



# CosmoSERVE

New VAT  
Rules

2010

We would like to inform you that, as a result of the implementation of the VAT package adopted by the EU, certain important changes will come into effect as from 1 January 2010 in Cyprus and in all the other 26 EU Member States. These new rules may have an impact on your company's obligations and therefore it is important that you carefully consider them.

REF CS03

## Preface

We emphasize that whilst the information in this message was prepared with care, it is of a general nature and you should not proceed with any action based on it alone. Instead, please contact us in order to organize the specific circumstances of your company and decide on what action should be taken specifically for your company.

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## 1.0 Introduction

The new VAT rules may affect your company's obligation to register for VAT and charge VAT on its invoices and the preparation and filing of VAT returns. Therefore, it may be necessary to also adjust the way it maintains its accounting records in order to ensure that the required information will be available for the preparation and filing of the VAT returns.

## 2.0 Summary of the New VAT Rules

In summary the changes involve transactions between two different EU member states and relate to:

1. The country of taxation of services provided between business (B2B)
2. Compliance obligations for persons who supply services and goods
3. The time of supply of services for which VAT is due by the recipient
4. The procedure for refund of VAT paid in another Member States (MS)
5. The country of taxation of services supplied to consumers (B2C)

For those of you who would like to know more, each of the above items is examined in more detail further below in this article. If you prefer, you may simply contact us in order to discuss the new VAT rules and their effect on your company.

CosmoServe will be pleased to assist you to ensure compliance with the VAT laws and, in this respect, in general, we recommend:

1. Please contact us every time you are planning to either supply or receive services of any kind, before you enter into the transition. We will advise you on the effect that the VAT rules will have on your company as a result of the planned transaction.
2. Similarly, please contact us every time you plan to enter into a transaction involving goods within the EU.
3. Please ensure that you inform us in detail of all your transactions without delay, (preferably in advance of the transaction or on the same date), as the new reporting system for VAT for both services and goods within the EU is on a monthly basis.

The remaining sections of this download include two appendices:

- More detailed information on each of the above listed 5 items of changes in the VAT rules
- Practical examples of effects of the changes in the VAT rules

Please ensure you contact CosmoServe for a detailed consideration of the impact of the new VAT rules on your company if its activities include any one of the following:

- Providing Services
- Receiving Services
- Trading in Goods within the EU

## Conclusion

The changes in the VAT rules which extend over the whole of the EU may have a significant impact on the business of your company and its legal obligations. We recommend that you seriously

consider these changes and you ensure that your company fully complies with its relevant obligations. As always, CosmoServe is at your disposal for all the assistance that you require.

## APPENDIX 1: A Detailed Analysis on the New VAT Changes

In more detail, the changes in the VAT rules are as follows:

### 1.0 Services between Business (B2B)

Services provided by a business to another business in another MS are taxed in the MS where the recipient is established, except:

- (a) Services directly related to immovable property
- (b) Restaurant services and services supplied in the course of Catering
- (c) Leasing of means of transport
- (d) Scientific and educational services
- (e) Sporting and cultural services

### 2.0 Compliance Obligations

- (i) Declaration of intra-community services where a reverse charge applies

Businesses will be required to complete and submit a declaration for intra-community supply of services which are taxed under the reverse charge provision in another MS (declaration VIES II)

The following services must not be included in VIES II:

- Services supplied to persons outside the EU
- Services which are exempt from VAT in the MS of the recipient (this means that the business providing the service must have the relevant understanding of the VAT treatment in the MS of the recipient)

The new declaration VIES II will be submitted electronically on a monthly basis, by the 10<sup>th</sup> day of the month which follows the month for which the declaration relates.

- (i) VIES returns for intra-community supply of goods

As from 1 January 2010 the VIES returns for intra-community supply of goods (which were up to now submitted on a quarterly basis) must also be submitted electronically and on a monthly basis.

### 3.0 The Time Supply of Services

The time of supply of services which are subject to VAT by the recipient under the reverse charge provisions will be the earlier of:

- a) The date on which the supply of the services was completed; and
- b) The date of payment

In the case of supply of services continuing over a period straddling the end of a calendar year, for

which no obligations for periodic payments exists, the VAT will be due at the end of the calendar year, to the extent of the value of the services provided up to the end of the calendar year.

#### 4.0 Refund of VAT Paid in another MS

The existing procedure for refund of VAT paid in another MS will be replaced with a new electronic procedure for faster refund of the VAT to the claimant. In cases of delay of the refund of the VAT by the MS, interest will be paid.

In addition, the deadline for the submission of the claim for VAT refund is extended by 3 months from 30 June of next year to 30 September.

#### 5.0 Services Supplied to Consumers (B2C)

The general rule that the place of taxation is the location of the supplier will continue. However, if the services are provided from a fixed establishment in a place other than the place where the supplier is established, the place of supply will be the place where the fixed establishment is located. Exceptions to the above general rule will continue, including:

- Short term hiring of means of transport (the place of supply is where the means of transport is actually put at the disposal of the customer, subject to optional “use and enjoyment” rules)
- Intermediary services (the place of the underlying transaction)
- Electronically supplied services received from outside the EU (the place of the customer)

## APPENDIX 2: Some Practical Examples Relating to the Effect of the New VAT Rules

The practical examples below relate to cases where the new rules will necessitate changes from the way the described supplies were treated up to now. They are based on the GENERAL rules, not on the exceptions to these general rules.

- a. If a Cyprus company provides services to another business in another EU MS then the Cyprus company must be registered with the VAT office in Cyprus and must submit a VIES form electronically for the month in which it provided the services, latest by the 10<sup>th</sup> day of the following month.
- b. If a Cyprus company receives services from a company in another EU MS, then the Cyprus Company must be registered with the VAT office in Cyprus and must apply a reverse charge for the services in its quarterly VAT return. The company in the other EU MS which invoiced the Cyprus company will include the details of the invoice in its own VIES return.
- c. If a Cyprus company issues an invoice for the supply of goods to another company in another EU MS, then the Cyprus company must be registered with the VAT office in Cyprus and must submit a VIES form electronically for the month in which it provided the goods, latest by the 10<sup>th</sup> day of the following month.
- d. If a Cyprus company provides services to a final consumer in another EU MS then the Cyprus Company must be registered with the VAT office in Cyprus and must charge VAT on its invoice for the supply of the services.