitted in the following circumstances:

- supply of goods and services intended for:
  - official needs of diplomatic and consular missions,
  - official needs of international organisations, if so provided by the international agreements,
  - personal needs of foreign staff of diplomatic and consular missions including their family members,
  - personal needs of foreign staff of international organisations including their family members, if so provided by the international agreements.
- supply of goods and services in accordance with donation agreements, under prescribed conditions
- supply of goods and services in accordance with credit and/or loan agreements, under certain conditions
- supply of goods and services in accordance with international agreements, under certain conditions.

Also, starting from the filling of tax return for July 2018, VAT payers shall submit new form along with tax return, which is VAT calculation overview.

Are penalties imposed in other circumstances?

Yes. A range of penalties can be imposed where business do not comply with the VAT rules.

Some of the penalty taxes are as follows:

- penalties for errors and omissions on tax return – 30% of the difference between calculated VAT and amount have to be determined in accordance with the VAT rules
- penalties for not submitting additional declarations and other prescribed documentation – from 100,000 RSD to 2.000,000 RSD
- penalties for not maintaining adequate records and accounting evidences – from 100,000 RSD to 2,000,000 RSD.

Criminal proceedings may be brought in the case of more serious matters. For example, it could be brought for submission of incorrect tax return in order to achieve the right for ungrounded tax refund or tax credit.

Can the VAT incurred by overseas businesses be claimed if they are not registered in Serbia?

Yes, it may be possible to reclaim the VAT incurred in certain circumstances.

The reimbursement of VAT will be performed to a foreign taxpayer upon his request, for the supply of moveable goods and services in the Republic of Serbia, under the following conditions:

1. VAT for the supply of goods and services must be stated on the invoice and the invoice must be paid
2. the amount of VAT to be reimbursed must exceed €200 in dinar value at the official middle exchange rate of National Bank of Serbia
3. the conditions, under which a taxable person is entitled to a deduction of input tax for this goods and services, are fulfilled
4. foreign taxpayer does not make supply of goods and services in Serbia, except:
   - services of transportation of goods which are exempt from VAT in accordance with domestic rules
   - services of transportation of passengers which are according to domestic rules subject to individual taxation
   - goods or services for which tax debtor is VAT tax payer – the recipient of goods and services.

The reimbursement of VAT in these cases is provided under reciprocity.

What information must a VAT invoice show?

A VAT invoice must show the following information:

- an invoice number which is unique and sequential
- the place and date of issuing the invoice
- the seller's name, address and tax identification number
- the customer's name, address and tax identification number
- the time of supply (also known as tax point) and the amount of advance payments (if any)
- a description sufficient to identify the goods or services supplied to the customer (type of goods/services and the quantity of goods/extent of services)
- the amount of tax base
- applicable tax rate
- the amount of VAT charged
- notification that there is no VAT payable on those goods and services (in case of exempt supply or zero supply)
- notification that billing system (charging and payment of VAT on a cash basis) is applied.

VAT invoices can be issued, received and stored in electronic format and there is no need to tell the tax authority. Electronic invoices must contain the same information as paper invoices.

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Indirect tax snapshot

What are the current rate(s) of indirect tax?	• Standard rate of 20% for most goods and services. • Reduced rate of 10% for pharmaceutical products, medical products, some books and similar products.
Are there any confirmed or anticipated changes to these rates?	There are proposed changes in the Slovak VAT Act effective as of 1 January 2019, however these have yet to be approved.
What is the principal indirect tax?	Value Added Tax (VAT) is the principal indirect tax in Slovakia. It is a tax on consumer expenditure, and is collected on business transactions and imports.
Is there a registration limit for the tax?	Yes. It relates to the annual turnover of taxable transactions in the Slovakia, and once the limit has (or will be) reached it is necessary to register (€49,790). Applies on domestic taxable persons.
Does the same registration limit apply to non-established businesses?	No. There is no registration limit for businesses that are not established in Slovakia and they will need to register as soon as they start to make taxable transactions. Different registration requirements also apply to businesses involved with 'distance sales' made within the European Union (EU), eg internet sales.
Does a non-established person need to appoint a fiscal representative in order to register?	No, however in case of the import of goods to Slovakia from a non-EU country by foreign taxable party where a dispatch or transport of the imported goods ends in another EU member state, the foreign taxable person can opt a tax representative who will represent him in Slovakia.
How often do returns have to be submitted?	Generally, VAT returns must be submitted on a monthly basis. There is a possibility to submit VAT return on quarterly basis if certain circumstances are met.
Are penalties imposed for the late submission of returns/payment of tax?	Yes. If a VAT return, or the corresponding payment, is submitted late, a penalty can be imposed.
Are any other declarations required?	Yes. The taxpayer shall be obliged to submit a VAT transaction statement together with each VAT return including certain information regarding the documents included. The taxpayer is also obliged to submit a recapitulative statement (EC Sales List) for each calendar month in which he supplied goods or services from the territory of Slovakia to another EU member state to a person identified for tax purposes in another EU member state. Further there is obligation to submit inbound or outbound intrastate declaration in connection with goods moving/selling/purchasing to or from the EU on monthly basis after reaching a certain threshold.
Are penalties imposed in other circumstances?	Yes, penalties can be imposed for late VAT registration.
Can the tax incurred by overseas businesses be claimed if they are not registered in your country?	Yes, in certain circumstances and subject to certain conditions.

What is the principal indirect tax?

Value added tax is an indirect tax on the consumption of goods and services and is normally borne by the ultimate consumer. This, in general, is accomplished by imposing VAT on all stages of manufacturing, wholesaling, retailing, etc., but allows the supplier to offset VAT paid on his or her business expenses against the tax payable.

In addition, VAT is paid on the import of goods into Slovakia. A VAT-registered taxable person may recover such VAT to the extent that it relates to an economic activity carried on by him or her. Furthermore, a charge to VAT arises on goods acquired by a taxable person from another EU member state. This is commonly referred to as a tax on acquisitions also known as intra-Community acquisition.

Is there a registration limit for the tax?

Registration for VAT is obligatory for all domestic taxable persons whose turnover exceeds €49,790 for the previous consecutive 12 calendar months. This threshold will only apply to taxable persons with a registered seat or permanent address, place of business, or VAT fixed establishment in Slovakia.

The domestic taxable person can also apply for the voluntary VAT registration. In this case the domestic taxable person shall be obliged to prove their business activities carried out within the territory of Slovakia (for example by sending of business plan, issued invoices and etc.). Further, the domestic taxable person can be obliged to lodge tax collateral in the form of a cash deposit made to the account of the tax office.

There is an obligation for VAT registration if a domestic taxable person who is not the taxpayer acquires goods from another EU-member state within the territory of Slovakia, whereby the total value of goods acquired from other EU-member states, excluding the tax, exceeds €14,000 for a calendar year. Further, if a domestic taxable person who is not a taxpayer and has a seat, place of business, fixed establishment or domicile in the territory of Slovakia, supplies or receipts service from/to a foreign person from/to another EU-member state then such taxable person is obliged to register for VAT in Slovakia. The taxable person, registered for such 'special' VAT purposes, cannot be treated as a 'standard' VAT payer who has a right to claim input VAT levied on goods/services purchased within territory of Slovakia.

Group VAT registration

As of 1 April 2009 there exists a possibility to apply for VAT registration of group in Slovakia that enables taxable persons who have their seat, place of business or VAT fixed establishment within Slovakia and who are connected financially, economically or organizationally, to register for Slovak VAT as a single VAT payer.

As a result, transactions within the group are outside the scope of VAT. The Slovak tax authorities will register a VAT group as of 1 January of the year following that in which the registration request is filed, provided this is done by 31 October of that year. If the request for registration is filed after 31 October, the Slovak tax authorities will register the group for VAT as of 1 January of the second year following that year in which the registration request is filed.

Retroactive VAT registration

Retroactive VAT registration is possible only for taxable person that should have registered for VAT after 1 April 2009. In respect of deduction of input VAT taxable person which became VAT payer can under some conditions deduct input VAT but he should also pay output VAT from taxable supplies that occurred before official VAT registration with tax authorities.

Does the same registration limit apply to non-established businesses?

Registration of foreign taxable person

For foreign taxable person a single transaction which is subject to VAT in Slovakia, triggers the obligation to apply for VAT registration in Slovakia and to pay VAT under the Slovak VAT Act before commencing the business activities in Slovakia. The VAT registration therefore may be necessary for the taxable person without a registered seat or VAT fixed establishment in Slovakia as a result of transferring business assets to Slovakia, supplying goods or performing an acquisition of goods or an import of goods here.

Call-off stock VAT simplification

Slovak VAT Act allows a VAT simplification for foreign taxable entity, registered for VAT in another EU country (other than Slovakia) who transfers their own goods from another EU member state to a warehouse in Slovakia and these goods will be delivered to a single VAT payer known prior to delivery. If foreign VAT payer meets law requirements stated in Slovak VAT Act, he does not have to register for VAT purposes in Slovakia.

VAT liability arisen from the acquisition of goods will be paid by a Slovak customer (single VAT payer).

Long-distance sales

A foreign taxable person that makes long-distance sales in Slovakia to any persons, not registered for Slovak VAT, is obliged to register for VAT purposes at tax authorities Bratislava upon reaching a turnover of €35,000 in a calendar year. There is also a possibility of voluntary registration before reaching of law determined turnover. A foreign taxable person supplying goods into Slovakia via long-distance sales to a individual person and such goods is a subject of excise duty, must apply for VAT registration before commencing of such supplies.

Is there any specific legislation to tax non-resident supplies of electronically supplied/digital services to private consumers resident in your country?

With effect 1 January, 2015, Article 58 of Directive 2006/112/EC was amended. The rules determining the place of supply of electronically supplied services supplied to private consumers (B2C) changed from the Member State where the supplier belongs (ie where established) to the Member State of the consumer. The result of this is that local VAT is chargeable at the applicable rate in each of the Member States in which electronically supplied services are made (ie where the customer belongs). To ensure compliance with this, suppliers have the choice to either register for VAT in each Member State where their customers reside, or elect to register under the EU VAT Mini One Stop Shop (MOSS) simplification scheme in a single Member State (where they are established).

Businesses with multiple establishments in the EU can choose which Member State to operate MOSS (the Member State of identification). However, the MOSS cannot be used to report local sales to customers in a Member State in which suppliers of electronically supplied services have a fixed establishment. Non-EU suppliers without an establishment in a Member State are free to select a Member State of their choosing to operate MOSS and become their Member State of Identification.

Does a non-established business need to appoint a fiscal representative in order to register?

The import of goods to Slovakia from a non-EU country can be VAT exempt in case a dispatch or transport of the imported goods ends in the another EU member state. If an importer is a foreign taxable person who is not a Slovak VAT payer, he can opt a tax representative who will represent him in Slovakia. In such case the foreign taxable person does not have to register for VAT purposes in Slovakia and the tax representative applies the exemption from VAT on import of goods.

Foreign person may be represented by a VAT representative without need of VAT registration in Slovakia in the cases of acquisition of goods from another Member State to be supplied to another Member State (including distance selling) or to a third country (valid from 1 January 2018). The conditions are:

i the foreign person supplies goods exclusively through an electronic communication interface such as electronic marketplace, electronic platform, electronic portal or similar electronic means (e-commerce)

ii the foreign person is not a VAT payer in accordance with the Slovak VAT act

iii the foreign person does not supply goods or services where VAT liability payment would arise within the territory of Slovakia if this foreign person had a status of a VAT payer in Slovakia

How often do returns have to be submitted?

Monthly VAT returns must be filed if annual turnover exceeds €100,000. Where turnover for the previous 12 calendar months is less than €100,000, the VAT payer is obliged to file VAT returns for the calendar quarter.

A VAT payer with turnover below €100,000 may opt for submission of VAT returns on monthly basis. VAT returns must be submitted within 25 days after the end of a tax period and the due tax must be paid within the same time limit. A VAT payer can file VAT returns in paper format via post or electronically. Since 2014 each VAT payer (domestic and foreign) should be obliged to file documents with the tax authorities only in electronic format by using of:

- a guaranteed electronic signature
- a written agreement on electronic delivery of documents concluded with the VAT payer and the tax authority.

A legal person registered in the Commercial Register of Slovakia is obliged to deliver submissions by electronic means as of 01.01.2018.

An individual person registered for income tax is obliged to deliver submissions by electronic means from 01.07.2018.

If a taxpayer is registered in Slovakia as a foreign VAT payer or if the tax payer conducts his business activity in Slovakia through distance selling and has zero transaction during the tax period then there is no obligation to submit zero VAT return.

Are penalties imposed for the late submission of returns/ payment of tax?

A system of penalties exists to discourage failure to comply with the VAT system. Administrative penalties are generally either:

- penalties
- penalty interests.

Penalties and penalty interests are charged by the tax authorities via an official decision.

Late VAT returns or payments of VAT arrears

Failure to submit VAT returns on time is subject to the penalty between €30 and €16,000. Late payment of any VAT arrears results in penalty interest charge to the amount of four times the interest rate of the European Central Bank (ECB) for each day of delay, beginning with the day following the due date until the date of payment. If the four times ECB base rate does not exceed 15%, the base for penalty interest will be 15%. The tax administrator does not impose penalty interest for amounts that do not exceed €5.

Incorrect VAT returns or supplementary VAT returns

Incorrect VAT returns or errors attract penalty charges. The penalty is charged from the positive difference between the tax stated in the ordinary tax return and the tax stated in the supplementary tax return or the tax stated in the tax return and the tax identified by the relevant tax authorities.

The amount of penalty depends on the number of days of delay (eg days of recording the lower amount of VAT in the filled VAT return) and the applicable interest rate:

1. if an additional tax is assessed as a result of the tax audit, an interest rate per annum representing a triple of the ECB base interest rate (at least 10% per annum) will be used for calculation of the penalty
2. if a supplementary tax return is filed within 15 days from the start of tax audit, an interest rate per annum representing a double of the ECB base interest rate (at least 7% per annum) will be used for calculation of the penalty
3. if a taxable person files a supplementary tax return before the start of tax audit, its tax honesty will be 'rewarded' by use of the interest rate corresponding to the base interest rate of the ECB (at least 3% per annum) for calculation of the penalty.

The amount of penalty can be maximum up to the amount of the imposed tax. The tax administrator does not impose penalty interest for amounts that do not exceed €5.

Are any other declarations required?

VAT transaction statement

The VAT payer is obliged to submit a VAT transaction statement together with each VAT return. The VAT transaction statement includes certain information regarding the documents (issued and received invoices, credit and debit notes, cash receipts,..) included in VAT return.

VAT transaction statement must principally contain following information:

- VAT identification number of customer/supplier
- serial number of invoice
- date of supply of goods or services
- tax base in EUR
- amount of tax in EUR
- rate of tax in %.

EC sales lists

The VAT payer will be obliged to submit EC sales lists (ECLs) in case they make:

- intra-community supplies of goods from Slovakia to another EU member state
- intra-community transfer of own goods from Slovakia to another EU member state
- triangulation simplification as the first receiver of supplied goods
- supply of services with the place of supply in another EU member state.

The VAT payer is obliged to submit ECLs for a calendar quarter if the value of goods does not exceed €50,000 in the respective quarter and the four previous concurrent calendar quarters. In case this law limit is reached, the VAT payer must submit a monthly ECL. ECLs must be submitted no later than within 25 days after the end of the period to which they relate. ECLs must be filled only electronically.

Intrastat

Where the VAT payer acquiress goods from other EU member states or delivers goods to other EU member states, they must submit the Intrastat declaration when they reach a certain threshold. The thresholds are separately monitored for purchase of goods and supply of goods. Threshold for outbound transactions is €400,000; and for inbound transactions €200,000. Intrastat report has to be submitted on a monthly basis. The taxpayer is obliged to submit Intrastat declaration electronically.

Keeping of records on purchased motor vehicles

A VAT payer who will buy a used motor vehicle, registered in EU, from a taxable person identified for VAT purposes in another EU-member state for purposes of his further sale of this motor vehicle, he will be obliged to keep records about these goods. Such records must be prepared for each tax period in which the goods (the used motor vehicle) was purchased and they must be delivered on the prescribed form to the tax office in the deadline for submission of VAT return (see point 5). The records must contain following information:

- first name and last name of the seller, or the name of the seller and address of his seat, place of business, fixed establishment, domicile or habitual residence and VAT number assigned in the other member state
- value of the goods (vehicle)
- identification number of the vehicle (VIN)
- number of kilometers done
- date of first put in use of the vehicle
- date of invoice
- date of acquisition
- information whether the goods were sold with exemption of tax or if the special tax treatment for sale of used goods was applied due to VAT legislation valid in the EU member state from which the vehicle will be sold.

Are penalties imposed in other circumstances?

If the taxable person does not meet the obligation to register for VAT in given time frame, the tax authorities may impose penalty; a minimum of €60 and a maximum of €20,000. Further tax authority may impose a penalty for failure of records on purchased motor vehicles on time. If the tax payer fails deliver records on purchased motor vehicles on time or with incorrect data than Slovak tax authority may impose penalty up to €10,000.

Can the VAT incurred by overseas businesses be claimed if they are not registered in Slovakia?

Yes, it may be possible to reclaim the VAT incurred in certain circumstances. Two schemes exist, one or businesses established in the EU and another for businesses established elsewhere.

Businesses established in the EU

A foreign person who has a seat, place of business, fixed establishment or domicile in another EU-member state, and requests a tax refund through application shall be entitled to the refund of the tax on the goods and services supplied to him by the taxpayer within the territory of Slovakia. A foreign person (applicant) shall be entitled to tax refund if:

- the applicant is identified for tax purposes in the member state in which he has a seat, place of business, fixed establishment or domicile
- during the period in respect of which application for tax refund has been filed the applicant did not have a seat, place of business, fixed establishment or domicile within the territory of Slovakia
- during the period in respect of which application for tax refund has been filed the applicant did not supply goods or services within the territory of Slovakia, apart from certain limited exceptions.

The refund application must be submitted for a period of not more than one calendar year and the amount of the tax refund claimed shall not be less than €50. The refund application may be submitted for a period of less than one calendar year, but not shorter than three calendar months, provided that the amount of the tax refund claimed is not less than €400. The refund application is submitted via the electronic portal set up by the EU-member state in which he has a seat, place of business, fixed establishment or domicile and has to be made by 30 September of the year following that in which the VAT was incurred.

Businesses established outside of the EU

Businesses established outside of the EU can, subject to certain conditions, also reclaim the VAT incurred on imports into the Slovakia or purchases of goods and services used in the Slovakia. A foreign person from non-EU country (third country) has a right to claim VAT refund if:

- they are not registered or liable to be registered for VAT in the Slovakia
- they are not established in any EU country
- they made no supplies of goods and services in the Slovakia other than certain specified exceptions
- where they are established in a third country having a comparable system of turnover taxes, unless the Slovak tax authority allows otherwise, that country provides reciprocal arrangements for refunds to be made to taxable persons established in the Slovakia.

A VAT application form has to be submitted to the Slovak tax authority no later than up to 30 June of the year following that in which the VAT was incurred. The tax refund claim must not be less than €50.

What information must a VAT invoice show?

In accordance with of Slovak VAT act, the following are mandatory requirements to be shown on the invoice:

- the full name and address of the customer
- the full name of the taxable person (supplier)
- VAT number of customer
- VAT number of supplier
- serial number of invoice
- the date of supply of goods or services provided
- the date of issue of invoice
- the quantity of goods supplied
- the taxable amount per rate, unit price exclusive VAT, any discounts or rebates if they are not included in unit price
- the VAT rate applied or exemption from the tax (in case of the tax exemption, reference to the applicable provision of EU directive or to the corresponding Slovak VAT provision or reference in wording 'supply of goods or services is exempt')
- the total amount of VAT payable in euros
- where appropriate, reference in wording 'reverse charge' in case the customer is liable for the payment of the VAT.

The VAT payer may issue a simplified invoice in following cases:

- for sales with a value €100 and less including VAT
- for sales paid in cash via cash register with a value €1,000 and less including VAT
- for sales paid by credit cards or other electronic payment means via cash register with a value €1,600 and including VAT.

VAT invoices can be issued, received and stored either in electronic either in paper format. An electronic invoice is defined as an invoice which contains all mandatory invoicing requirements stated above and it is received or issued in electronic format. The selection of the electronic format is up to the decision of the parties of the taxable transaction. It could be a structured message, eg xml, or other format such as email with a pdf attachment. The taxable person is obliged to ensure the authenticity of origin of an invoice, the integrity of the content of an invoice and the legibility of an invoice whether on paper or in electronic form must be ensured from the issue until the end of the period for storage of the invoice. In the Slovak VAT Act is also stated the period during which every tax payer and taxable person is obliged to archive the invoices. The basic period for storage remains ten years following the year to which the invoices relates.

Are there any current or anticipated Standard Audit File for Tax (SAF-T) or similar electronic/digital filing requirements eg invoice listing data file/real-time VAT reporting?

There is no current or anticipated Standard Audit File for Tax (SAF-T) in Slovakia. However, VAT payers are obliged to prepare and submit so called 'VAT transaction statement' as a part of VAT return package. which is a detailed listing of transactions included in the VAT return in the prescribed form. Information such as customer/supplier´s VAT registration numbers, date of taxable supply, invoice number, VAT base amount, VAT amount, VAT rate, and so on should be filled in. The Slovak tax authorities can easily match the transaction performed between taxable persons.

Based on the information provided by the Financial directorate of Slovakia, the Slovak tax authority is able to track the transaction in chain and find out whether a transaction in a row is a fraud or not. If there is suspicious transaction determined based on the data stated in the VAT transaction statement, the Slovak tax authorities might initiate a local investigation or start a tax audit.

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Indirect tax snapshot

What are the current rate(s) of indirect tax?	• Standard rate of 22% for most goods and services. • Reduced rate of 9.5% for some goods and services.
Are there any confirmed or anticipated changes to these rates?	No.
What is the principal indirect tax?	Value Added Tax (VAT) is the principal indirect tax in Slovenia. It is a tax which is applied across the whole production and distribution chain.
Is there a registration limit for the tax?	€50,000 annual turnover (for agricultural activities €7,500).
Does the same registration limit apply to non-established businesses?	No. There is no registration limit for businesses that are not established in Slovenia and they need to register as soon as they start to make taxable transactions. Different registration requirements also apply to businesses involved with 'distance sales' made within the European Union (EU), eg mail order and internet sales.
Does a non-established person need to appoint a fiscal representative in order to register?	Yes, but only for non EU-businesses.
How often do returns have to be submitted?	The default tax return period in Slovenia is one calendar month. Businesses with a previous years' turnover of less than €210,000 per year may file quarterly returns. Regardless of the turnover, businesses which carrying out any intra-Community transactions must submit monthly returns. Non-resident and newly registered businesses must submit monthly returns.
Are penalties imposed for the late submission of returns/payment of tax?	No, if the return has been submitted before the tax office has started a tax inspection.
Are any other declarations required?	Yes. Additional declarations have to be submitted in respect of supplies made to customers who are registered for VAT elsewhere in the EU.
Are penalties imposed in other circumstances?	Yes. Penalties can be imposed for a range of errors or omissions.
Can the tax incurred by overseas businesses be claimed if they are not registered in your country?	Yes, in certain circumstances and subject to certain conditions.
Deduction of VAT	A taxable person shall not deduct the VAT from following deliveries: • yachts and boats intended for sport and recreation, fuels, lubricants, spare parts and services which are closely linked thereto, other than vessels used for transport of passengers and goods, leasing, renting and resale • aircraft, fuels, lubricants, spare parts and services which are closely linked thereto, other than aircraft used for transport of passengers and goods, leasing, renting and resale • passenger cars and motorcycles, fuels, lubricants, spare parts and services which are closely linked thereto, other than vehicles used for transport of passengers and goods, leasing, renting and resale, vehicles used in driving schools for the provision of the driver's training programme in accordance with the regulations in force and combined vehicles for carrying out an activity of a public line and special line transport, and special vehicles adapted exclusively for the transport of deceased people • entertainment expenses (where entertainment expenses shall include only the costs of entertainment and amusement during business or social contacts) • expenses for meals (including drinks) and accommodation expenses, except expenses incurred by taxable person in connection with these supplies in the ordinary course of his business.

What is the principal indirect tax?

Value Added Tax (VAT) is the main type of indirect taxation in Slovenia and in other European Union (EU) countries.

VAT is categorised as tax on consumption which is applied during the whole production and distribution process to most goods and services. Goods and services are taxed only to the value that was added during one particular phase which means that VAT for all previous phases was already deducted. One of the essential characteristics of VAT is to ensure neutrality between taxpayers as it avoids double taxation.

A business registered for the tax will charge VAT (output tax) on its sales, and incur VAT (input tax) on its purchases (including any VAT paid at importation). The difference between the output tax and the deductible input tax in each accounting period will be the amount of VAT payable by the business to the tax authority. Where the input tax exceeds the output tax, a refund can be claimed.

A transaction is within the scope of Slovenian VAT if the following conditions are met:

- the supply of goods and services, done in the scope of taxpayers' economic activities on the territory of Slovenia
- acquisition of the goods within the EU
- import of goods.

There are two rates of VAT that are applied to goods and services in Slovenia: the standard rate (22%) and the reduced rate (9.5%). In addition, some goods and services are exempted from the tax.

Businesses that make exempt supplies are unable to claim all of the input tax that they incur, so the VAT paid to suppliers will be a 'real' cost.

Goods imported into Slovenia from outside the EU are subject to VAT. The tax will have to be paid by the importer at the time of importation. Where the importation is for business purposes and the importer is registered for VAT, it may be possible to reclaim the tax (subject to certain rules).

Is there a registration limit for the tax?

A domestic taxable person who either makes or intends to make taxable supply of goods or services, which exceed €50,000 (€7,500 for agricultural activities) turnover in the period of twelve months, must register for VAT in Slovenia.

Small businesses can register on a voluntary basis even if the registration limit has not been exceeded, this registration is valid for a minimum period of five years. Foreign taxable person who makes supply to Slovenia is obliged to register for VAT in Slovenia regardless of the fact that it may not exceed the prescribed turnover limit.

For these purposes, a taxable person is any kind of legal entity (body) which meets the following requirements:

- they are carrying out one or more economic making activities
- these activities are done independently
- the purpose of activity is to gain long-term revenue if the activity includes capital utilisation.

Therefore, once a person is registered for VAT, all of his business activities will be covered by the registration – even if the nature of some of those activities is very different.

A penalty may be imposed by the tax authority if a business fails to register at the correct time.

Does the same registration limit apply to non-established businesses?

The VAT registration limit does not apply to businesses that are not established in Slovenia. Those businesses will need to register for VAT as soon as they commence trading in Slovenia, irrespective of the level of turnover.

Special rules for 'distance selling'

A VAT registration threshold of €35,000 applies. Distance selling occurs when a taxable supplier in one EU country supplies and delivers goods to a customer in another EU country who is not registered or liable to be registered for VAT. Such customers are known as non-taxable persons, and include private individuals and businesses and other organisations that are not registered for VAT (either because of their size, or the fact that they are exempt from having to register due to the nature of their activities). The common examples of distance sales are goods supplied by mail order and via the internet.

Is there any specific legislation to tax non-resident supplies of electronically supplied/digital services to private consumers resident in your country?

With effect 1 January 2015, Article 58 of Directive 2006/112/EC was amended. The rules determining the place of supply of electronically supplied services supplied to private consumers (B2C) changed from the Member State where the supplier belongs (ie where established) to the Member State of the consumer. The result of this is that local VAT is chargeable at the applicable rate in each of the Member States in which electronically supplied services are made (ie where the customer belongs). Therefore B2C supplies of electronically supplied services to customers in the UK are subject to UK VAT.

To ensure compliance with this, suppliers have the choice to either register for VAT in each Member State where their customers reside, or elect to register under the EU VAT MOSS simplification scheme in a single Member State (where they are established). Businesses with multiple establishments in the EU can choose which Member State to operate MOSS (the Member State of Identification). However, the MOSS cannot be used to report local sales to customers in a Member State in which suppliers of electronically supplied services have a fixed establishment. Non-EU suppliers without an establishment in a Member State are free to select a Member State of their choosing to operate MOSS and become their

Member State of Identification. The UK is popular choice for a MOSS registration due to the English language. This has been implemented in the Slovenian VAT legislation.

Does a non-established business need to appoint a fiscal representative in order to register?

For EU businesses registered for VAT in Slovenia no fiscal representative required. Non EU-businesses are required to appoint a fiscal representative.

How often do returns have to be submitted?

The default tax return period in Slovenia is one calendar month. Businesses with a previous years' turnover of less than €210,000 per year may file quarterly returns. Regardless of the turnover businesses which carrying out any intra-community transactions must submit a monthly return. Non-residents and newly registered businesses must submit monthly returns.

Are penalties imposed for the late submission of returns/ payment of tax?

No, if the return has been submitted before the tax office has started a tax inspection.

Are any other declarations required?

Businesses that are registered for VAT in Slovenia and make supplies of goods or services to traders registered for the tax in other EU countries are required to complete and submit EC Sales Lists (RP form). The RP must show details of the recipients of the goods and services and is submitted on a monthly basis.

Generally, RP's are only submitted for months in which there were supplies made to other EU countries, ie nil supplies do not have to be reported.

In addition, if the value of the intra-EU trade in goods dispatched or arriving from other EU is above an annual threshold, a supplementary declaration (referred to as an Intrastat declaration) has to be submitted for either or both. These declarations have to be submitted on a monthly basis.

Are penalties imposed in other circumstances?

Yes. A range of penalties can be imposed where businesses do not comply with the VAT rules.

Penalties and interest can be applied for errors and omissions made on tax returns, or where the tax is paid late. Penalties can also be applied where the business has failed to maintain adequate records, provide information (including additional declarations), or makes repeated mistakes.

Criminal proceedings may be brought in the case of more serious matters.

Can the VAT incurred by overseas businesses be claimed if they are not registered in Slovenia?

Yes, it may be possible to reclaim the VAT incurred in certain circumstances.

Two schemes exist, one for businesses established in the EU and another for businesses established elsewhere.

The EU cross border refund scheme is available in all EU Member States, and enables a business established in an EU country to recover VAT incurred in another Member State. To be eligible to make a claim, the claimant must be a taxable person established in an EU Member State other than the one from which the claim is to be sought. In addition, the claimant:

- must not be registered, liable, or eligible to be registered in the Member State from which the claimant is claiming the refund
- must have no fixed establishment, seat of economic activity, place of business or other residence there
- during the refund period he must not have supplied any goods or services in the Member State of refund, apart from certain limited exceptions.

The amount that is refundable is determined by the deduction rules that apply in the country making the refund. The claim is submitted electronically to the tax authority from whom the repayment is being sought.

The refund period must not cover more than one calendar year or less than three calendar months – unless it is covering the remainder of a calendar year. The claim has to be made by 30 September of the year following that in which the VAT was incurred.

Businesses established outside of the EU can, subject to certain conditions, also reclaim the VAT incurred on imports into Slovenia or purchases of goods and services used in Slovenia. The scheme is available to any person carrying on a business established in a third country ie outside the EU, provided that in the period of the claim:

- they were not established in Slovenia, ie no seat or permanent establishment in Slovenia; no residence nor habitual abode in Slovenia in cases where there is no seat or permanent establishment in Slovenia
- they made no supplies of goods and services in Slovenia other than certain specified exceptions
- where they are established in a third country having a comparable system of turnover taxes, unless the Slovenian tax authority allows otherwise, that country provides reciprocal arrangements for refunds to be made to taxable persons established in Slovenia.

The deadline for the submission of VAT refund request for businesses from third countries is 30 June in the year following the year to which the VAT refund request relates.

The deadline for the submission of VAT refund request for businesses from other EU countries is 30 September in the year following the year to which the VAT refund request relates. In this case the VAT refund request is submitted electronically via the VAT refund portal.

What information must a VAT invoice show?

A VAT invoice must show:

- the date of invoice
- a unique, sequential number which identifies the invoice
- the VAT identification number under which the taxable person supplied the goods or services
- the customer's VAT identification number under which the customer received a supply of goods or services in respect of which he/she is liable for payment of VAT, or received a supply of goods or services as referred to in Article 46 of ZDDV-1
- name and address of the taxable person and its customer or client
- quantity and nature of supplied goods or the extent and nature of the services rendered
- the date on which the supply of goods or services was made or completed or the date on which the payment on account was made if that date is known and is different from the invoice date
- the taxable amount, the unit price exclusive of VAT, and any discounts and rebates if they are not included in the unit price
- the applied VAT rate
- the amount of VAT
- the total value of the invoice/the total amount payable, excluding VAT
- the 'self-invoicing' indication if the invoice is issued by the buyer of goods or services or on behalf of and for the account of the taxable person
- in the case of a VAT exemption, a reference to the valid provision of Council Directive 2006/112/EC or the appropriate article of this Act or other reference pointing to the fact that the supply of goods or services is exempt from VAT
- if a VAT payer is the buyer of goods or services, the 'reverse charge' indication
- details to support zero VAT – export, reverse charge or intra-community supply
- a description sufficient to identify the goods or services supplied to the customer
- the rate of any cash discount
- the customer's name and address.

VAT invoices can be issued, received and stored in electronic format and there is no need to tell the tax authority. Electronic invoices must contain the same information as paper invoices. The method used to ensure the authenticity of origin, the integrity of content and legibility of the invoices is a business choice and can be achieved by any business controls which create a reliable audit trail between an invoice and a supply of goods or services.

Are there any current or anticipated Standard Audit File for Tax (SAF-T) or similar electronic/digital filing requirements eg invoice listing data file/real-time VAT reporting?

There are no current or anticipated Standard Audit File for Tax (SAF-T) or similar electronic/digital filing requirements, eg invoice listing data file/real-time VAT reporting.

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Indirect tax snapshot

What are the current rate(s) of indirect tax?	• Standard rate of 21% for most goods and services. • Reduced rate of 10% for a specific list which includes, for example, substances normally used for human and animal nutrition except alcoholic drinks, residential buildings or passenger transport. • Super-reduced rate of 4% for a specific list which includes, for example, ordinary bread, milk and derivatives, cheeses, eggs, fruits and cereals and books.
Are there any confirmed or anticipated changes to these rates?	No.
What is the principal indirect tax?	Value Added Tax (VAT) is the principal indirect tax in Spain. It is a tax on consumer expenditure, and is collected on business transactions and imports.
Is there a registration limit for the tax?	No, in general terms there is no threshold in Spain. Taxpayers that make taxable supplies in Spain have to register for VAT in Spain and submit periodic VAT returns.
Does the same registration limit apply to non-established businesses?	Yes. Foreign companies not established for VAT purposes in Spain, which make taxable supplies in Spain, may need to register in Spain (if the service is considered to be rendered in Spain or the good delivered in Spain).
Does a non-established person need to appoint a fiscal representative in order to register?	In certain circumstances, a non-established person may need to appoint a fiscal representative before the tax authority.
How often do returns have to be submitted?	Most businesses are required to submit VAT returns on a quarterly basis. For large taxpayers (revenue exceeding €6,010,121.04 in the preceding calendar year), for taxpayers that are included in the special registry for monthly VAT refunds and for VAT Groups, VAT returns have to be filed for a monthly period.
Are penalties imposed for the late submission of returns/payment of tax?	Yes. If a VAT return, or the corresponding payment, is submitted late a penalty can be imposed.
Are any other declarations required?	Yes. Additional declarations have to be submitted in respect of certain supplies made to customers who are registered for VAT elsewhere in the EU. Declarations also have to be submitted in certain circumstances in connection with goods moving to or from the EU.
Are penalties imposed in other circumstances?	Yes. Penalties can be imposed in relation to errors or omissions.
Can the tax incurred by overseas businesses be claimed if they are not registered in your country?	Yes, in certain circumstances and subject to certain conditions.

What is the principal indirect tax?

Value Added Tax (VAT) is the main type of indirect taxation in Spain and in other European Union (EU) countries. It is a tax on consumption which is applied on supplies of goods or services, intra-community acquisitions and imports.

VAT is ultimately borne by the consumer by being included in the price paid, although the responsibility for charging, collecting and paying it to the tax authority at each stage of the process rests, in general terms, with the business making the supply.

The supplier will charge VAT (output tax) on its sales, and incur VAT (input tax) on its purchases. The difference between the output tax and the deductible input tax in each accounting period will be the amount of VAT payable to the tax authority.

Where the input tax exceeds the output tax, a refund can be claimed.

A transaction is within the scope of Spanish VAT if the following conditions are met:

- it is a supply of goods or services
- it takes place within the Spanish territory
- it is made by a business or professional for valuable consideration, either regularly or occasionally
- it is made in the course or furtherance of any business carried on by that person or entity.

Any business that makes taxable transactions in Spain should be, generally, VAT registered in Spain.

There are three rates of VAT that are applied to goods and services in Spain; the standard rate, the reduced rate, and the super-reduced rate. In addition, some goods and services are exempted from the tax. Businesses that make exempt supplies are unable to claim all of the input tax that they incur, so the VAT paid to suppliers will be a 'real' cost. The most important exemptions are (although they restrict deduction of input VAT):

- medical and social services
- financial and insurance transactions
- educational and sport services
- lease of some kind of real state.

Most goods imported into Spain from outside the EU are subject to VAT. The tax will have to be paid by the importer at the time of importation. There is an import deferral regime applicable under certain requirements. Where the importation is for business purposes and the importer is registered for VAT, it may be possible to reclaim the tax (subject to certain rules). It is also important to note the interaction between VAT and customs duty. Customs duty is levied across the EU at the place where goods are imported into the community.

It is levied in order to bring the cost of goods produced outside the EU up to the same level as those produced within it. Once duty (and VAT) has been paid by the importer, the goods are in 'free circulation' and they can then be released for use in the home market. Unlike other indirect taxes, such as VAT, once duty has been paid it is not usually recoverable by the importer. It therefore represents a bottom line cost to the importing business if it cannot be passed on in higher prices. It is therefore very important to ensure that the correct rate of duty is applied. VAT is charged on the value of the importation, including any custom duty.

Is there a registration limit for the tax?

Any business or professionals that make taxable supplies in Spain would have to register for VAT in Spain and submit periodic returns. In general, there is no threshold for VAT registration in Spain. If two or more entities form part of a group, all of them are established within Spain and are linked to each other by financial, economic and organisational orders, they could apply the special regime for group of entities. In this sense, it is deemed as group of entities the one formed by a parent company and its subsidiaries.

In this sense, it is considered a parent company the one meeting the following conditions:

- it has its own legal personality, also permanent establishments
- it has the control over the others through a direct or indirect participation of over 50% in the capital or voting rights of them and this participation remains during a calendar year
- it is not a subsidiary of any other entity established in Spain that could be also considered as a parent company in itself.

A corporate body cannot be treated as a member of more than one VAT group at a time. The main advantage of being part of a VAT group is the offsetting of individual self-assessments of the entities within the group. The parent company shall make the payment or receive the refund of the aggregate balances.

However, each entity constituting the VAT group is jointly and severally liable for the VAT due by the VAT group. The option to apply the special regimen for group of entities is binding for three years (if the requirements continue to be met).

Does the same registration limit apply to non-established businesses?

Regarding non-established businesses in Spain, a VAT registration limit does not exist. Foreign companies, not established for VAT purposes in Spain, that intend to make taxable supplies in Spain may need to register (this obligation may apply to businesses that supply goods or services deemed rendered in Spain). Registration for VAT in Spain may also be required where a non-established EU business is involved with distance selling.

Distance selling occurs when a taxable supplier in one EU country supplies and delivers goods to a customer in another EU country who is not liable to be registered for VAT, as private individuals. The common examples of distance sales are goods supplied by mail order and via internet.

Each EU country has the option of applying a distance selling threshold of either €35,000 or €100,000 per calendar year, or

the equivalent in its own currency. Spain has adopted an annual threshold of €35,000. Distance sales from another EU country to non-taxable persons in Spain will be subject to VAT at the appropriate rate in the suppliers country. However, once the value of those distance sales to Spain exceeds the Spanish threshold:

- the supplier becomes liable to register for VAT in Spain
- Spain becomes the place of supply
- any further sales to customers in the Spain are subject to Spanish VAT.

Even if the threshold is not exceeded, the supplier can opt to waive the threshold rule. The option is binding for two calendar years.

Is there any specific legislation to tax non-resident supplies of electronically supplied/digital services to private consumers resident in your country?

Where these services are supplied to customers that are not businesses, the services will be taxed in the Member State in which the customer is established, has his permanent address or usually resides.

As a consequence, two optional special regimes are established (for suppliers outside and inside the EU). This will allow them to avoid being registered in each Member State in which the transactions are made.

Does a non-established business need to appoint a fiscal representative in order to register?

In general terms, non-established businesses in Spain do need to appoint a fiscal representative and to inform the tax authority, before starting taxable transactions in Spain. This obligation will not apply to taxable persons established in other EU country.

How often do returns have to be submitted?

VAT returns are normally prepared on a quarterly basis. They are due for submission within 20 days after the quarter end. For large taxpayers (revenue exceeding €6,010,121.04 in the preceding calendar year), for taxpayers that are included in the special registry for monthly VAT refunds and for VAT Groups, VAT returns must be filed for a monthly period. They are due for submission up to the 30th of the following month.

Annual summary returns must be submitted by 30 January of the following calendar year. Taxpayers that file monthly VAT returns do not submit Annual summary return.

Are penalties imposed for the late submission of returns/ payment of tax?

If a VAT return is not submitted on time or the related tax is not paid by the due date, the tax authority may impose penalties or surcharges to the taxpayer. Late submission or payments without a request from the tax authority are subject to a surcharge of 5%, 10% or 15% when the payment is made within three, six or 12 months of the deadline respectively.

When the payment is made after 12 months of the deadline a surcharge of 20% plus delay interest is applicable. Late submission or payments after a request from the tax authority are subject to fines of between 50 and 150%, plus interest.

However, if the penalty is not disputed by the taxpayer and the payment of the penalty is made within the deadline, a 25% reduction of the penalty applies.

Are any other declarations required?

Businesses that make supplies or acquisitions of goods or services to traders registered for VAT in other EU countries are required to submit the recapitulative statement of intra-community operations. This statement will have to be submitted on monthly basis. However, if the volume of Intra-community supplies of goods does not exceed €50,000, the statement will have to be submitted on quarterly basis.

This statement could be also submitted annually in certain circumstances.

In addition, if the value of the intra-EU trade in goods dispatched or arriving from other EU country is above an annual threshold (€400,000 as from 2015), Intrastat declaration has to be submitted for either or both. These declarations have to be submitted on a monthly basis.

Are penalties imposed in other circumstances?

Yes. Penalties could be imposed where businesses do not comply with the VAT rules. Penalties can be applied for errors and omissions made on tax returns, or where the tax is paid late. Penalties can also be applied where the business has failed to maintain adequate records, provide information (including in requests from the tax authority) or when a VAT refund is claimed improperly. Criminal proceedings may be brought in the case of more serious matters.

Can the VAT incurred by overseas businesses be claimed if they are not registered in Spain?

Yes, it may be possible to reclaim the VAT incurred in certain circumstances. Two schemes exist, one for businesses established in the EU and another for businesses established elsewhere.

The EU cross border refund scheme is available in all EU member states, and enables a business established in an EU country to recover VAT incurred in another member State. To be eligible to make a claim, the claimant must be a taxable person established in an EU member State other than the one from which the claim is to be sought. In addition, the claimant:

- must not be registered, liable, or eligible to be registered in the member state from which he is claiming the refund
- must have no fixed establishment, seat of economic activity, place of business or other residence there involved in the supply of goods or services performed during the period covered by the claim
- during the refund period he must not have supplied any goods or services in the member State of refund, apart from certain limited exceptions.

The amount that is refundable is determined by the deduction rules that apply in the country making the refund. The claim is submitted electronically to the tax authority from whom the repayment is being sought. The refund period must cover a quarter or a calendar year – or a shorter period where it represents the reminder of a calendar year. The claim has to be made by 30 September of the year following that in which the VAT was incurred.

Businesses established outside of the EU can, subject to certain conditions, also reclaim the VAT incurred on imports into Spain or purchases of goods and services where Spanish VAT has been charged. The scheme is available to any person carrying on a business established outside the EU, provided that in the period of the claim:

- they were not registered or liable to be registered for VAT in Spain
- they were not established in any EU country
- they made no supplies of goods and services in Spain other than certain specified exceptions
- they are not the addresser of supplies of goods and services where reverse charge is applicable
- they comply with the requirements and limitations for deducting VAT
- they are established in a third country that provides reciprocal arrangements for refunds to be made to taxable persons established in Spain. Spain has arranged reciprocal agreements with Canada, Israel, Japan, Monaco, Norway and Switzerland; this agreements states specific operations in which VAT could be claimed back
- as of the 1st January 2015, reciprocal agreements are not required for claiming the VAT borne on the imports or acquisitions of the following goods or services:
  a Molds and equipment to be used for fabricating goods to be exported to the non-established business or professional or destroyed
  b Access to services, hotels, restaurants and transport linked to the attendance to fairs, conferences and exhibitions of commercial or professional nature.

The claim is also submitted electronically and must cover a quarter or a calendar year – or a shorter period where it represents the reminder of a calendar year. The claim has to be made by 30 September of the year following that in which the VAT was incurred.

What information must a VAT invoice show?

A VAT invoice must show:

- an invoice number which is unique and sequential
- the seller's name and address
- the seller's VAT registration number
- the invoice date
- the time of supply (also known as tax point) if this is different from the invoice date
- the customer's name and address
- a description sufficient to identify the goods or services supplied to the customer
- VAT rate applied
- the total amount of VAT charged expressed in euros.

For each different type of item listed on the invoice, it must be shown separately its corresponding taxable base. Where a VAT invoice includes exempt goods or services, it must specifically state the applicable articles of the Spanish legislation or the EU Directive, or a mention of that the operation is exempt. Where a VAT invoice includes certain operations as those where reverse charge rule applies, special regime for travel agencies or special regime for artworks, this must be mentioned on the invoices.

Where a business makes sales of goods or services not exceeding €400, a simplified VAT invoice can be issued. Simplified VAT invoices could be also issued in certain operations where the value does not exceed €3,000. VAT invoices can be issued, received and stored in electronic format. Electronic invoices must contain the same information as paper invoices. The method used to ensure the authenticity of origin, the integrity of content and legibility of the invoices is a business choice and can be achieved by any business controls which create a reliable audit trail between an invoice and a supply of goods or services.

Are there any current or anticipated Standard Audit File for Tax (SAF-T) or similar electronic/digital filing requirements eg invoice listing data file/real-time VAT reporting?

Businesses that file monthly VAT returns and taxpayers that voluntarily opt in for the Immediate Supply of Information on VAT(ISI) have to prepare the VAT Books through the tax authorities electronic portal. The ISI obliges companies to provide the information about the invoices issued and received within 4 days after their issuance or booking, respectively. Companies must send the tax authorities invoicing details electronically, using web services based on exchanging XML messages.

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Indirect tax snapshot

What are the current rate(s) of indirect tax?	• Standard rate of 25% for most goods and services. • Reduced rate of 12% for food stuff, hotel, restaurant and catering services. • Reduced rate of 6% for books and printed matter, concerts and performances at cinemas (cinemas 25% as of 1 January 2017), theatres, operas, sporting activities, animal parks and passenger transport.
Are there any confirmed or anticipated changes to these rates?	Yes. Cinemas form 6% to 25% and minor repairs from 25% to 12% as of 1 January 2017. Guided tours in area of nature from 25% to 6% as of 1 January 2018.
What is the principal indirect tax?	Value Added Tax (VAT) is the principal indirect tax in Sweden. It is a tax on consumer expenditure, and is collected on business transactions and imports.
Is there a registration limit for the tax?	Yes, the threshold for VAT registration is SEK 30,000 as of 1 January 2017. Applicable only on businesses established in Sweden.
Does the same registration limit apply to non-established businesses?	Yes. They will need to register as soon as they start to make a taxable transaction for which they are liable for to Swedish VAT. Different registration requirements apply to businesses involved with 'distance sales' made within the European Union (EU) eg mail order and internet sales.
Does a non-established person need to appoint a fiscal representative in order to register?	In certain circumstances businesses outside The EU must appoint a tax agent. The tax agent must be approved by the tax authorities.
How often do returns have to be submitted?	Most businesses are required to submit VAT returns covering three month accounting periods. However, returns must be submitted on a monthly basis if your annual turnover in Sweden exceeds SEK 40,000,000.
Are penalties imposed for the late submission of returns/payment of tax?	Yes. If a VAT return, or the corresponding payment, is submitted late a penalty fee will be imposed. Late payment will render an interest cost.
Are any other declarations required?	Yes. Additional declarations have to be submitted in respect of certain supplies made to customers who are registered for VAT elsewhere in the EU. Declarations also have to be submitted in certain circumstances in connection with goods moving to or from the EU.
Are penalties imposed in other circumstances?	Yes. Penalties can be imposed for a range of errors or omissions.
Can the tax incurred by overseas businesses be claimed if they are not registered in your country?	Yes, in certain circumstances and subject to certain conditions.

What is the principal indirect tax?

Value Added Tax (VAT) is the main type of indirect taxation in Sweden and in other European Union (EU) countries.

It is a tax on consumption which is applied during the production and distribution process to most goods and services. It is also applied to goods, and certain services, entering the country. Although VAT is ultimately borne by the consumer by being included in the price paid, the responsibility for charging, collecting and paying it to the tax authority at each stage of the process rests with the business making the supply, ie the sale.

A business registered for the tax will charge VAT (output tax) on its sales, and incur VAT (input tax) on its purchases (including any VAT paid at importation). The difference between the output tax and the deductible input tax in each accounting period will be the amount of VAT payable by the business to the tax authority. Where the input tax exceeds the output tax, a refund will be credited to your tax account and later on repaid to your business.

A transaction is within the scope of Swedish VAT if the following conditions are met:

- it is a supply of goods or services. Although the term 'supply' is not defined in the legislation, it has a broad interpretation
- it takes place in Sweden
- it is made by a taxable person. For these purposes, a taxable person is a person or entity who is registered for VAT in Sweden, or has a liability to become registered
- it is made in the course or furtherance of any business carried on by that person or entity.

There are three rates of VAT that are applied to goods and services in Sweden; the standard rate 25%, the reduced rate of 12% and the reduced rate of 6%. In addition, some goods and services are exempted from the tax.

Businesses that make exempt supplies are normally unable to claim the input tax that they incur related to the exempt supply, so the VAT paid to suppliers will be a 'real' cost.

Most goods imported into Sweden from outside the EU are subject to VAT. The tax will have to be reported by the importer in connection with the importation. Where the importation is for business purposes and the importer is registered for VAT, it may be possible to reclaim the tax (subject to certain rules). Since January 2015, the import VAT should be reported in the VAT return to the Swedish tax agency. This was earlier reported to Swedish Customs.

It is also important to note the interaction between VAT and Customs duty. Customs duty is levied across the EU at the place where goods are imported into the community. It is levied in order to bring the cost of goods produced outside the EU up to the same level as those produced within it. Once duty (and VAT) has been paid by the importer, the goods are in 'free circulation' and they can then be released for use in the home market. Unlike other indirect taxes, such as VAT, once duty has been paid it is not usually recoverable by the importer. It therefore represents a bottom line cost to the importing business if it cannot be passed on in higher prices. It is therefore very important to ensure that the correct rate of duty is applied and that it is only the importer that can report the import VAT as input VAT. VAT is charged on the value of the importation, including any custom duty.

Is there a registration limit for the tax?

A 'person' who either makes or intends to make taxable supplies of goods or services in the course or furtherance of a business must register for VAT. However, as of 1 January 2017, Sweden has a voluntary threshold for VAT registration of local businesses not exceeding an annual turnover of SEK 30,000.

For these purposes, a 'person' includes any legal entity. Therefore, once a person is registered for VAT, all of his business activities will be covered by the registration – even if the nature of some of those activities are very different.

Two or more corporate bodies in the financial and/or insurance sector, or companies in 'an agency relationship' for income tax purposes can be registered together as a VAT group if they belong to the same group of companies.

The main advantage of VAT group registration is that any supply of VAT liable goods or services (for example administration and IT) by a member of the group to another member of the group is disregarded for VAT purposes. This reduces the VAT costs in the group.

Does the same registration limit apply to non-established businesses?

Non-established businesses will need to register for VAT as soon as they commence trading in Sweden and provide supplies subject to local Swedish VAT for which the foreign company should report the VAT amount to the Swedish Tax Agency ie if the local reverse-charge mechanism cannot be applied. The threshold of SEK 30,000 is not applicable on foreign businesses, ie non-established businesses (see comments above).

Registration for VAT in Sweden may also be required where a non-established EU business is involved with distance selling. Distance selling occurs when a taxable supplier in one EU country supplies and delivers goods to a customer in another EU country who is basically not registered or liable to be registered for VAT. Such customers are known as non-taxable persons, and include private individuals and businesses and other organisations that are not registered for VAT for example that they are exempt from having to register due to the nature of their activities). The common examples of distance sales are goods supplied by mail order and via the Internet.

Each EU country has the option of applying a distance selling threshold of €35,000 or the equivalent in its own currency. In Sweden the threshold is SEK 320,000.

Distance sales from another EU country to non-taxable persons in Sweden will be subject to VAT at the appropriate rate in the suppliers country. However, once the value of those distance sales to Sweden exceeds the Swedish threshold of SEK 320,000:

- the supplier becomes liable to register for VAT in Sweden
- Sweden becomes the place of supply
- any further sales to customers in Sweden are subject to Swedish VAT.

Suppliers can choose to make Sweden the place where the goods are supplied by registering for VAT voluntarily before the threshold is reached.

Is there any specific legislation to tax non-resident supplies of electronically supplied/digital services to private consumers resident in your country?

With effect 1 January, 2015, Article 58 of Directive 2006/112/EC was amended. The rules determining the place of supply of electronically supplied services supplied to private consumers (B2C) changed from the Member State where the supplier belongs (ie where established) to the Member State of the consumer. The result of this is that local VAT is chargeable at the applicable rate in each of the Member States in which electronically supplied services are made (ie where the customer belongs). To ensure compliance with this, suppliers have the choice to either register for VAT in each Member State where their customers reside, or elect to register under the EU VAT MOSS simplification scheme in a single Member State (where they are established). Businesses with multiple establishments in the EU can choose which Member State to operate MOSS (the Member State of Identification). However, the MOSS cannot be used to report local sales to customers in a Member State in which suppliers of electronically supplied services have a fixed establishment. Non-EU suppliers without an establishment in a Member State are free to select a Member State of their choosing to operate MOSS and become their Member State of Identification.

Does a non-established business need to appoint a fiscal representative in order to register?

The tax authority in Sweden may direct a person to appoint a VAT agent to act on his behalf for VAT purposes where the person:

- is a taxable person or makes taxable supplies or acquires goods in Sweden from one or more other EU countries
- is not established, and does not have a 'fixed establishment' in Sweden
- is established in a country or territory which is not an EU country (or part of such a country) and where it appears to the Swedish tax authority that there is no provision for mutual assistance similar to that which provided between Sweden and other EU countries.

How often do returns have to be submitted?

The option to report VAT in the income tax return is abolished. Instead, reporting is to be done in a VAT return.

The accounting period is a calendar month if the taxable amount, excluding intra-EU acquisitions and imports, is estimated to exceed SEK 40 million for the tax year.

The accounting period is three months (a calendar quarter) if the taxable basis excluding intra-EU acquisitions and imports is estimated to a maximum of SEK 40 million for the tax year.

The accounting period is an entire tax year if the taxable basis, excluding intra-EU acquisitions and imports, is estimated to exceed SEK 1 million for the tax year.

If you so request, the Swedish tax agency shall decide that the accounting period should be one calendar month instead of a calendar quarter. If the accounting period should be an entire tax year, you may request to be allowed to report VAT once per calendar month or once per calendar quarter. Normally, such a decision will apply for at least 24 consecutive calendar months. If there are special reasons, the Swedish tax agency shall decide that you must report VAT every calendar month or calendar quarter without your having requested this.

Are penalties imposed for the late submission of returns/ payment of tax?

A default surcharge penalty of SEK 625 will be imposed by the tax authority if VAT returns are not submitted on time. If the related tax is not paid by the due date the tax authority will charge you interest.

Are any other declarations required?

Businesses that are registered for VAT in Sweden, and make supplies of goods or services to traders registered for the tax in other EU countries are required to complete and submit EC Sales Lists (ESLs). The ESLs must show details of the recipients of the goods and services. Goods are to be submitted monthly and services quarterly. There are exemptions. Late filing fee is SEK 1,250.

Are penalties imposed in other circumstances?

Yes. A penalty of maximal 20% of the not reported/wrongly reported VAT will be applied. There are no penalties for late payment of the tax, but the applicable interest rate could be quite high in certain cases.

Criminal proceedings may be brought in the case of more serious matters. However, criminal proceedings cannot be combined with the above penalty (so called double punishment is not allowed).

Can the VAT incurred by overseas businesses be claimed if they are not registered in Sweden?

Yes, it may be possible to reclaim the VAT incurred in certain circumstances.

Two schemes exist, one for businesses established in the EU and another for businesses established elsewhere.

The EU cross border refund scheme is available in all EU member states, and enables a business established in an EU country to recover VAT incurred in another member State. To be eligible to make a claim, the claimant must be a taxable person established in an EU member State other than the one from which the claim is to be sought. In addition, the claimant:

- must not be registered, liable, or eligible to be registered in the member state from which he is claiming the refund
- must have no fixed establishment from which: VAT liable transactions are performed (ECJ C 318/11 och C 319/11 Daimler and Widex A/S 2012-10-25), seat of economic activity, place of business or other residence
- during the refund period he must not have supplied any goods or services in the member state of refund, apart from certain limited exceptions.

The amount that is refundable is determined by the deduction rules that apply in the country making the refund. The claim is submitted electronically to the tax authority from whom the repayment is being sought.

The refund period must not cover more than one calendar year or less than three calendar months – unless it is covering the remainder of a calendar year. The claim has to be made by 30 September of the year following that in which the VAT was incurred.

Businesses established outside of the EU can, subject to certain conditions, also reclaim the VAT incurred on imports into Sweden purchases of goods and services used in Sweden.

The following conditions must be fulfilled for the VAT to be refunded:

- VAT must be on the purchase (acquisition) or import of goods or services for the business in countries other than Sweden
- the supply would have been subject to VAT, or would have entailed the right to a refund if it had taken place in Sweden
- if the supply takes place in another EU country then it is subject to VAT or entitles the taxpayer to a refund in that country
- as a foreign entrepreneur, a VAT refund can be obtained for goods or services that are supplied in Sweden when a VAT-registered buyer is tax-liable for the turnover (known as 'reversed charge').

Taxpayers are not entitled to repayment if the Swedish VAT regulations prohibit deduction. In Sweden, there are limitations on the right to deductions for, among other things, cars and business entertainment. A travel agency business is not entitled to a refund for goods and services that directly benefit the traveler, such as hotel rooms, restaurants services and personal transport when the tour operators margin scheme rules are applied.

The claim period in Sweden is from 1 July to 30 June each year. Claim forms have to be submitted to the Swedish tax authority no later than six months after the end of the relevant designated calendar year.

What information must a VAT invoice show?

A VAT invoice must show:

- an invoice number which is unique and sequential
- the seller's name and address
- the seller's VAT registration number
- the invoice date
- the time of supply (also known as tax point) if this is different from the invoice date
- the customer's name and address
- the quantity of goods or the extent of the services
- a description sufficient to identify the goods or services supplied to the customer
- applied VAT rates
- total amount payable, excluded VAT, for each applied VAT rate
- The unit price or rate, excluding VAT.
- the total amount of VAT charged expressed in SEK (as a main rule).

Where a VAT invoice includes exempt supplies or when the reverse-charge mechanism is applied, it must:

- show clearly that there is no VAT payable on those goods or services
- show the total of those values separately
- reference indicating why VAT is not charged
- the reference 'omvänd betalningsskyldighet' or 'reverse-charge' when the revers-charge mechanism is applied.

Where a business makes a sale of goods or services within Sweden for SEK 4,000 or less including VAT, a simplified VAT invoice can be issued.

VAT invoices can be issued, received and stored in electronic format and there is no need to tell the tax authority. Electronic invoices must contain the same information as paper invoices. The method used to ensure the authenticity of origin, the integrity of content and legibility of the invoices is a business choice and can be achieved by any business controls which create a reliable audit trail between an invoice and a supply of goods or services.

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Indirect tax snapshot

What are the current rate(s) of indirect tax?	• Standard rate of 7.7% applicable to all supplies of goods and services not explicitly subject to the reduced rate or the special rate. • Reduced rate of 2.5% applicable, inter alia, to foodstuff and non-alcoholic beverages, water in conduits, newspapers, books, medicine, etc. • Special rate of 3.7% applicable to hotel and similar accommodation.
Are there any confirmed or anticipated changes to these rates?	The rates are generally valid as from 1 January 2018.
What is the principal indirect tax?	Value Added Tax (VAT) is the principal indirect tax in Switzerland. It is a tax on consumer expenditure which is collected on business transactions and imports.
Is there a registration limit for the tax?	Yes. It relates to the annual worldwide turnover of taxable transactions, and once the limit has (or will be) reached it is necessary to register, provided generally taxable supplies with place Switzerland are made at all.
Does the same registration limit apply to non-established businesses?	Yes. There is generally the same registration limit for businesses that are not established in Switzerland.
Does a non-established person need to appoint a fiscal representative in order to register?	Yes, a non-established person will be required to appoint a fiscal representative in order to be able to register for VAT purposes in Switzerland.
How often do returns have to be submitted?	VAT returns are generally to be submitted on a quarterly basis. If certain conditions are met, returns can also be submitted on a monthly basis or semi-annual.
Are penalties imposed for the late submission of returns/payment of tax?	Generally, no penalties are imposed if a VAT return is submitted late. However, interest for late payment (currently 4% p.a.) will be levied on late payment on the VAT amount due.
Are any other declarations required?	The submission of an additional annual reconciliation VAT return is required in case deviations, between the VAT returns submitted and the annual financial statements, are detected.
Are penalties imposed in other circumstances?	Penalties may generally be imposed in the case of negligent tax evasion, unjustified exoneration or refund.
Can the tax incurred by overseas businesses be claimed if they are not registered in your country?	Yes, in certain circumstances and subject to certain conditions.

What is the principal indirect tax?

VAT is a turnover tax levied at each stage of the production and distribution. Liability for VAT rests with the person supplying the taxable goods or services or importing goods into Switzerland. However, the supplier is allowed to deduct from his VAT liability on sales made the amount of VAT paid and properly invoiced to him in relation to purchases effected by him, or VAT paid by him at importation. The actual burden of the tax is therefore borne by the final consumer.

Swiss VAT (MWST/Mehrwertsteuer) is levied on taxable supplies which take place in Switzerland, self-supplies, acquisition of certain services from foreign entrepreneurs and importation of goods. For VAT purposes, the Principality of Liechtenstein is part of the Swiss territory. VAT is collected by the Swiss Federal tax administration.

A transaction is within the scope of Swiss VAT if the following conditions are met:

- it is a supply of goods or services
- the place of supply is considered to take place in Switzerland
- it is made by, or under certain circumstances, received by a taxable person. For these purposes, a taxable person is a person or entity who is registered for VAT in Switzerland, or has a liability to become registered.

There are three rates of VAT that are applied to goods and services in Switzerland; the standard rate, the reduced rate and the special rate. In addition, some goods and services are exempted from VAT.

Exemptions without the right to deduct input tax include, inter alia, hospital and medical treatments, services supplied by social services, welfare institutions and social security institutions, child and youth education, schooling, job education etc., cultural services and sports events, insurance transactions, certain banking transactions, transfer and letting of real estate (with exceptions), operations connected with betting and other games of chance involving money provided that such betting/gaming activity is subject to a specific domestic gaming/betting duty, etc.

The supplier of exempt services or deliveries may opt for taxation. Please note that an option is not possible for financial and insurance services. In certain cases, option is only possible if the customer is a taxable person.

VAT borne by a taxable person on the purchase and importation of goods and services which are connected to taxable operations (also if zero rated) or to operations located abroad which would be taxable if located within Switzerland can be deducted/refunded. A proper VAT invoice and, in case of importation, original import documents are required. VAT on the acquisition of goods and services directly affected to exempt activities, on operations which are not in connection with the pursuit of business or on private activities is not deductible.

As a general rule, VAT is payable to the customs at the time of importation. However, taxpayers who have given security for the tax amount may pay import VAT within 60 days based on the invoice issued by the Federal Customs Administration.

Is there a registration limit for the tax?

Any person running a business is basically liable to VAT irrespective of the realisation of a turnover. Thus tax liability is not depending on the realisation of a taxable turnover. Swiss VAT law allows for an exemption from tax liability if the taxable worldwide turnover is below CHF 100,000. Each enterprise will be able to explicitly abstain from the afore mentioned exemption and therefore become tax liable. The limit is CHF 150,000 for sport or culture clubs (if they do not strive to make profit and are managed in an honorary capacity) and for institutions of public interest.

Companies, partnerships and individuals having their domicile or permanent establishment in Switzerland (not in the Principality of Liechtenstein) and who are closely related to each other, may request to be treated as a fiscal unity for VAT purposes, with one single VAT number. As a consequence, intra-group supplies are not taxable.

Any person whose domicile, registered office or permanent establishment is located in Switzerland, has to pay VAT on certain services (or under certain circumstances also delivery of goods) provided by foreign entrepreneurs who are not registered for VAT purposes in Switzerland, if the value of such services exceeds CHF 10,000 during the calendar year. Please note that for already registered persons, no threshold is applicable, ie these persons will have to pay VAT on any import of services and certain goods acquired from a not registered foreign person.

Does the same registration limit apply to non-established businesses?

Non-resident entities supplying goods or services within Switzerland are generally subject to the same registration rules. However, foreign entities supplying on Swiss territory only services which are subject to service import tax (ie services taxable at the place of the domestic recipient, excluding telecommunication services or electrical services provided to non taxable recipients) are not obliged to register for Swiss VAT purposes and the reverse charge treatment will be applicable.

In case of registration, the foreign firm must designate a fiscal representative in Switzerland and provide guarantees (usually a bank guarantee) to the Federal Tax Administration in respect of likely tax debts.

Is there any specific legislation to tax non-resident supplies of electronically supplied/digital services to private consumers resident in your country?

Based on Swiss tax law a non-established business, which provides services in Switzerland exclusively subject to the service import tax (reverse-charge-mechanism), is generally not liable to register for Swiss VAT. However, a non-established business, which provides telecommunication services and electronic services to non-taxable Swiss resident persons, must register for Swiss VAT once the limit of CHF 100,000 of taxable worldwide transactions has (or will be) reached. Whether the recipient of the telecommunication services and electronic services is a taxable or a non-taxable person has to be cleared by the supplier. If the non-established business, which is not registered for VAT in Switzerland, provides telecommunication services and electronic services to taxable Swiss resident persons, the recipients of the services should apply the reverse-charge-mechanism. Once the non-established business is registered for VAT in Switzerland it must charge Swiss VAT on its telecommunication services and electronic services to Swiss resident persons irrespective whether they are taxable or non-taxable persons.

Does a non-established business need to appoint a fiscal representative in order to register?

Yes, a non-established person will be required to appoint a fiscal representative in order to be able to register for VAT purposes in Switzerland.

How often do returns have to be submitted?

The VAT returns generally have to be filed on a quarterly basis. The VAT return must be filed and the corresponding payment made within 60 days after the accounting period. However, for small businesses, the tax period is semi-annual. In certain cases, the tax period is monthly. Late payments are subject to interest, at the rate of currently 4% p.a.

Are penalties imposed for the late submission of returns/ payment of tax?

In case of intentional or negligent tax evasion, unjustified exoneration or refund, the taxpayer is punished by a fine up to five times the amount of the unlawful advantage. Persons jeopardizing the levy of the tax (for instance by not fulfilling the duty to register) are punished by a fine up to CHF 800,000 (doubled in severe circumstances) or can be prosecuted according to the Swiss Penal Code or the Federal Act on Administrative Penal Law.

Are any other declarations required?

At the end of the business year, a turnover and input VAT reconciliation must be made. In case deviations between the VAT returns filed and the annual financial statements are detected, the entity is obliged to submit an additional annual reconciliation VAT return until 31 August of the following year.

Are penalties imposed in other circumstances?

Penalties may generally be imposed in the case of negligent tax evasion, unjustified exoneration or refund.

Can the VAT incurred by overseas businesses be claimed if they are not registered in Switzerland?

Foreign taxable persons who are not established in Switzerland and who do not supply taxable goods or services on the Swiss territory may, under certain conditions, claim refund of Swiss VAT incurred on their business costs. The claim can be made once a year and must be filed by a Swiss fiscal representative within a period of six months following the end of the calendar year in which the goods and services were bought. There is no refund if the annual amount does not reach CHF 500.

What information must a VAT invoice show?

The seller of the service/goods must produce an invoice to the recipient on request. This invoice must clearly identify provider and recipient as well as the kind of the service provided or good(s) supplied.

Invoices or other accounting documents for taxable recipients as well as for recipients with residence abroad (which are entitled to VAT recovery) should generally include the following:

- the seller's name and address
- the customer's name and address
- a description sufficient to identify the goods or services supplied to the customer
- the seller's VAT registration number (eg CHE-xxx.xxx.xxx MWST)
- the time or period of supply if this is different from the invoice date
- the invoice amount (must not be in CHF)
- the applicable VAT rate.

Electronic invoices must comply with the requirements regarding proof of origin and integrity.

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Turkey

Indirect tax snapshot

What are the current rate(s) of indirect tax?	• Standard rate of 18% for most goods and services. • Reduced rate of 8% for some goods and services including basic food stuffs, textile products books and similar publications. • Minimum rate is 1% goods and services include agricultural products such as raw cotton, dried hazelnuts newspapers and magazines. • 18% VAT is applied to payments that are made to non-resident for their professional services, use of intangibles like copyrights and sale of those rights.
Are there any confirmed or anticipated changes to these rates?	No.
What is the principal indirect tax?	Value Added Tax (VAT) is the principal indirect tax. It is a tax on consumer expenditure, and is collected on business transactions and imports.
Is there a registration limit for the tax?	No. According to the VAT Law, without any exceptions, all taxpayers that make a transaction subject to VAT are responsible.
Does the same registration limit apply to non-established businesses?	No. There is no registration limit for businesses that are not established in Turkey and they will need to register as soon as they start to make taxable transactions. Foreign entities can be registered for tax purposes through a company (subsidiary), a branch, or a permanent establishment in Turkey. If the foreign entities are not tax registered in Turkey, the Turkish purchaser is liable to account for VAT on behalf of the foreign company (reverse charge mechanism).
Does a non-established person need to appoint a fiscal representative in order to register?	Yes. To register as a taxpayer, a non-established person needs to appoint a fiscal representative.
How often do returns have to be submitted?	Most businesses are required to submit VAT returns covering one month accounting periods. A VAT return should be filed by the 24th day of the month following the end of the taxation period and the tax should be paid on 26th day of the same month.
Are penalties imposed for the late submission of returns/payment of tax?	Yes. If a VAT return, or the corresponding payment, is submitted late a penalty will be imposed. Turkish tax authorities impose a procedural non-compliance penalty for the late submission of a VAT return.
Are any other declarations required?	Yes. Additional declarations have to be submitted in respect of certain supplies made to customers that need to be reverse charged or are subject to withholding VAT.
Are penalties imposed in other circumstances?	Yes. Penalties can be imposed for a range of errors or omissions.
Can the tax incurred by overseas businesses be claimed if they are not registered in your country?	Yes, in certain circumstances and subject to certain conditions.
Deduction of VAT	In some cases you cannot deduct the VAT. For example, VAT in purchases of cars, missing and stolen stocks.

What is the principal indirect tax?

In Turkey, there are several indirect taxes but the most important indirect tax is VAT.

The beginning of the studies on VAT in Turkey goes back to 1970. In 1974, a draft VAT law, which was the result of studies of a technical group, was prepared. The subject (VAT) was discussed by different levels of public opinion and some project games were organised to test the drafts with the volunteer enterprises. After the appreciation of the results of these discussion and games, seven law drafts were prepared from 1974-1984. The 8th draft was enacted on 2 November 1984 and entered into force on 1 January 1985. By the VAT Law, eight indirect taxes on consumption were abolished.

The Turkish tax system levies VAT on the supply and the importation of goods and services. The Turkish name for VAT is Katma Değer Vergisi, abbreviated to KDV.

Liability for VAT arises when:

i a person or entity performs commercial, industrial, agricultural or independent professional activities within Turkey
ii goods or services are imported into Turkey.

(A transaction is deemed to be carried out in Turkey if the goods are in Turkey at the time of delivery and if services are rendered and enjoyed in Turkey)

VAT is levied at each stage of the production and the distribution process. Although, liability for the tax levies on the person who supplies or imports goods or services, the real VAT burden is on the final consumer. This result is achieved by a tax-credit method where the computation of the VAT liability is based on the difference between the VAT liability of a person on his sales (output VAT) and the amount of VAT he has already paid on his purchases (input VAT).

The Turkish VAT system employs multiple rates and the Council of Ministers is authorised to change the VAT rates within certain limits.

Is there a registration limit for the tax?

VAT taxpayers are defined in the VAT Law as those engaged in taxable transactions, irrespective of their legal status or nature and their position with regard to other taxes.

The following people or entities are liable for VAT:

- those supplying goods and services related to commercial, industrial, agricultural and professional activities.
- those importing goods or services related to all types of goods and services
- those required to complete customs formalities in case of transit of goods through Turkey
- general directorates of postal services (PT and Telecom) and radio and television corporations
- organisers of any kind of chance and gambling
- organisers of shows, concerts and sporting events with the participation of professional artists and professional sportsmen
- lessors of goods and rights stated in Article 70 of the Income Tax Law
- applicants for optional tax liability.
- the party that realizes deliveries in auction places and Customs warehouses
- the party that indicates VAT on invoice or other relevant documents by mistake.

Goods and rights are set out in Article 70 of the PIT Law including; immovable property such as land, buildings, mines and rights which are in the nature of immovable property; and other goods and rights such as all kinds of motor vehicles, machines and equipment, ships, literary, artistic and commercial copyrights, commercial or industrial know-how, patents, trademarks, licenses and similar intangible properties and rights.

According to the new regulations that made on law numbered 3065, The Ministry of Finance is authorized to register 'Group VAT liability', that allows corporations taxpayers to present a VAT declaration at consulate with companies with at least a 50% share in case of their wishes. With this arrangement, companies will also be able to download VAT which they cannot deduct from different group companies of VAT. It's not mandatory. The company that is registered for group VAT liability is responsible for the assessment of group VAT. All taxpayers who are members of the group are jointly responsible for the VAT.

Does the same registration limit apply to non-established businesses?

In the event that the taxpayer is not resident or does not have a place of business in Turkey, a legal head office or place of management in Turkey, or in other cases deemed necessary, the Ministry of Finance is authorized to hold any one of the people involved in a taxable transaction responsible for the payment of tax.

According to the Turkish VAT law, there is a so-called reverse charge VAT mechanism, which requires the calculation of VAT by resident companies over payments to abroad. Under this mechanism, VAT is calculated and paid to the related tax office by the Turkish company or customers on behalf of the non-resident company (foreign company). On the other hand, the local company treats this VAT as input VAT and offsets it in the same month.

Toll-manufacturing and ready-made materials (textiles) are subject to partial withholding: Only 5/10 of the calculated VAT is paid to the seller by the purchaser. Therefore, the purchaser will be responsible for paying 5/10 of calculated VAT to the tax office directly.

Junk metal, waste paper, junk plastic material deliveries are exempted from VAT: In the case of the renouncement of the above mentioned exemption, the purchaser pays 5/10 of the calculated VAT to the seller. Therefore, the purchaser will be responsible for paying 5/10 of the calculated VAT to the tax office directly.

Is there any specific legislation to tax non-resident supplies of electronically supplied/digital services to private consumers resident in your country?

No specific legislation. However, the electronically supplied/digital services may be due a reverse charge VAT and possibly withholding tax (WHT). If the company buys digital services to resell them without alterations or they buy digital services for its own use, WHT will not be due. If the company buys the digital services with the intention of alteration, duplication and reselling, then it will be due WHT.

With the new provision in 1 March 2018 Electronic services provided to individuals in Turkey non-residents, payments provided electronically, are subject to VAT. If a permanent establishment arises during the supply of the services, then under general terms of the Turkish law, a VAT return must be filed. Non-residents that fall within the scope of these new regulation must register as 'special VAT liability of electronic service providers' and remit the amount of VAT related to these transactions with a VAT return (the VAT-3 return) filed online which is available in the government website. These VAT-3 returns are to be filed monthly, and return for each month is filed on or before the close of the 24th day of the following month with the actual VAT amount being payable and paid until the close of business on the 26th day of that month.

Does a non-established business need to appoint a fiscal representative in order to register?

Yes, to register you need to establish a company based in Turkey, to do this you also need to appoint a fiscal representative.

Types of companies

Incorporated companies such as a:

- Joint-stock company (A. .)
- Limited liability company (Ltd. ti.)
- Commandite company
- Collective company
- Cooperative company.

Joint stock company

The company's stock capital is divided into shares and the liability of the shareholders is limited to the subscribed capital and paid by the shareholder. At least one shareholder (real person or legal entity) and a minimum capital of TRY 50,000 are mandatory. The mandatory company shall include a general assembly and a board of directors.

Limited liability company

It is a company established with at least one shareholder (real person or legal entity) and the liability of the shareholders is limited to the subscribed capital and paid by the shareholder. A minimum capital of TRY 10,000 is mandatory.

Commandite company

It is the company established to operate a commercial enterprise under a trade name. Whereas the liability of some shareholders is limited to the capital subscribed and paid by the shareholder (commanditer), for some shareholders there is no limitation of liability. Legal entities can only be commanditer. No minimum capital is required. The rights and obligations of the shareholders are determined by the articles of association.

Collective company

It is the company established to operate a commercial enterprise under a trade name and, the liability of none of the shareholders is limited only to the capital subscribed and

paid by the shareholder. No minimum capital is required. It is mandatory that all the shareholders be real persons. The rights and obligations of the shareholders are determined by the articles of association.

How often do returns have to be submitted?

The declaration consists of VAT arising from sales and purchases in a month. The deadline for this declaration is the 24th of the following month. The deadline for the payment is, on 26th the following month (two days later than the deadline of the declaration).

All VAT returns have to be submitted within 24 days of the end of the relevant accounting period, together with any tax due.

The VAT return should be filed for each month even there is no deliveries subject to VAT have been made.

Are penalties imposed for the late submission of returns/payment of tax?

A default surcharge penalty will be imposed by the tax authority if VAT returns are not submitted on time, or the related tax is not paid by the due date.

For a late submission of the declaration, it will be considered a first degree irregularity. If the declaration is submitted late and a VAT payment is due, it will be considered as a first degree irregularity as well as a tax loss. If the declaration is submitted on time, but the VAT paid late, the VAT will be due a late payment penalty.

Are any other declarations required?

Businesses that are required to file VAT declarations must also fill in forms of BA-BS (declarations for buying and selling totals over TRY 5000). This is for the tax office to conduct a cross-examination between sellers and buyers to check if each side is correctly declaring its transactions.

Are penalties imposed in other circumstances?

Yes. A range of penalties can be imposed where businesses do not comply with the VAT rules.

Civil penalties and interest can be applied for errors and omissions made on tax returns, or where the tax is paid late. Penalties can also be applied where the business has failed to maintain adequate records, provide information (including additional declarations), or makes repeated mistakes.

Criminal proceedings may be brought in the case of more serious matters.

Some penalties can be imposed in case of not registering for VAT or late registration which are:

- tax loss penalty: the tax loss penalty is computed as one times the amount of tax
- irregularity penalty: it is imposed if the procedures of Turkish Tax Procedural Law are not complied with. This is a lump-sum amount that changes per year.

Can the VAT incurred by overseas businesses be claimed if they are not registered in the Turkey?

No. In Turkey exports are not due VAT. The goods are taxed at point of destination. The only way in which a company which is not registered in Turkey to incur VAT would be if this company buys goods from a Turkish registered company and sells those goods directly to another company in Turkey. This way, the destination of the goods will be in Turkey. Thus as a result, the company that sells the goods to non-registered overseas business must issue the invoice with VAT. However, the overseas business cannot claim this VAT back. In case, this company is registered in Turkey, it faces VAT when buying goods in Turkey, but if it exports these goods it must issue the invoice without VAT. But this way, it has the possibility to claim the VAT it endured when acquiring the goods in Turkey.

What information must a VAT invoice show?

A VAT invoice must show:

- an invoice number which is unique and sequential
- the seller's name and address
- the seller's TAX registration number
- the invoice date
- the customer's name and address
- a description sufficient to identify the goods or services supplied to the customer
- the rate of any cash discount
- the total amount of VAT charged expressed in TRY.
- Customer's VAT number
- VAT due
- Tax office of customer and supplier
- Waybill number
- Date of Delivery of goods

For each different type of item listed on the invoice, the following must be shown:

- the unit price or rate, excluding VAT
- the quantity of goods or the extent of the services
- the rate of VAT that applies to what's being sold
- the total amount payable, excluding VAT.

Where a VAT invoice includes zero-rated or exempt goods or services, it must:

- show clearly that there is no VAT payable on those goods or services
- show the total of those values separately
- state clearly the corresponding Law article that the good is VAT exempt for.

Deduction of VAT

With the expected new regulation the deduction limitation for VAT is extended. While the current provision states that 'The right to deduction may be exercised during the period in which the relevant documents are entered in the books kept proper to laws, providing no later than the calendar year in which the event giving rise to tax took place'. Now the wording of changed and 'The right to deduction may be exercised during the period in which the relevant documents are entered in the books kept pursuant to laws, providing no later than the following calendar year the calendar year in which the event giving rise to tax took place'. So VAT on any invoice that is related to transaction realized in a calendar year can be deducted within 2 years.

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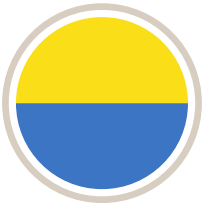

Ukraine

Indirect tax snapshot

What are the current rate(s) of indirect tax?	• The standard rate is 20%. • 7% rate applies to the drugs listed in State register of medicines and authorized for manufacturing and usage in Ukraine upon supply and/or import on the customs territory of Ukraine, the medical devices listed in the State register of medical equipment or if they meet the criteria of relevant technical requirements. • 0% rate applies to exportation of goods under the customs regime of export, re-export, free trade, free customs zones etc.
Are there any confirmed or anticipated changes to these rates?	No.
What is the principal indirect tax?	Value Added Tax (VAT) is the principal indirect tax in Ukraine. It is a tax on consumer expenditures, and is collected on business transactions and imports. VAT is charged on the final consumption of certain goods and services in the home market but is collected at every stage of production and distribution.
Is there a registration limit for the tax?	Yes. It relates to the annual turnover of taxable transactions in Ukraine in the amount of UAH 1,000,000 (excluding VAT), and once the limit has (or will be) reached it is necessary to register.
Does the same registration limit apply to non-established businesses?	In accordance with Ukrainian legislation a non-resident can be registered as a taxpayer in Ukraine only if such non-resident registers a permanent establishment. The registration annual limit of UAH 1,000,000 taxable transactions applies to permanent establishments.
Does a non-established person need to appoint a fiscal representative in order to register?	A non-established business does not need to appoint a fiscal representative in order to register.
How often do returns have to be submitted?	Most businesses are required to submit VAT returns on a monthly basis. Some businesses can submit VAT returns covering three month accounting periods.
Are penalties imposed for the late submission of returns/payment of tax?	Yes. Penalties apply in the case of the late VAT return/payment submission. If the taxpayer has already been fined in this tax period, the amount of fines increases.
Are any other declarations required?	In addition to VAT declarations businesses must provide customs declarations for imported goods.
Are penalties imposed in other circumstances?	Yes. Penalties can be imposed for the tax understatement, for the budget compensation overstatement and for the untimely registration of the VAT-invoices.
Can the tax incurred by overseas businesses be claimed if they are not registered in your country?	No. VAT incurred by overseas businesses cannot be claimed if they are not registered in Ukraine.
Deduction of VAT	The Tax Code of Ukraine provides that the payable amount of VAT can not be reduced by the amount of the VAT applied to the purchase of goods/work services that are not used in business activities or are exempt of taxable operations of the taxpayer.

What is the principal indirect tax?

Value Added Tax (VAT) is the principal indirect tax in Ukraine. VAT is a state tax and is payable to the state budget of Ukraine.

It is a tax on consumer expenditures, and is collected on business transactions, imports. VAT is charged on the final consumption of certain goods and services in the home market but is levied at every stage of production and distribution. The person who supplies or imports the taxable goods or services into Ukraine is responsible for submitting VAT returns.

Although VAT is eventually paid by the consumer by being included into the price, the liability for charging, collecting and paying it to the tax authorities at each stage of the process is on the business making the supply, ie the sale. Therefore, the actual burden of the tax is on the final consumer.

Taxpayers are Ukrainian companies, foreign companies and entrepreneurs. The taxable item is the taxpayer's transactions for:

- supply of goods (services), located within the customs territory of Ukraine
- import (export) of goods into (outside) the customs territory of Ukraine
- supply of services for international passenger, luggage and cargo carriage.

Ukraine is regarded to be the place of supply of services in cases where the purchaser of such works and services is VAT registered on the territory of Ukraine. This rule applies to:

- provision of intellectual property rights
- advertising, advisory, engineering, legal (incl. advocate services), accounting, auditing, actuarial services, data processing services and providing information or other information sphere services
- staff provision
- leasing
- telecommunication services
- radio and television broadcasting
- certain types of intermediary services
- freight forwarding services.

The Ukrainian tax code determines goods, works and services that are 20%, 7%, 0%-rated, not subjected to taxation or exempted from VAT.

The tax reporting period of VAT is one calendar month; in some cases, it is a calendar quarter.

Basically, VAT that was paid to suppliers of goods, work or services will be offset if such goods, work and services were used in the operating activity of the company who pays VAT.

The Tax Code of Ukraine provides that the payable amount of VAT can not be reduced by the amount of the VAT applied to the purchase of goods/work services that are not used in business activities or are exempt of taxable operations of the taxpayer.

A business registered as a taxpayer will charge VAT (output tax) on its sales, and incur VAT (input tax) on its purchases (including any import VAT paid). The difference between the output tax and the deductible input tax in each accounting period will be the amount of VAT payable by the business to the tax authority. If the input tax exceeds the output tax, a refund can be claimed. Most goods that are imported into Ukraine from other countries are VAT taxable. The tax should be paid by the importer at the time of the border crossing.

There is a strong correlation between VAT and Customs duty. Customs duty is levied at the place where goods are imported into the country. After duty and VAT are paid by the importer, the goods can be released for use in the home market. VAT is charged on the customs value of the imported goods.

Is there a registration limit for the tax?

If the total annual amount of taxable transactions of a person exceeds UAH 1,000,000 (excluding VAT) then they must register as a taxpayer by the tax authorities at its location.

A person can be voluntary registered as a taxpayer even if the registration limit has not been exceeded.

If a person that is not registered as a taxpayer, imports taxable goods into the territory of Ukraine, they shall pay the tax at the time of customs clearance of goods without registering as a taxpayer.

Group registration does not apply in Ukraine.

A penalty may be imposed by tax authorities, if a business fails to register within the prescribed time frame.

Does the same registration limit apply to non-established businesses?

In accordance with Ukrainian legislation a non-resident can be registered as a taxpayer in Ukraine only if such non-resident registers the permanent establishment. The registration annual limit of UAH 1,000,000 taxable transactions applies to permanent establishments.

Is there any specific legislation to tax non-resident supplies of electronically supplied/digital services to private consumers resident in your country?

No. There is no specific legislation to tax non-resident supplies of electronically supplied/digital services to private consumers resident in Ukraine.

Does a non-established business need to appoint a fiscal representative in order to register?

In accordance with Ukrainian legislation a non-resident can be registered as a taxpayer in Ukraine only if such non-resident registers the permanent establishment. A non-established business does not need to appoint a fiscal representative in order to register. Naturally, any non-resident can set up a subsidiary in Ukraine.

How often do returns have to be submitted?

If you are obliged to charge VAT, you must also report and pay VAT to the state, regardless of the amount of sales. The obligation to report also applies to those who are registered for VAT and have the right to make deductions (right to repayment) despite not needing to charge VAT.

In Ukraine the tax reporting period for VAT is one calendar month and in some cases specified by the tax code – a calendar quarter, taking the following into account:

- if a person is registered as a taxpayer on the day other than the first day of the calendar month, the first reporting period is the period that begins on such registration date and ends on the last day of the first full calendar month
- if the tax registration of a person is cancelled on the day other than the last day of the calendar month, the last reporting period is the period that begins on the first day of the month and ends on the day of such cancellation.

A tax return for the base tax reporting period (a calendar month) shall be filed within 20 calendar days following the last calendar day of the tax reporting month.

The taxpayer shall pay the amount of the VAT liabilities specified in the VAT return within ten calendar days following the relevant deadline.

Are penalties imposed for the late submission of returns/payment of tax?

Taxpayers are required to pay a penalty of 170 UAH for VAT returns failed or late submissions on the case by case basis.

Repeated violations committed by the taxpayer during the year shall incur a penalty of UAH 1,020 for each failure to submit or the late submission.

If the taxpayer does not pay its tax liabilities on time, the penalties are as follows:

- a delay up to 30 calendar days inclusive following the last day of deadline for payment of such liabilities – at the rate of 10% of repaid amount of the tax debt
- a delay of more than 30 calendar days following the last day of deadline for payment of such liabilities – at the rate of 20% of repaid amount of the tax debt.

Are any other declarations required?

In addition to VAT declarations businesses must provide customs declarations for imported goods.

Are penalties imposed in other circumstances?

Yes. Penalties can be imposed for the understatement of tax, for the budget compensations overstatement and for the untimely registration of the VAT-invoices.

Penalties and interests can be applied in case of errors and omissions made in tax returns, or when the tax is paid late.

Penalties can also be applied when the businesses:

- fail to maintain adequate records
- fail to provide information (including additional declarations) to the tax authorities
- make repeated mistakes.

Criminal proceedings may be brought in the case of intentional evasion of taxes, duties and other payments in the system of taxation imposed in accordance with the law.

Can the VAT incurred by overseas businesses be claimed if they are not registered in the Ukraine?

No. VAT incurred by overseas businesses cannot be claimed if they are not registered in Ukraine.

What information must a VAT invoice show?

Required details to be shown on the VAT invoice are:

- invoice number which is unique and sequential
- invoice date
- seller's and customer's full or short names
- seller's and customer's tax registration numbers
- a description sufficient to identify the goods or services supplied to the customer, their quantity and volume
- supply price exclusive of VAT
- rate of VAT and amount of VAT in numeric value
- total amount, including VAT
- code according to Ukrainian classification of goods and services.

All VAT invoices and adjustments to VAT invoices should be digitally compiled and registered in the Unified Register of VAT Invoices.

Are there any current or anticipated Standard Audit File for Tax (SAF-T) or similar electronic/digital filing requirements eg invoice listing data file/real-time VAT reporting?

There are no standards audit file template or requirement for this case.

However there is VAT digital tax management system, which provides the automatic accounting of:

- tax amount, calculated as the aggregate of received VAT invoices and adjustments to VAT invoices registered in the Unified Register of VAT Invoices
- tax amount, paid upon importing of goods on the customs territory of Ukraine
- amounts of replenishment and balance of funds on accounts in the VAT digital tax management system
- VAT amount, which the payer can use for registering the tax invoices and adjustments to VAT invoices in the Unified Register of VAT Invoices.

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United Kingdom

Indirect tax snapshot

What are the current rate(s) of indirect tax?	• Standard rate of 20% for most goods and services. • Reduced rate of 5% for some goods and services including children's car seats and domestic energy supplies. • Zero-rated goods and services include most food, children's clothes and printed matter.
Are there any confirmed or anticipated changes to these rates?	No.
What is the principal indirect tax?	Value Added Tax (VAT) is the principal indirect tax in the UK. It is a tax on consumer expenditure, and is collected on business transactions and imports.
Is there a registration limit for the tax?	Yes. It relates to the annual turnover of taxable transactions in the UK, and once the limit has (or will be) reached it is necessary to register. The current registration threshold is £85,000 for UK businesses, and those with UK establishments.
Does the same registration limit apply to non-established businesses?	No. There is no registration limit for businesses that are not established in the UK and they will need to register as soon as they start to make taxable transactions. Different registration requirements also apply to businesses involved with 'distance sales' made within the European Union (EU), (eg mail order and internet sales).
Does a non-established person need to appoint a fiscal representative in order to register?	In certain circumstances, a non-established person may be directed by the UK tax authority to appoint a fiscal representative.
How often do returns have to be submitted?	Most businesses are required to submit VAT returns covering three month accounting periods. Returns can also be submitted on a monthly or annual basis, subject to tax authority approval.
Are penalties imposed for the late submission of returns/payment of tax?	Yes. If a VAT return, or the corresponding payment, is submitted late a penalty can be imposed.
Are any other declarations required?	Yes. Additional declarations have to be submitted in respect of certain supplies made to customers who are registered for VAT elsewhere in the EU. Declarations also have to be submitted in certain circumstances in connection with goods moving to or from the EU.
Are penalties imposed in other circumstances?	Yes. Penalties can be imposed for a range of errors or omissions.
Can the tax incurred by overseas businesses be claimed if they are not registered in your country?	Yes, in certain circumstances and subject to certain conditions.
Deduction of VAT	Input VAT cannot be recovered in certain circumstances, for example: • goods and services that have been purchased for private reasons • business entertainment • costs incurred in relation to VAT-exempt or non-business supplies • specified items, for example a 50% restriction on car hire.

What is the principal indirect tax?

Value Added Tax (VAT) is the main type of indirect taxation in the UK and in other European Union (EU) countries. It is governed by the Principle VAT Directive of the EU and is also enacted in National Law.

It is a tax on consumption which is applied during the production and distribution process to most goods and services.

It is also applied to goods, and certain services, entering the jurisdiction. Although VAT is ultimately borne by the consumer by being included in the price paid, the responsibility for charging, collecting and paying it to the tax authority at each stage of the process rests with the business making the supply (ie the sale).

A business registered for the tax will charge VAT (output tax) on its sales, and incur VAT (input tax) on its purchases (including any VAT paid at importation). The difference between the output tax and the deductible input tax in each accounting period will be the amount of VAT payable by the business to the tax authority. Where the input tax exceeds the output tax, a refund can be claimed, subject to certain conditions.

A transaction is within the scope of UK VAT if the following conditions are met:

- it is a supply of goods or services. Although the term 'supply' is not defined in the legislation, it has a broad interpretation
- it takes place in the UK
- it is made by a taxable person. For these purposes, a taxable person is a person or entity who is registered for VAT in the UK, or has a liability to become registered
- it is made in the course or furtherance of any business carried on by that person or entity.

There are three rates of VAT that are applied to goods and services in the UK; the standard rate, the reduced rate, and the zero rate. In addition, some goods and services are exempted from the tax.

Businesses that make exempt supplies are unable to claim all of the input tax that they incur, so the VAT paid to suppliers will be a 'real' cost.

Most goods imported into the UK from outside the EU are subject to VAT. The tax will have to be paid by the importer at the time of importation. Where the importation is for business purposes and the importer is registered for VAT, it may be possible to reclaim the tax (subject to certain rules).

It is also important to note the interaction between VAT and customs duty. Customs duty is levied across the EU at the place where goods are imported into the community. It is levied in order to bring the cost of goods produced outside the EU up to the same level as those produced within it. Once duty (and VAT) has been paid by the importer, the goods are in 'free circulation' and they can then be released for use in the home market. Unlike other indirect taxes, such as VAT, once duty has been paid it is not usually recoverable by the importer. It therefore represents a bottom line cost to the importing business if it cannot be passed on in higher prices. It is consequently very important to ensure that the correct rate of duty is applied. VAT is charged on the value of the importation, including any custom duty.

Is there a registration limit for the tax?

A 'person' who either makes or intends to make taxable supplies of goods or services in the course or furtherance of a business must register for VAT if the value of its taxable supplies in the UK exceeds the annual registration limit, or is expected to exceed the limit in the near future. A business can register on a voluntary basis even if the registration limit has not been exceeded.

Please note that the UK registration threshold is currently £85,000 per annum and will remain at this figure until 2020.

For these purposes, a 'person' includes any legal entity. Therefore, once a person is registered for VAT, all of his business activities will be covered by the registration – even if the nature of some of those activities are very different.

Two or more corporate bodies can be registered together as a VAT group if:

- each of the bodies is established, or has a fixed establishment, in the UK
- they satisfy the 'control' test (ie one of them controls each of the others, or one person or a business partnership controls all of them)
- they satisfy anti-avoidance rules that apply in certain circumstances.

A corporate body cannot be treated as a member of more than one VAT group at a time.

The main advantage of VAT group registration is that, apart from a few limited exceptions, any supply of goods or services by a member of the group to another member of the group is disregarded for VAT purposes. This reduces the risk of VAT being accidentally omitted on supplies between separately registered connected companies.

However, there are some disadvantages and any decision on whether to group register should be taken with care. For example, all VAT group members (including former members) are jointly and severally liable for the VAT debt of the group during the period of their membership.

A penalty may be imposed by the tax authority if a business fails to register at the correct time.

Does the same registration limit apply to non-established businesses?

The normal VAT registration limit does not apply to businesses that are not established in the UK, but for the purposes of the tax are making taxable supplies there. Those businesses will need to register for VAT as soon as they commence trading in the UK, or have a reasonable expectation of trade in the next month, irrespective of the level of turnover.

Registration for VAT in the UK may also be required where a non-established EU business is involved with distance selling. Distance selling occurs when a taxable supplier in one EU country supplies and delivers goods to a customer in another EU country who is not registered or liable to be registered for VAT. Such customers are known as non-taxable persons, and include private individuals and businesses and other organisations that are not registered for VAT (either because of their size, or the fact that they are exempt from having to register due to the nature of their activities). The common examples of distance sales are goods supplied by mail order and via the internet.

Each EU country has the option of applying a distance selling threshold of either €35,000 or €100,000 per calendar year, or the equivalent in its own currency. The UK has adopted an annual threshold of £70,000 which equates to the upper threshold in euros.

Distance sales from another EU country to non-taxable persons in the UK will be subject to VAT at the appropriate rate in the suppliers country. However, once the value of those distance sales to the UK exceeds the UK threshold of £70,000:

- the supplier becomes liable to register for VAT in the UK
- the UK becomes the place of supply
- any further sales to customers in the UK are subject to UK VAT.

Suppliers can choose to make the UK the place where the goods are supplied by registering for VAT voluntarily before the threshold is reached.

Is there any specific legislation to tax non-resident supplies of electronically supplied/digital services to private consumers resident in your country?

With effect 1 January, 2015, Article 58 of Directive 2006/112/EC was amended. The rules determining the place of supply of electronically supplied services supplied to private consumers (B2C) changed from the Member State where the supplier belongs (ie where established) to the Member State of the consumer. The result of this is that local VAT is chargeable at the applicable rate in each of the Member States in which electronically supplied services are made (ie where the customer belongs). Therefore B2C supplies of electronically supplied services to customers in the UK are subject to UK VAT. To ensure compliance with this, suppliers have the choice to either register for VAT in each Member State where their customers reside, or elect to register under the EU VAT MOSS simplification scheme in a single Member State (where they are established). Businesses with multiple establishments in the EU can choose which Member State to operate MOSS (the Member State of Identification). However, the MOSS cannot be used to report local sales to customers in a Member State in which suppliers of electronically supplied services have a fixed establishment. Non-EU suppliers without an establishment in a Member State are free to select a Member State of their choosing to operate MOSS and become their Member State of Identification. The UK is popular choice for a MOSS registration due to the English language.

Does a non-established business need to appoint a fiscal representative in order to register?

The Tax Authority in the UK may direct a person to appoint a VAT representative to act on his behalf for VAT purposes where the person:

- is a taxable person or makes taxable supplies or acquires goods in the UK from one or more other EU countries
- is not established, and does not have a 'fixed establishment' in the UK
- is established in a country or territory which is not an EU country (or part of such a country) and where it appears to the UK tax authority that there is no provision for mutual assistance similar to that which provided between the UK and other EU countries
- in the case of an individual, he does not have his 'usual place of residence' in the UK.

How often do returns have to be submitted?

VAT returns normally cover an accounting period of three months, ending on the last day of a calendar month. A business can request a specific accounting cycle to coincide with its financial or management reporting. Businesses that are in a net repayment position (because of the nature of their activities) and those incurring exceptionally high expenditure (for example, as a result of set up costs or a capital project) can apply to submit returns on a monthly basis to improve cash flow.

All VAT returns have to be submitted within 30 days of the end of the relevant accounting period, together with any tax due. As all returns and payments have to be submitted electronically, taxpayers get a further seven days (in addition to the normal 30 days) in which to submit the return and pay the tax due.

Businesses that had a taxable turnover exceeding £2.3m in the preceding calendar year, must make interim VAT payments every month. An interim payment must be made at the end of the second and third months in each accounting period. A balancing payment for the quarter is then made when the return is submitted.

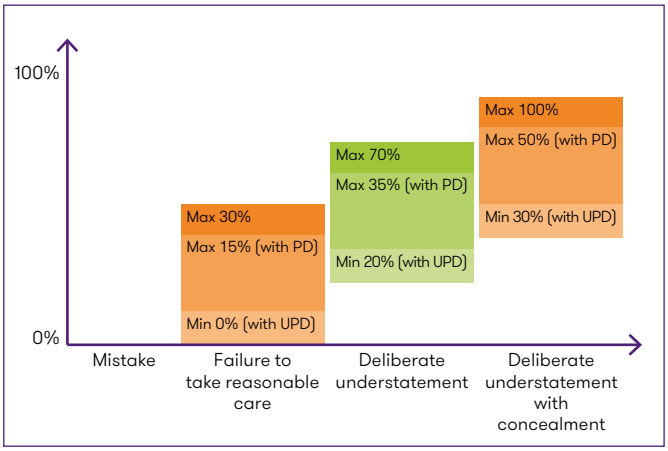
Furthermore, the UK government is planning implement its Making Tax Digital (MTD) programme which will require VAT-registered businesses to keep their records digitally, use MTD functional compatible software, and subsequently generate and submit the VAT return from that (or a combination of) software, for return periods starting on or after 1 April 2019.

Are penalties imposed for the late submission of returns/ payment of tax?

A default surcharge penalty may be imposed by the tax authority if VAT returns are not submitted on time, or the related tax is not paid by the due date.

For the first late submission or payment, the tax authority will issue a notification to the taxpayer confirming that a penalty may be imposed in the future. If another submission or payment is late within the next 12 months, a fixed percentage penalty is imposed on that occasion. The percentage penalty is increased for subsequent defaults (up to a specified maximum), unless returns and the related payments are made on time for a 12 month period.

In addition, penalties are chargeable when a document that contains an inaccuracy leads to an understatement of the person's liability to tax or an inflated claim for a repayment of tax, and that the inaccuracy was careless, deliberate, or deliberate and concealed. Penalties are calculated as a percentage of the additional tax due. The percentages are stepped and higher when underlying behaviour causing the inaccuracy is more serious. An unprompted disclosure (as opposed to one prompted by HMRC) of inaccuracies can lead to a substantial reduction in level of penalty charged.



Are any other declarations required?

Businesses that are registered for VAT in the UK, and make supplies of goods or services to traders registered for the tax in other EU countries are required to complete and submit EC Sales Lists (ESLs). The ESLs must show details of the recipients of the goods and services.

Generally, where the value of goods supplied to businesses in other EU member states exceeds £35,000 in the current or four previous quarters, the ESLs must be submitted each calendar month. Otherwise the document for goods is submitted for each calendar quarter.

ESLs for services should be submitted for each calendar quarter.

In addition, if the value of the intra-EU trade in goods dispatched to, or arriving from, other EU countries is above an annual threshold, a supplementary declaration (referred to as an Intrastat declaration) has to be submitted for either or both. These declarations have to be submitted on a monthly basis.

Both declarations are used for statistical reporting purposes across the EU and are not tax returns, though they should be reconciled back to VAT returns submitted.

Are penalties imposed in other circumstances?

Yes. A range of penalties can be imposed where businesses do not comply with the VAT rules.

Civil penalties and interest can be applied for errors and omissions made on tax returns, or where the tax is paid late. Penalties can also be applied where the business has failed to maintain adequate records, provide information (including additional declarations), or makes repeated mistakes.

Criminal proceedings may be brought in the case of more serious matters.

Can the VAT incurred by overseas businesses be claimed if they are not registered in the United Kingdom?

Yes, it may be possible to reclaim the VAT incurred in certain circumstances.

Two schemes exist, one for businesses established in the EU and another for businesses established elsewhere.

The EU cross border refund scheme is available in all EU Member States, and enables a business established in an EU country to recover VAT incurred in another Member State. To be eligible to make a claim, the claimant must be a taxable person established in an EU Member State other than the one from which the claim is to be sought. In addition, the claimant:

- must not be registered, liable, or eligible to be registered in the member state from which he is claiming the refund
- must have no fixed establishment, seat of economic activity, place of business or other residence there
- during the refund period he must not have supplied any goods or services in the member state of refund, apart from certain limited exceptions.

The amount that is refundable is determined by the deduction rules that apply in the Member State making the refund. The claim is submitted electronically via a portal in the home tax authority in the Member State where the claimant is established.

The refund period must not cover more than one calendar year or less than three calendar months – unless it is covering the remainder of a calendar year. The claim has to be made by 30 September of the year following that in which the VAT was incurred.

Businesses established outside of the EU can, subject to certain conditions, also reclaim the VAT incurred on imports into the UK or purchases of goods and services used in the UK. The scheme is available to any person carrying on a business established in a third country, (ie outside the EU), provided that in the period of the claim:

- he was not registered or liable to be registered for VAT in the UK
- they were not established in any EU country
- they made no supplies of goods and services in the UK other than certain specified exceptions
- where they are established in a third country having a comparable system of turnover taxes, unless the UK tax authority allows otherwise, that country provides reciprocal arrangements for refunds to be made to taxable persons established in the UK.

The claim period in the UK is from 1 July to 30 June each year. Claim forms have to be submitted to the UK tax authority no later than six months from the end of the relevant designated year (ie by 31 December each year).

What information must a VAT invoice show?

A VAT invoice must show:

- an invoice number which is unique and sequential
- the seller's name and address
- the seller's VAT registration number
- the invoice date
- the time of supply (also known as tax point) if this is different from the invoice date
- the customer's name and address
- a description sufficient to identify the goods or services supplied to the customer
- the rate of any cash discount
- the total amount of VAT charged expressed in GBP.

For each different type of item listed on the invoice, the following must be shown:

- the unit price or rate, excluding VAT
- the quantity of goods or the extent of the services
- the rate of VAT that applies to what's being sold
- the total amount payable, excluding VAT.

Where a VAT invoice includes zero-rated or exempt goods or services, it must:

- show clearly that there is no VAT payable on those goods or services
- show the total of those values separately.

Where a business makes retail sales and makes a sale of goods or services for £250 or less including VAT, a simplified VAT invoice can be issued.

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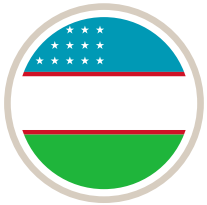

Uzbekistan

Indirect tax snapshot

What are the current rate(s) of indirect tax?	• Standard rate of 20% for most goods and services. • Zero-rated goods and services include most food and children's clothes. • Zero-rated goods for export and sale of fuel and mineral fertilizers to agricultural enterprises
Are there any confirmed or anticipated changes to these rates?	No.
What is the principal indirect tax?	Value Added Tax (VAT) is the principal indirect tax in the Uzbekistan. It is a tax on consumer expenditure, and is collected on business transactions and imports.
Is there a registration limit for the tax?	Yes. It relates to the annual turnover of taxable transactions in the UK, and once the limit has (or will be) reached it is necessary to register. No. Payers of generally established taxation are obliged to pay VAT. At the same time, taxpayers with a simplified taxation regime can voluntarily pay VAT at their own discretion.
Does the same registration limit apply to non-established businesses?	No.
Does a non-established person need to appoint a fiscal representative in order to register?	In certain circumstances, a non-established person may be directed by the UK tax authority to appoint a fiscal representative.
How often do returns have to be submitted?	Most businesses are required to submit VAT returns covering three month accounting periods. Returns can also be submitted on a monthly basis. Basically, reports are submitted to the tax authorities on a monthly basis, electronically, without visiting the tax authorities. Micro-firms and small enterprises paying value-added tax, reports to the tax authorities quarterly, electronically without visiting the tax authorities office.
Are penalties imposed for the late submission of returns/payment of tax?	Yes. If a VAT return, or the corresponding payment, is submitted late a penalty can be imposed. Yes. For untimely submission of tax reports, a taxpayer official of a legal entity is brought to administrative responsibility. As well as when selling goods (works, services) by suppliers that are not payers of value-added tax, shall be sanctioned by a fine on suppliers in the amount of 20 percent of the amount of value-added tax specified in the invoice.
Are any other declarations required?	Yes. When receiving the services import, all enterprises resident in Uzbekistan must pay the value-added tax regardless of the taxation regime.
Are penalties imposed in other circumstances?	Yes. Penalties can be imposed for a range of errors or omissions.
Can the tax incurred by overseas businesses be claimed if they are not registered in your country?	Yes if the place of sale is Uzbekistan.

Indirect tax snapshot

Deduction of VAT	**Some turnover on the sale of goods (works, services), exempt from VAT** 1 Services rendered by state bodies, citizens' self-government bodies and authorized organizations when granting to legal entities and individuals certain rights for which a state fee, patent fee, collection or other payments are levied 2 Services for the maintenance of children in pre-school educational institutions 3 Care services for the sick and the elderly 4 Prosthetic and orthopedic products, equipment for invalids, including those sold by manufacturers of these products and equipment, as well as services provided to persons with disabilities for orthopedic prosthetics, repair and maintenance of prosthetic and orthopedic products and equipment for disabled people 5 Products of medical-industrial workshops at medical institutions, implemented by these institutions 6 Services of urban passenger transport (except taxi, including fixed-route), as well as passenger transportation services in suburban traffic by rail and public transport (except for taxis, including fixed-route). **Some financial services exempt from VAT** 1 Accrual and collection of interest on loans, granting loans, issuing guarantees, including issuing bank guarantee 2 Acceptance of deposits, opening and maintenance of bank accounts of legal entities and individuals, including accounts of correspondent banks ; 3 Transactions with payments, transfers, debentures, checks and payment means, operations for collection 4 Operations with securities (shares, bonds and other securities). Securities transactions include operations for storing securities, recording rights to securities, transferring securities and maintaining their registers, organizing trades with securities, excluding services for their production 5 Clearing operations 6 Services for electronic remote maintenance of customer accounts, provided by banks. **Some insurance services that are exempt from taxation** 1 Insurance premiums under insurance, coinsurance and reinsurance contracts 2 Commission and bonuses under contracts transferred to reinsurance 3 Commission for the services of an insurance agent, insurance and reinsurance broker, surveyor and other professional participants of the insurance market 4 Reimbursement by the reinsurers of the share of insurance payments under agreements transferred to reinsurance 5 Income from reimbursement of the franchise under insurance, co-insurance and reinsurance contracts.

What is the principal indirect tax?

There are two taxation regimes in the Republic of Uzbekistan: generally established and simplified.

VAT refers to indirect taxes and payers are companies that are in the regime of generally established taxes (these are mostly large enterprises), small businesses are payers of a single tax payment, that is, in a simplified taxation regime. In this case, small businesses can also pay VAT voluntarily.

Is there a registration limit for the tax?

Under existing tax laws, the limit does not exist.

Does the same registration limit apply to non-established businesses?

Works and services provided by a non-resident of the Republic of Uzbekistan are taxable turnover of the taxpayer of the Republic of Uzbekistan receiving work, services if the place of their sale is the Republic of Uzbekistan and are subject to value added tax in accordance with the Tax Code.

The taxable base of the recipient of works and services is determined on the basis of the amount payable to a non-resident of the Republic of Uzbekistan, without deduction of the amount of tax to be withheld from the source of payment on income received from sources in the Republic of Uzbekistan

Is there any specific legislation to tax non-resident supplies of electronically supplied/digital services to private consumers resident in your country?

No. A separate normative document does not exist. At the same time, for services subject to VAT when importing, described in section 3 of this questionnaire, some services rendered electronically are subject to VAT.

Does a non-established business need to appoint a fiscal representative in order to register?

According to the Tax Code, a non-registered company in Uzbekistan is not a VAT payer.

How often do returns have to be submitted?

The calculation of the value added tax is represented by an accrual to the bodies of the state tax service at the place of tax accounting:

- micro-firms and small enterprises that are payers of value-added tax – quarterly not later than the 25th day of the month following the reporting period, and by the end of the year – at the time of submission of the annual financial statements;
- taxpayers not belonging to microfirms and small businesses – monthly no later than the 25th day of the month following the reporting month, and by the end of the year – at the time of submission of annual financial statements.

Are penalties imposed for the late submission of returns/ payment of tax?

If the VAT settlement (declaration) is late in due time, the tax authority sends the taxpayer a claim for the settlement.

For untimely submission of tax reports, a taxpayer official of a legal entity is brought to administrative responsibility.

And also when selling goods (works, services) by suppliers that are not payers of value-added tax, shall be sanctioned by a fine on suppliers in the amount of 20 percent of the amount of the value-added tax specified in the invoice.

In case of violation of the deadlines for payment of taxes and other mandatory payments, penalty is charged in the amount of 0.033 percent for each day of delay, starting from the next day after the due date for payment on the day of payment inclusive. At the same time, penalty collection does not exempt a taxpayer from fulfilling tax obligations.

Are any other declarations required?

Not required.

Are penalties imposed in other circumstances?

Yes. A range of penalties can be imposed where businesses do not comply with the VAT rules.

Civil penalties and interest can be applied for errors and omissions made on tax returns, or where the tax is paid late. Penalties can also be applied where the business has failed to maintain adequate records, provide information (including additional declarations), or makes repeated mistakes.

Criminal proceedings may be brought in the case of more serious matters.

Can the VAT incurred by overseas businesses be claimed if they are not registered in the Uzbekistan?

No, companies unregistered by the taxpayer in Uzbekistan can not.

What information must a VAT invoice show?

The invoice is a strict reporting document that contains the following information:

1. the serial number and date of invoicing
2. the number and date of the goods-shipping documents or contract to which the invoice is attached
3. name, location (postal address) and taxpayer identification number and buyer of goods (works, services)
4. the name of goods sold, work performed, services rendered and units of measurement (if possible, their indication)
5. the amount (volume) of goods sold, the work performed, services rendered on the invoice based on the units of measurement (if possible, specify them)
6. the price (tariff) per unit of measurement under the contract (contract) excluding value added tax, and in the case of application of government regulated prices (tariffs) including value-added tax, taking into account the amount of value added tax
7. the cost of the entire quantity (volume) of goods sold, works performed, services rendered without value added tax
8. the rate and amount of excise tax on excisable goods
9. the rate and the amount of the value-added tax, presented to the buyer of goods (works, services)
10. the rate and amount of the tax on consumption of gasoline, diesel fuel and gas for vehicles
11. the cost of the entire quantity (volume) of goods sold, work performed, services provided, including excise tax for excisable goods, value added tax and gasoline, diesel and gas consumption tax for vehicles.

Are there any current or anticipated Standard Audit File for Tax (SAF-T) or similar electronic/digital filing requirements eg invoice listing data file/real-time VAT reporting?

In the Republic of Uzbekistan, payers of value added tax are obliged to maintain a register of invoices for the goods (work, services) they have purchased, as well as invoices issued for the goods (works, services) sold. In this case, only invoices are included in the register of invoices for purchased goods (works, services), in which the value-added tax is allocated.

When the calculation is submitted to the tax authorities, the taxpayer attaches to the calculation the register of invoices as for the sale and purchase of goods (works, services).

The tax authorities shall automatically verify the submitted register of the invoice in an automated manner and, upon detection of a nonconformity, in writing, requires correcting errors.

For further information on indirect tax in Uzbekistan please contact:

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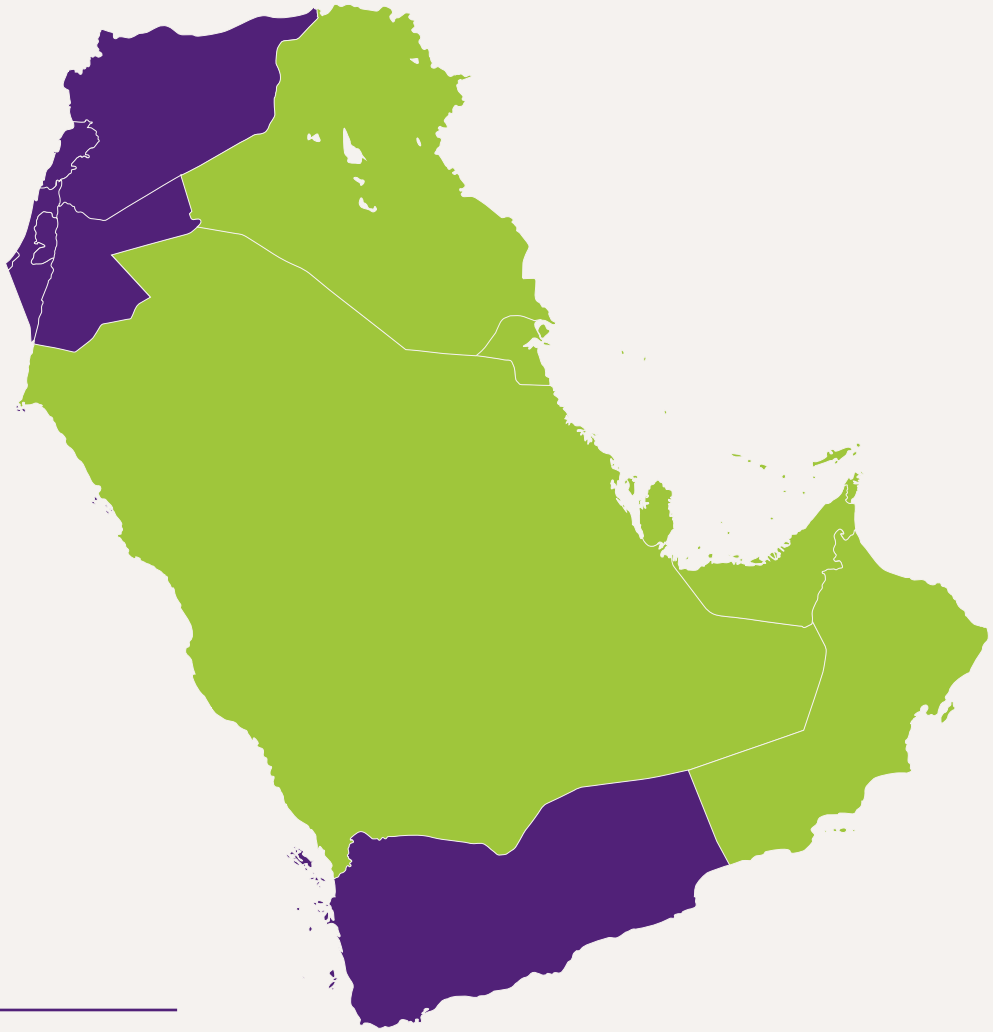
Indirect tax overview – Middle East



Middle East

Bahrain
Does not currently levy any VAT, GST or sales tax

Iraq
Does not currently levy any VAT, GST or sales tax

Kuwait
Does not currently levy any VAT, GST or sales tax

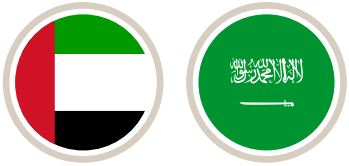
Oman
Does not currently levy any VAT, GST or sales tax

Qatar
Does not currently levy any VAT, GST or sales tax

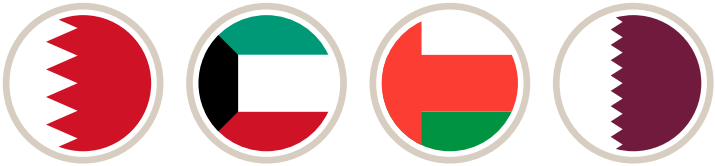
Kingdom of Saudi Arabia
Standard rate: 5% Other: 0%

United Arab Emirates
Standard rate: 5% Other: 0%

Key highlights: Middle East



The United Arab Emirates and Kingdom of Saudi Arabia implemented VAT with a 5% standard rate with effect 1 January 2018.



It is anticipated that Bahrain, Kuwait, Oman and Qatar will implement VAT from 1 January 2019.

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Bahrain

In compliance with the Gulf Cooperation Council (GCC) VAT Framework, the United Arab Emirates and the Kingdom of Saudi Arabia introduced VAT from January 2018. It's expected that Bahrain will join the second wave of implementation across the region by introducing VAT towards the end of 2018 or by early 2019. Uncertainty remains with respect to the timeframe amidst several economic and financial reforms making their way to stabilise and add to Bahrain's economic growth.

In the interest of on-going deliberation to introduce VAT, businesses operating in Bahrain are advised to monitor tax developments and assess the impact of imposing VAT on their business transactions. In particular:

- develop a draft roadmap and project execution plan to implement VAT
- make sure that contracts extending beyond the VAT implementation date are drafted or amended to hedge any future tax cost
- consider including a VAT module, if upgrading or implementing a new billing/ERP system
- organise VAT training and awareness for employees
- arrange organised stakeholder awareness and effective communication means to address VAT implementation
- assess required changes to be made in technology systems (including supplier, customer and product master upgrades)
- entity re-structing and preparation for VAT registration
- projecting VAT impact on revenues and costs including assessing the impact on working capital requirements
- evaluate changes to policies and procedures.

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Iraq

Iraq currently does not have an indirect tax system.

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Kuwait

Kuwait does not currently have a VAT, GST or sales tax. Kuwait signed the GCC VAT Framework Agreement to introduce VAT from 2018. At present, the United Arab Emirates and the Kingdom of Saudi Arabia are the only two GCC states to implement VAT and it is expected that Kuwait will join a second wave of implementation across the region. There is currently uncertainty as to the timeframe for implementation and we are awaiting draft legislation and regulations to be issued. VAT could be implemented as early as January 2019.

Businesses are advised to monitor developments in Kuwait and consider and assess the future impact of VAT's introduction. In particular:

- develop a draft roadmap and project plan
- make sure contracts extending beyond December 2019 take VAT into account
- consider VAT if upgrading or implementing a new billing/ERP system
- training and awareness for employees
- stakeholder awareness and communication
- changes to systems and required customer and transactional data
- registration requirements
- liability of revenues and costs (and impact on cash and cash-flow)
- changes to policies and procedures.

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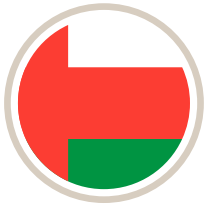

Oman

Oman does not currently have a VAT, GST or sales tax. Oman signed the GCC VAT Framework Agreement to introduce VAT from 2018. At present, the United Arab Emirates and the Kingdom of Saudi Arabia are the only two GCC states to implement VAT and it is expected that Oman will join a second wave of implementation across the region. There is currently uncertainty as to the timeframe for implementation and we are awaiting draft legislation and regulations to be issued. VAT could be implemented as early as January 2019.

Businesses are advised to monitor developments in Oman and consider and assess the future impact of VAT's introduction. In particular:

- develop a draft roadmap and project plan
- make sure contracts extending beyond December 2019 take VAT into account
- consider VAT if upgrading or implementing a new billing/ERP system
- training and awareness for employees
- stakeholder awareness and communication
- changes to systems and required customer and transactional data
- registration requirements
- liability of revenues and costs (and impact on cash and cash-flow)
- changes to policies and procedures.

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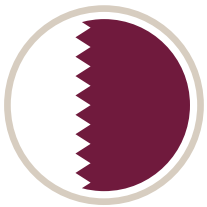

Qatar

Qatar does not currently have a VAT, GST or sales tax. Qatar signed the GCC VAT Framework Agreement to introduce VAT from 2018. At present, the United Arab Emirates and the Kingdom of Saudi Arabia are the only two GCC states to implement VAT and it is expected that Qatar will join a second wave of implementation across the region. There is currently uncertainty as to the timeframe for implementation and we are awaiting draft legislation and regulations to be issued. VAT could be implemented as early as January 2019.

Businesses are advised to monitor developments in Qatar and consider and assess the future impact of VAT's introduction. In particular:

- develop a draft roadmap and project plan
- make sure contracts extending beyond December 2019 take VAT into account
- consider VAT if upgrading or implementing a new billing/ERP system
- training and awareness for employees
- stakeholder awareness and communication
- changes to systems and required customer and transactional data
- registration requirements
- liability of revenues and costs (and impact on cash and cash-flow)
- changes to policies and procedures.

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Kingdom of Saudi Arabia

Indirect tax snapshot

What are the current rate(s) of indirect tax?	• Standard rate of 5% for most goods and services. • Zero-rated goods and services include international transportation of goods and passengers, certain medicines and medical equipment and the supply of investment metal.
Are there any confirmed or anticipated changes to these rates?	No.
What is the principal indirect tax?	Value Added Tax (VAT) is the principal indirect tax in the kingdom of Saudi Arabia. It is a tax on consumer expenditure, and is collected on business transactions and imports.
Is there a registration limit for the tax?	Yes. Two registration thresholds exist related to the annual turnover of taxable supplies in the K.S.A. The mandatory registration threshold is SAR 375.000, while the voluntary one is SAR 187.500.
Does the same registration limit apply to non-established businesses?	No. Businesses that are not established in the K.S.A are required to register as soon as they make the first supply for which they are liable to charge VAT; this applies to supplies where the customer is not a taxable person and cannot self-account for V.A.T. Non-resident businesses making online sales to end consumers must register if their sales in K.S.A are more than SAR 375.000.
Does a non-established person need to appoint a fiscal representative in order to register?	All non-resident persons making taxable supplies in K.S.A must appoint a Tax Representative to register. The Tax Representative is jointly liable for payment of any VAT due by the Taxable Person.
How often do returns have to be submitted?	Companies with annual taxable supplies over SAR 40 million must submit monthly VAT returns. All other companies submit on a quarterly basis.
Are penalties imposed for the late submission of returns/payment of tax?	Yes. If a VAT return, or the corresponding payment, is submitted late a penalty is imposed.
Are any other declarations required?	Currently, no other declarations are required. Future taxable transactions between GCC Member States, applying VAT, will have to be registered in an electronic database, which is not active as of March 15th, 2018.
Are penalties imposed in other circumstances?	Yes. Penalties can be imposed for a range of errors or omissions.
Can the tax incurred by overseas businesses be claimed if they are not registered in your country?	Yes, in certain circumstances and subject to certain conditions.
Deduction of VAT	Deducting VAT charged in the following is prohibited: 1 entertainment, sporting and cultural activities 2 catering services in hotels, restaurants and similar venues 3 purchase, lease, repair, alteration, maintenance and fuel of business vehicles used exclusively or partially for private use 4 any goods and services used for private or non-business purpose.

What is the principal indirect tax?

Value Added Tax (VAT) is the main type of indirect taxation in the Kingdom of Saudi Arabia. The tax was introduced from 1/1/2018 and is the result of a common agreement of all Gulf countries (K.S.A, U.A.E, Oman, Qatar, Bahrain, Kuwait) to introduce VAT as the main indirect tax in the region.

The VAT framework, the Common VAT Agreement of the States of the Gulf Cooperation Council, sets the principles of VAT taxation in the region. K.S.A issued the Value Added Tax Law and the Value Added Tax – Implementing Regulations setting the legal framework of VAT in the country. VAT in K.S.A has a much larger tax base with limited zero-rated and exempt items. Financial Services are subject to VAT in K.S.A.

VAT taxes consumption of goods and services, is applied in the entire supply chain and although it burdens the final consumer the tax is collected and paid to the tax authorities by businesses.

VAT registered businesses will charge VAT (output tax) on its taxable sales, and incur VAT (input tax) on its taxable purchases (including any VAT paid during import of goods). The difference between the output tax and the deductible input tax in each accounting period will be the amount of VAT payable by the business to the tax authority. Where the input tax exceeds the output tax, it can be carried forward to the next tax period or a refund can be claimed.

There are two rates of VAT that are applied to goods and services in the K.S.A; the standard rate at 5%, and the zero rate. In addition, certain goods and services are exempted from the tax.

Businesses that make exempt supplies are unable to claim all of the input tax that they incur.

Most goods imported into the K.S.A are subject to VAT. The tax will have to be paid by the importer at the time of importation and is calculated at CIF price plus custom duties. VAT registered importers can opt to pay import Vat through their VAT return subject to approval by the tax authorities.

Is there a registration limit for the tax?

Any natural or legal person, public or private, resident in K.S.A, conducting an economic activity and in its course, makes a taxable supply of goods and services must register for VAT if the value of such taxable supplies in the K.S.A exceeds or is expected to exceed in the coming 12 months the value of SAR 375.000.

The threshold for voluntary registration is SAR 187.500.

Businesses making exclusively zero-rated supplies are excluded from registration.

Two or more legal persons can elect to register as a Tax Group for VAT purposes if:

- each of the legal persons is resident and carries out an economic activity in the K.S.A
- 50% or more of the capital, ownership or voting rights are held by the same person or persons
- one person is a taxable person

The tax authority can force two or more legal persons to form a Tax Group.

Supply of Goods and Services between members of a VAT group are considered as out-of-scope of VAT.

All members of a VAT group have joint liability for VAT during the time of their group membership.

Does the same registration limit apply to non-established businesses?

Businesses that are not established in the K.S.A are required to register as soon as they make the first supply for which they are liable to charge VAT; this applies to supplies where the customer is not a taxable person and cannot self-account for VAT.

Furthermore, taxable supplies related to certain economic segments (eg real estate) require the non-resident business to register even if the customer is a taxable person.

Non-resident businesses making online sales to end consumers must register if their sales in K.S.A are more than SAR 375.000.

Is there any specific legislation to tax non-resident supplies of electronically supplied/digital services to private consumers resident in your country?

B2C electronically supplied services are taxed at the place of consumption or the usual place of the consumer's residence. Thus, such sales to K.S.A consumers are taxed in the Kingdom at standard rate.

Does a non-established business need to appoint a fiscal representative in order to register?

All non-resident businesses making taxable supplies in the K.S.A must appoint a tax representative. The tax representative is jointly liable for payment of any Tax due by the non-resident business until such date the tax representative is confirmed by the tax authority as ceasing to act on behalf of the non-resident business.

VAT representatives can be:

- members of SOCPA or established law firms
- a KSA resident, commercially active for at least 5 years and have a contractual agreement with the non-resident business.

How often do returns have to be submitted?

The annual value of taxable supplies a company makes, determines its tax period and subsequently when a business should submit its VAT return.

Companies with annual taxable supplies over SAR 40 million, in the previous twelve (12) months, have a monthly tax period and they must file a VAT return by the end of the month following the end of the tax period (eg VAT return of January must be filed by end of February).

All other companies have a quarterly tax period and they must file a VAT return by the end of the month following the end of the tax period (eg VAT return of January – March must be filed by end of April).

Submission of VAT returns is electronic via the portal of the tax authority.

Payment of any tax due must be done until the last day of the month following the end of the respective tax period.

Are penalties imposed for the late submission of returns/ payment of tax?

Penalties are imposed by the tax authority if VAT returns are not submitted on time, or the related tax is not paid by the due date.

Late submission penalties can reach up to 25% of the declared tax.

Late payment penalties are equal to 5% of the value of unpaid Tax for each month or part thereof for which the Tax has not been paid.

Are any other declarations required?

No other declarations are required. The Common VAT Agreement of the States of the Gulf Cooperation provides for the provision of an electronic platform where businesses will have to registers all supplies of Goods and Services to VAT registered businesses in other member states. The system is not functional yet.

Are penalties imposed in other circumstances?

A range of additional penalties can be imposed where businesses do not comply with the VAT rules.

Administrative penalties can be applied where the business has failed to keep Tax Invoices, books, records and accounting documents, obstructed tax authority employees from performing their duties, repeated violations of the law, and no or late registration.

Tax evasion is punishable by a penalty of maximum three (3) times the value of Goods and Services which are the subject of the evasion. Criminal charges may apply too.

Can the VAT incurred by overseas businesses be claimed if they are not registered in the Kingdom of Saudi Arabia?

VAT incurred by overseas businesses can be claimed given some prerequisites.

VAT legislation provides for two schemes. One for VAT registered businesses in the GCC and the other for VAT registered businesses in other countries.

The GCC refund scheme is available to all Gulf Council Countries that have enacted VAT legislation. The refund mechanism has not been yet approved by competent tax authority.

The non-resident in the GCC refund scheme applies to all other countries where:

1. the business is established in a country with transaction tax system similar to VAT and the business is registered for that tax
2. the business is established in a country with transaction tax system similar to VAT and that country allows a similar mechanism to provide refunds of Tax to residents of the Kingdom of Saudi Arabia who are charged Tax in that country.

A single refund application for incurred tax value of more than SAR 1.000 may be submitted for any quarterly or yearly period at the tax authority. The deadline is within six months from the end of the calendar year to which the claim period relates.

The application must be supported by valid documentation (eg VAT Invoice) and can't be for goods or services disallowed for deduction.

All refund applications are subject to approval by the tax authority.

What information must a VAT invoice show?

A VAT invoice must be in Arabic in addition to any other language and show:

- the date of issue
- a sequential number which uniquely identifies the VAT invoice
- the name and address of the supplier
- the VAT identification number of the supplier
- the name and the address of the customer
- the date on which the supply took place, where this differs from the date of issue of the VAT invoice
- the quantity and nature of the goods supplied or the scope and nature of the services offered
- the taxable amount per rate or exemption, the unit price exclusive of VAT and any discounts or rebates if they are not included in the unit prices
- the rate of VAT applied
- the amount of VAT payable, shown in riyals
- in the case where VAT is not charged at the basic rate, a narration explaining the VAT treatment applied to the supply.

In case of multiple supplies of goods or services within the same tax period, a summary VAT invoice can be issued.

Simplified VAT invoices can be issued for transactions up to SAR 1,000. Such an invoice must show:

- the date of issue
- the name, address and VAT identification of the supplier
- a description of the goods or services supplied
- the amount payable for the goods or services
- the value of VAT payable or a statement the payable amount is inclusive of VAT.

Although the law provides the use of electronic invoices, the relevant legal framework has not been put in place.

Are there any current or anticipated Standard Audit File for Tax (SAF-T) or similar electronic/digital filing requirements eg invoice listing data file/real-time VAT reporting?

The VAT law is very new and it does not provide for any SAF-T or electronic filing requirements except for the standard VAT return. We anticipate that in the near future such measures will be introduced to enhance the audit abilities of the tax authority.

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Indirect tax snapshot

What are the current rate(s) of indirect tax?	• Standard rate of 5% for most of the goods and services. • VAT is not applicable on supplies that are zero rated or exempted. • Zero-rated goods and services include educational/healthcare services and related goods, international transportation, residential buildings, crude oil and natural gas. While Exempt supplies includes financial services and local passenger transport.
Are there any confirmed or anticipated changes to these rates?	No.
What is the principal indirect tax?	Value-Added Tax is the principal indirect tax in United Arab Emirates. It is a broad-based consumption tax and is levied on almost all supplies of goods and services in UAE. In addition, VAT is also applicable on import of goods and services.
Is there a registration limit for the tax?	Yes. A person is required to register if the total value of supplies made in the last 12-months or anticipated value of the supplies in next 30 days exceed AED 375,000. A specific provision under the legislation provides the supplies which must be considered to determine the threshold. Registration can also be applied on voluntary basis and the threshold is AED 187,500. In addition to the value of supplies, a person can also consider taxable expenses to determine whether threshold has been exceeded.
Does the same registration limit apply to non-established businesses?	No. There is no registration limit for businesses that are not established in the UAE and they will need to register as soon as they make taxable supplies in UAE and on which no other person is obligated to pay the due tax.
Does a non-established person need to appoint a fiscal representative in order to register?	No. However, further clarity is awaited on this from tax authority.
How often do returns have to be submitted?	Generally, it is on quarterly basis. However, returns may also be required to be submitted on monthly basis (for businesses having yearly turnover of more than AED 150 Million or for some other businesses as per the discretion of the tax authority).
Are penalties imposed for the late submission of returns/payment of tax?	Yes. If a Tax Return or the corresponding payment, is submitted or paid late, a late submission/ payment penalty can be imposed.
Are any other declarations required?	No.
Are penalties imposed in other circumstances?	Yes. Penalties can be imposed for a range of errors or omissions such as providing incorrect information, failure to register, etc.
Can the tax incurred by overseas businesses be claimed if they are not registered in your country?	No.
Deduction of VAT	Non-recoverable input VAT includes: 1 the provision of entertainment services to anyone not employed by the Person (who is not a Government Entity) 2 the purchase, rent or lease of motor vehicle for use in Business and is available for private use by any Person when goods and services are purchased to be used by employees at no cost and for their personal benefit. Entertainment services includes hospitality of any kind, including the provision of accommodations, foods and drinks which are not provided in the normal course of a meeting, access to shows or events, or trips provided for the purposes of pleasure or entertainment.

What is the principal indirect tax?

Value-Added Tax (VAT) is the principal indirect tax in the UAE apart from Excise on some products such as tobacco and Customs duty on imports of selected goods.

VAT is a tax on consumption which is applied on the supply of most goods and services in UAE. It is also applied to goods, when imported into the country. Although VAT is ultimately borne by the consumer by being included in the price paid, the responsibility for charging, collecting and paying it to the tax authority at each stage of the supply chain rests with the business (including individuals) making the supply.

A business registered for the tax will charge VAT (output tax) on its sales/services, and incur VAT (input tax) on its purchases (including any VAT paid at importation). The difference between the output tax and the deductible input tax in each accounting period will be the amount of VAT payable by the business to the tax authority. Where the input tax exceeds the output tax, the excess recoverable tax can be carried forward to subsequent tax periods and can be used to offset against payable tax and/or penalties, or one can apply for a refund at any point in time.

A transaction is within the scope of UAE VAT if the following conditions are met:

- it is either a supply of goods or services for consideration or a scenario of deemed supply. The term 'supply' and 'deemed supply' has been defined separately for goods and services in the legislation
- the place of supply is in the UAE
- it is made by a taxable person conducting business in the UAE. For these purposes, a taxable person is a person or entity who is registered for VAT in the UAE, or has a liability to become registered.

There are two rates of VAT that are applied to goods and services in UAE; the standard rate and the zero rate. In addition, some goods and services are exempt from VAT.

Businesses that makes exempt supplies are unable to claim the input tax they incur, so the VAT paid to the suppliers will be a 'real' cost.

All goods imported into the UAE from outside the UAE are generally subject to VAT. Registered businesses are eligible to discharge the liability under reverse charge mechanism. However, non-VAT registered businesses need to pay VAT at the time of importation.

There are special rules governing transactions related to a Designated Zones ('DZ') in UAE. Any supply of goods within a DZ is outside the scope of VAT (subject to certain conditions and restrictions). Further, any goods procured from outside UAE in a DZ is not considered as import and therefore no Customs duty or VAT is applicable. However, when goods move from a DZ to mainland in UAE, it is treated as an import transaction and Customs duty and tax is levied at that stage. No concession is provided to services provided from and to the DZ.

Is there a registration limit for the tax?

A taxable person who either makes or intends to make taxable supplies of goods and services in the course of a business must register for VAT if the total value of all supplies exceeds the mandatory registration threshold of AED 375,000 in the previous 12 months period or that it is anticipated that total value of all supplies will exceed the mandatory registration in the next 30 days. A specific provision in the law specifies the supplies that should be considered for the purpose of threshold.

A taxable person who does not qualify for registration as per the above threshold can opt for voluntary registration as well, if he proves that the total value of supplies or expenses which are subject to tax exceeded AED 187,500 in the previous 12-month period or will exceed the said threshold in the next 30 days.

Two or more persons conducting businesses in UAE may apply for Tax Registration as a Tax Group if all the following conditions are satisfied:

- each member has a Place of Establishment or Fixed Establishment in the UAE
- each member shall be related parties, where the definition of related parties is further explained in VAT Law
- one or more persons conducting business in a partnership shall control the others.

A person cannot be treated as a member of more than one VAT group at a time. Further, an individual cannot be part of a VAT Group.

The main advantage of VAT group registration is that any supply of goods or services by a member of the group to another member of the group is disregarded for VAT purposes. This reduces the risk of VAT being accidentally omitted on supplies between separately registered connected companies.

However, there are some disadvantages and any decision on whether to take group registration should be taken with care. For example, all VAT group members (including former members) are jointly and severally liable for the VAT debt of the group during the period of their membership.

A penalty may be imposed by the tax authority if a business fails to register at the correct time.

A Taxable Person making only zero-rated supplies may be excepted from mandatory tax registration.

Does the same registration limit apply to non-established businesses?

No. There is no threshold for non-resident businesses to obtain VAT registration when they make taxable supplies in the UAE and no other person is obligated to pay tax. In other words, where a non-resident business makes supplies in UAE and there is no other person to account for tax, the said overseas business needs to obtain registration in UAE, irrespective of the value of supplies.

Is there any specific legislation to tax non-resident supplies of electronically supplied/digital services to private consumers resident in your country?

Supplies of electronic/digital services are covered by special place of supply provisions of Telecommunication and Electronic services. The place of supply for such services is determined by the actual use and enjoyment of the services, regardless of the place of contract or payment. Accordingly, for electronic or digital services, the place of supply is in UAE, to the extent that the use and enjoyment of the services is within UAE. The place of supply is outside of UAE, to the extent of that the use and enjoyment of the service is outside of UAE.

For B2B transactions, local businesses will have to account for the tax due under the Reverse Charge Mechanism as it is considered an importation of services.

For B2C transactions, where the private consumer is not obligated to pay tax, a non-resident supplier who does not have a place of residence in UAE or in other implementing state and is not registered for tax, shall be required to register on mandatory basis.

Does a non-established business need to appoint a fiscal representative in order to register?

No. However, further clarity is awaited on this aspect.

How often do returns have to be submitted?

In UAE, standard tax period is three calendar months. However, the tax authority may at its discretion, assign a different tax period – monthly.

Businesses may also request that the Tax Period ends with a month as requested by it and the tax authority may accept such a request at its discretion.

All VAT returns must be submitted online to the tax authority by 28th day of the subsequent month following the end of the relevant tax period or by any other date as may be notified. Where the payment is due to the tax authority, it must be paid by the same deadline. Where the due date of the submission of the VAT Return and the corresponding payment falls on a weekend or a national holiday, the deadline for filing the VAT Return or making a payment is extended to the first business day thereafter.

Are penalties imposed for the late submission of returns/ payment of tax?

Penalties may be imposed by the tax authority if VAT returns are not submitted on time, or the related tax is not paid by the due date.

When the return is not submitted to the tax authority by the due date, a fine of 1,000 AED is imposed for the first time, and 2,000 AED in case of repetition with 24 months.

When there is delay in payment of VAT to the tax authority, following penalties can be levied:

1. 2% penalty of the unpaid tax due immediately once the payment of the Payable Tax is late
2. a further 4% penalty is due on the seventh day following the deadline for payment, on the amount which is unpaid
3. a 1% daily penalty is charged on any amount that is still unpaid one calendar month following the deadline for payment, up till the upper ceiling of 300%.

In any case, the accumulated surcharges referred to above may exceed the equivalent to fifty percent (50%) of the unpaid balance.

Are any other declarations required?

No.

Are penalties imposed in other circumstances?

Yes. A range of penalties can be imposed when businesses do not comply with VAT Law and Rules.

Penalties can be applied for non-compliance with the tax procedures such as failure to keep adequate records, failure to obtain registration within prescribed timelines, failure to provide information (including additional disclosures) and failure to comply with the decree law and regulation requirement.

Can the VAT incurred by overseas businesses be claimed if they are not registered in UAE?

No.

What information must a VAT invoice show?

A valid tax invoice must show:

- the words 'Tax Invoice' clearly displayed
- the name, address and TRN of the Registrant making the supply
- the name, address and TRN of the Recipient where he is a Registrant
- an invoice number which is unique and sequential
- the date of issuing the Tax Invoice
- the date of supply if different from the date the Tax Invoice is issued
- a description of goods or services supplied
- for each goods or services, the unit price, the quantity or volume supplied, the rate of Tax and the amount payable expressed in AED
- the amount of any discount offered
- the gross amount payable expressed in AED
- the tax amount payable expressed in AED together with the rate of exchange applied where the currency is converted from a currency other than the UAE dirham
- where the invoice relates to a supply under which the Recipient of Goods or Services is required to account for Tax, a statement that the Recipient is required to account for Tax and a reference to the relevant provision of the Decree Law.

Where a business makes supplies of goods or services to a recipient that is non-registrant, or that the value of the consideration for the supply of goods or services does not exceed AED 10,000 to the recipient who is a registrant, a simplified tax invoice may be issued.

Tax invoices can be issued in electronic format and there is no need to obtain prior approval from the tax authority (provided the conditions as prescribed by the tax authority are fulfilled). Electronic invoices must contain the same information as paper invoices.

Are there any current or anticipated Standard Audit File for Tax (SAF-T) or similar electronic/digital filing requirements eg invoice listing data file/real-time VAT reporting?

No.

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