

VAT Package: amendments of the VAT Act to come into force on 1 January 2010

Introduction of the so called VAT Package results from obligation to adjust domestic regulations to the EU Directives. Planned amendment will encompass the key VAT issues which will greatly influence settlement of cross-border transactions. It is worth to become acquainted with these changes, as in multiple cases the modification of accounting systems will be necessary and the time is running short.

Place of supply of services

One of the most significant changes will be the modification of current rule of taxation at the place the service provider is established. After amendments, the place of supply of services provided to taxpayers will change to place where service recipient is established.

However, in case of services performed for entities that do not have a status of a taxpayer, the general rule will not change. Thus, such services will be taxed at the place the service provider is established.

There are also some exceptions to the above rules.

Reporting of intra-Community transactions

The draft amendment proposes to shorten the period for which the taxpayers are obliged to submit EC Sales Listings (from quarter to month), as well as shortening, as a principle, the deadline to submit such Listings (from the 25th day to the 15th day of the month following the

reporting period when the tax point occurred).

Moreover, ES Sales Listings will include services for which VAT is to be settled by the recipient in another Member State.

VAT reclaim rules

Additionally, the procedures for VAT reclaim from purchases made in another Member State will be changed. Applications for reclaim of VAT incurred in another Member State will be submitted at the tax office in a Member State where the taxpayer is established or has a place of inhabitation.

It will be possible to send the applications for VAT reclaim via electronic means. New rules will also introduce the right for penalty interest in case the refund is not granted within deadline.

Influence of changes on settlement of transactions

Entrepreneurs should prepare their accounting systems for the changes which will come into force on 1 January 2010, now. This means the necessity of

analysis of transactions with foreign entities performed currently and in the future. We would like to stress that amendments may lead to new obligations, such as charging VAT on transactions which until now were not subject to domestic VAT. However, amendment may also lead to possibility of deregistering in different Member States.

KPMG's tax advisors will gladly assist you in indentifying areas subject to change, as well as in analysis of new rules' influence on the current model of settlement. We also propose trainings and assistance in development of tax strategies, ensuring compliance with new regulations.

At the same time we would like to invite you to visit our dedicated webpage regarding the VAT Package, where i.e. the draft amendment may be viewed.

Should you be interested in accessing the site, please contact us.

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