THE VAT YEAR IN REVIEW: 2018

The top VAT news stories from around the globe.

Taxback International

BAHRAIN: THE THIRD GULF COUNTRY TO IMPLEMENT VAT

The Bahrain Parliament has now approved a VAT agreement, and the 5% VAT Rate will be effective from January 1st 2019. Saudi Arabia and The United Arab Emirates became the first countries in the Gulf Region to implement a VAT regime this year. Other Gulf Region countries have been working on following in their footsteps with this new VAT regime.

NEW ZEALAND: GOVERNMENT PROPOSED NEW GST RULES FOR LOW-VALUE IMPORTS.

According to the proposed rules, all foreign established suppliers will have to register and charge GST for goods ordered online by New Zealand customers where their value is NZD 1,000, or below. In order to diminish compliance and administration cost customs duty, border security and biosecurity fees will be removed (excluded).

In relation to all of the imported goods above NZD 1,000, customs will be responsible for the collection of the GST. The expected effective date of the new rules is 1st October 2019.

POLAND: THE OBLIGATION TO FILE MONTHLY VAT RETURNS MAY BE ABOLISHED IN 2019

The Ministry of Finance in Poland has announced that it may abolish the obligation to file VAT returns monthly, from the 1st of January 2019. The already mandatory Standard Audit File (SAF-T) for VAT will suffice. The new structure of the JPK_VDEK (SAF-T) uniform control file will replace the current JPK_VAT.

HUNGARY: REAL TIME REPORTING INTRODUCED

From 1 July 2018, the Hungarian Tax Authority introduced a real-time invoice reporting obligation. The Hungarian Tax Authority requires all invoices above HUF 100,000 issued from a Hungarian VAT registered entity to another VAT registered entity in Hungary (B2B) to be reported. This is applicable for all companies established outside Hungary but registered for VAT purposes there, but is not applicable to sales to private consumers (B2C).

GERMANY: APPROVED A BILL FOR AN ANNUAL TAX ACT 2018.

The German Ministry of Finance approved a bill for an Annual Tax Act 2018 (Entwurf eines Jahressteuergesetzes 2018).
If passed, the changes in the draft bill with impact foreign investors with German real estate investments. The main purpose of this bill is to adapt the German tax laws and make them more in line with EU law. The changes will take effect from 1st January 2019.

RUSSIA: VAT RATE INCREASE IN 2019

The proposed changes include increasing the VAT rate from the current 18% to 20% from 1 January 2019.

Russia also recently announced that from 1st January 2019, non-resident suppliers of B2B (business-to-business) electronically supplied services will need to register with the Federal Tax Service in Russia, accounting for any VAT owed.

ITALY: DIGITAL TRANSACTIONS & VAT CHANGES

There is mandatory e-invoicing for general supplies of goods and services from 1st January 2019). There will also be a new B2B tax on digital transactions (Web Tax) from 1st January 2019, applying to the provision of services effectuated by means of electronic devices to Italian resident corporations, government bodies, partnerships, sole proprietorship's, self-employed professionals, and Italian permanent establishments of non-Italian resident persons.

LATVIA: INPUT VAT DEDUCTION FOR PASSENGER CARS.

In relation to passenger cars, the current legislation states that Latvia is authorised to restrict the right of deduction to 50%. This legislation was expected to expire on 31 December 2018. Subsequently Latvia has applied for an extension of authorisation. The current proposal states that the derogation will be extended until the 31 of December 2021.

MALTA: CHANGES IN SUPPLY OF TBES.

Following changes at EU level, Malta has announced it's own changes in relation to the place of supply and reporting of TBES (telecommunication, broadcasting and electronic services) to non-taxable persons. Taking effect from 1 January 2019 the provision of TBES to non-taxable persons will apply according to the general place of supply rule, which states that the POS (place of supply) is where the supplier is established.

UNITED KINGDOM: BREXIT

UK-based companies currently reclaim foreign VAT through the Electronic VAT Refund (EVR) 8th Directive, which does not require paper receipts. With most expense and corporate card systems now encouraging paperless environments, companies often do not keep any paper receipts. After Brexit, some or all foreign reclaim potential could be lost if businesses are not aware and ready for the requirements of the 13th Directive refund mechanism.

What is the most likely impact to UK-based companies?
Under the EVR mechanism, Foreign VAT reclaim does not require paper receipts. However, after Brexit, filing of foreign VAT claims through the 13th Directive reclaim mechanism will require paper invoices/receipts. Without paper receipts, VAT Reclaim is simply not possible.

If your business is registered for VAT in the UK or it involves cross-border trade with suppliers or customers in the other EU Member States, we strongly recommend that an analysis is undertaken as soon as possible.

UNITED KINGDOM: MAKING TAX DIGITAL

Making Tax Digital is a key part of the UK government's plans to make it easier for individuals and businesses to ensure their taxes are correct.

The aim is to make the HMRC one of the most advanced tax administrations in the world. It completely changes the way the tax system works - making it more effective, efficient, and easier for taxpayers to get right.

VAT-registered businesses with a taxable turnover above the VAT threshold are required to use the Making Tax Digital service to keep records digitally and use software to submit their VAT returns from 1 April 2019.

UNITED STATES: TAX CUTS AND JOBS ACT

The 2017 TCJA eliminated the deduction for any expenses related to activities generally considered entertainment, amusement or recreation. During 2018 the IRS issued clarification to taxpayers, that they may continue to deduct 50 percent of the cost of business meals if the taxpayer (or an employee of the taxpayer) is present and the food or beverages are not considered lavish or extravagant. The meals may be provided to a current or potential business customer, client, consultant or similar business contact.

Food and beverages that are provided during entertainment events will not be considered entertainment if purchased separately from the event.

Prior to 2018, a business could deduct up to 50 percent of entertainment expenses directly related to the active conduct of a trade or business or, if incurred immediately before or after a bona fide business discussion, associated with the active conduct of a trade or business.

Meals and entertainment is one of the top 10 expense categories, contributing up to 22% of a company's total travel budget. Such a staggering amount of spend makes compliance with the Tax Cuts and Jobs Act (TCJA) even more pressing. The complexity of the new rules, however, also makes compliance nothing less than complicated.

Contact Taxback International for more information on how to apply this complex new legislation.

Can your VAT solution adapt with the ever-growing demands of the industry? Taxback International have developed a future proof solution that evolves with you.

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