

European VAT Developments

France

New reverse charge regime

In order to reduce the incidence of non-established foreign companies being forced to register for VAT, France has implemented a blanket reverse charge rule on all B2B supplies made to French taxpayers by non-established suppliers. This has a wide range of impacts on business:

- if your business sells into France, you need to make sure that your transaction pricing and contracts can accommodate the new rules;
- if you are a non-established firm VAT registered in France, you need to understand whether you could or should now remove this registration
- if you are a business established in France you need to make sure that your accounting system will capture the new reverse charges.

Want to know more?

- Follow this link for more details from the French authorities (in French) (Direction Generale des Impots website)
- To discuss the impact of the new reverse charge regime on your business, contact your Accordance Business Development Manager, or Emma Noble emma.noble@accordancevat.com

Bulgaria & Romania

Entry to EU 1 January 2007

Bulgaria and Romania have both been approved for entry to the EU from 1 January 2007. Both states have new VAT laws pending to complete their harmonisation with the EC Sixth Directive. These will create major challenges and opportunities for businesses operating in these states and now is the time to be reviewing financial planning, systems and training needs to prepare for the changes ahead.

Want to know more?

- For more reading on VAT accession issues, follow these links to Bulgaria's and Romania's Finance Ministries and the EU's websites.
- To discuss the impact of EU accession on your business, contact your Accordance Business Development Manager, or Bart O'Toole bart.otoole@accordancevat.com

Channel Islands

Introduction of GST

Jersey's plans for introduction of a VAT-type "Goods and Services Tax" in early 2008 are moving forward and draft laws and regulations are now available.

The rate of tax will be relatively low – probably 4% - but the size of transactions that pass through many of the offshore structures that international businesses have implemented there means that even at this rate its impact could be quite significant. The popularity of Jersey as a centre for financing and treasury structures means that a very large number of multinationals are likely to be affected.

If you do business in Jersey, now is the time to be examining the impact of GST on your business, while there is still time to lobby and plan to mitigate adverse effects.

Guernsey is also considering a GST, but this is still at an early discussion phase.

Want to know more?

- For more reading on GST, follow these links to Jersey's and Guernsey's fiscal authority websites.

Accordance is highly active in reviewing and lobbying on the GST proposals. To discuss the impact of GST on your business, contact your Accordance Business Development Manager, or Bill Morrison william.morrison@accordancevat.com

Hungary

Hungarian Tax "Amnesty"

Inward investors into Hungary have often found the Hungarian VAT rules to be changeable, unclear and easy to inadvertently contravene, with all the accompanying risks of severe penalties and interest. Now is an ideal time to do a health check on past VAT declarations and iron out any problems, because until the end of 2006 it is possible to file corrections free of penalties and interest.

This is a one-off opportunity and will not be repeated in 2007, so if you have a Hungarian entity there could be a lot to be gained from taking advantage of this now.

Want to know more?

VAT review and correction services are core skills of Accordance. We perform these using both highly experienced VAT consult

ants for complex issues, and cutting edge VAT audit software for large data pools. To discuss the Hungarian VAT amnesty, contact your Accordance Business Development Manager, or Bill Morrison william.morrison@accordancevat.com

UK

New quality standard for VAT accounting software.

Now is a good time for UK businesses to review their VAT accounting systems. The British Standards Institute, working with HM Revenue & Customs, has introduced "PAS 76", their quality standard for VAT software. Software that is certified as meeting the demanding criteria of this standard will be able to carry the BSI's "Kitemark" quality mark. This impacts most businesses:

- Those that use VAT software are likely to enjoy a less demanding audit regime from HMRC if their system has been PAS 76 accredited. As PAS 76 becomes well known, it may offer credibility in dealing with other countries' fiscal authorities, too.
- Those that produce VAT software may need PAS 76 as a part of their market credibility

Want to know more?

- For more reading on PAS 76, follow these links to HMRC's and the BSI's websites.
- To discuss the impact of PAS 76 on your business, contact your Accordance Business Development Manager, or David Stokes david.stokes@accordancevat.com
- To find out more the range of business software VAT solutions that Accordance offer, contact your normal Accordance Business Development Manager, or Rob Cowley rob.cowley@accordancevat.com

Reverse charge for purchases of electronic goods

The UK is losing huge amounts of revenue due to so-called "carousel fraud", involving acquisition of goods from the EU, apparent sale in the UK and then disappearance of the seller before the output tax is paid to HMRC. To counter this, it is planned that the VAT liability for sales of certain products that commonly form the basis of these frauds will be shifted from the seller to the buyer as a reverse charge. The items include mobile phones, PDA's, GPS devices and a range of their parts. The probable start date for the new reverse charge rules

Opportunities to beat the 3-year cap on VAT refunds

The 3-year cap for refunds of VAT mistakenly overpaid in the past has been a very unhelpful feature of the UK VAT system since its inception as of 1 May 1997 and has been the subject of considerable litigation. For overpaid VAT dating from before the cap's inception, recent case law has held the cap illegal, because HMRC did not offer an adequate transition period to the new regime. Unfortunately, VAT dating from after this time remains capped. If you suspect that any unrecovered VAT in your business predates the cap, for instance if you considered a claim then but were deterred by HMRC's attitude to capping, now is a chance to realise what is almost a windfall gain.

Want to know more?

For more reading on these cases, follow these links for detailed accounts of the cases concerned

- Marks & Spencer v Revenue & Customs C-62/00 (European Court of Justice website)
- Fleming (t/a Bodycraft) v Revenue & Customs (UK Court of Appeal website)

Accordance can help with identifying the opportunities this affords your business and in preparing claims. Please contact your Accordance Business Development Manager, or Emma Noble emma.noble@accordancevat.com

will be 1 December 2006. HMRC will publish full details of the new rules shortly.

Buyers and sellers of these products need to review their contracts and systems to make sure that they can properly deal with the new regime.

Want to know more?

- Follow this link to HMRC's latest information on this scheme.
- To discuss the impact of the new regime on your business, contact your Accordance Business Development Manager, or Emma Noble emma.noble@accordancevat.com

Investment Fund management; switch from taxable to exempt status

HMRC traditionally viewed most fund management services supplied to Authorised Unit Trusts and open Ended Investment Companies as VAT taxable. This has been radically altered by new case law, which has ruled that most fund management services are (and, properly, always were) VAT exempt. This opens the possibilities that:

- Fund managers may be able to make claims for overpaid output VAT from HMRC (subject to adjustments for over-claimed input tax)
- Subject to the terms of their fund management contracts, funds may be able to make claims from their fund managers for overcharged VAT (NB – these company-to company claims are not subject to HMRC's 3 years capping rules, so longer periods could be covered)

Want to know more?

- For more reading on this case, follow these links for detailed accounts of the cases concerned
- Abbey National Plc v CCE C-169/04 (European Court of Justice website)
- To discuss the impact of PAS 76 on your business, contact your normal Accordance Business Development manager, or Emma Noble emma.noble@accordancevat.com

Dates for your diary

November

Wednesday 1st

Accordance VAT Breakfast Briefing Session, London.

December

Friday 1st

Probable introduction of reverse charge on some electronic goods in the UK

Sunday 31st

Last date for non-EU businesses to reclaim UK VAT costs for the year ending 30 June 2006 (last working day Friday 29th)

January

Monday 1st

Accession to EU of Romania and Bulgaria

German standard VAT rate rises from 16% to 19%

International VAT Compliance

Services

VAT Compliance Review

A single-day healthcheck on your business. Our VAT compliance review will help you identify saving opportunities and reduce the risk of penalties.

VAT Training

Do you want your staff to have an understanding of VAT regulation - and an understanding that's specific to your business circumstances?

Registration and Return

We can give you comprehensive support when it comes to cross-border registration and return and intrastat obligations.

VAT Consultancy

Would you benefit from strategic VAT support across the business, or with a specific VAT project?

You can find more details on Accordance's services at www.accordancevat.com

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