

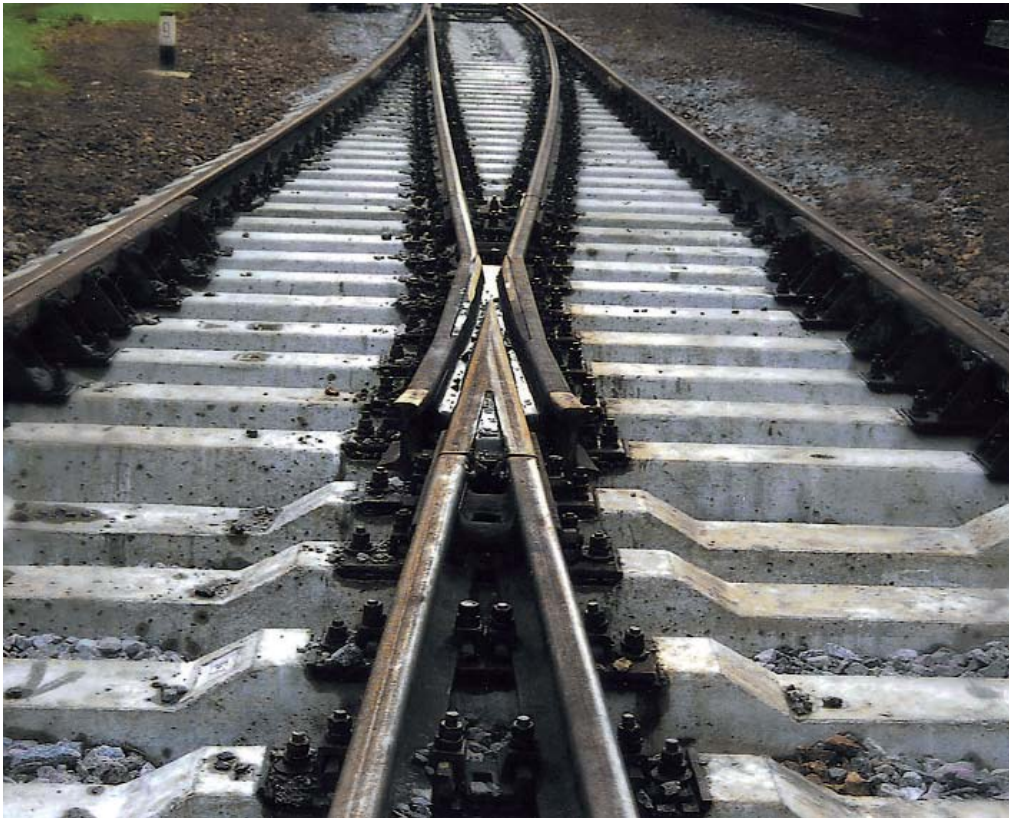
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New Place of Supply Rules & VIES Reporting Obligations

Are you ready for what's
coming down the
tracks?

In this edition

With 1 January 2010 fast approaching we felt it would be an opportune time to revisit the “VAT Package” which will impose significant additional compliance obligations on many businesses.

This brief specifically focuses on the practical measures businesses need to consider and the measures it should be taking to ensure it is fully compliant coming into the new year.



In January 1993, with the introduction of the free movement of goods between EU Member States, the VAT Information Exchange System (VIES) was put in place with the primary aim of preventing the fraudulent zero-rating of supplies with the EU. As a result, all Irish VAT registered traders who make intra-community supplies of goods to other EU VAT registered businesses must regularly submit a VIES statement.

From 1 January next, a fundamental change introduced by way of the “VAT Package” is that the general business to business (B2B) place of supply rule for services will change from where the supplier is established to where the business customer is established. With such a change comes new VIES reporting obligations in that businesses providing services cross-border to other EU VAT registered businesses (B2B) will be obliged to file periodic VIES statements.

Revenue are expected to issue guidance on the new changes within the next few weeks. However as the effective date is fast approaching, businesses are becoming more and more concerned as to whether or not they are prepared for such changes. Consequently, we felt it would be helpful to set out, in a FAQ style, the key points businesses should be aware of and the corresponding action points they should be considering in order to ensure they are fully prepared for such changes.

Action Points...

One

Analyse your business activities, in particular the services you supply and ascertain the exact impact of these new changes.

Two

Ensure your business system is capable of recording all the necessary information required for the periodic filing.

Three

Register with the VIMA office for VIES filing for services.

Four

Obtain and verify all your EU business customers' VAT registration numbers in advance of 1 January.

Five

Train all relevant employees appropriately and ensure you have the appropriate resources in place.



1. So what are the new changes and will my business be obliged to comply with the new VIES reporting requirements?

The place of supply rules for services are fundamentally changing from 1 January next. As a result, new VIES reporting requirements are being introduced.

In terms of VIES reporting, as it currently stands, if your business supplies goods to other VAT registered businesses established in other EU Member States, your business already has an obligation to file VIES statements for the supply of such goods. As there is no threshold all such traders have this obligation.

With effect from 1 January next, any Irish business supplying services (B2B) to other EU Member States will be obliged to file VIES statements for the supply of such services. There will be no threshold.

One of the big challenges facing businesses is to ascertain the exact VAT treatment as a result of the new place of supply rules. If PwC can offer any assistance in this regard please do not hesitate to contact us.

2. How often will I have to file VIES returns?

From 1 January next, if your business makes intra-community supplies of goods in excess of €100,000 (€50,000 from 2012), it will be obliged to file monthly VIES statements. If below this value, it may avail of quarterly filing.

If businesses make cross-border supplies of services, it will be obliged to file quarterly VIES statement. However, it may opt for monthly filing should it so wish.

The exact filing date is currently still under review but it is expected to be a date within the last week of the month immediately following the relevant period.

3. My business already files VIES statements (for goods). Am I required to register for the VIES reporting for services too?

From our discussions with the VIMA office, Revenue are encouraging businesses to register for VIES services to ensure correct VIES statements (ie for appropriate periods) are issued to all businesses in advance of 1 January in order to ensure businesses have the opportunity to be fully compliant.

4. How do I register for VIES filing?

The VIMA office has already sent out VIES registration forms to most (but not all) businesses seeking VIES registration where applicable. If your business has not received same, a registration form is available on the Revenue's website – www.revenue.ie

5. I am familiar with the VIES (goods only) statement. Is there a separate VIES statement for services?

No, from 1 January next, a new VIES statement will issue. This statement will request details of the supply of goods and/or services.

6. What items must be included on the new VIES statement?

The new VIES statement will essentially be the same as it was for goods in that it will record the aggregate value of all transactions (in the relevant period) associated with each customer's individual VAT registration number. In addition, each line item will contain a 'flag box', i.e. leaving the flag box 'blank' will indicate that the supply is goods, a 'T' in the flag box will indicate that the supply concerned is goods but subject to the 'triangulation' procedure or a 'S' in the flag box will indicate the supply concerned is a service.

7. My business system does not generate such information automatically. What should I do?

It is unlikely that your system will generate such information automatically and consequently will have to be revised accordingly. In order to avoid a cumbersome and time consuming process, if not already carried out, it is advisable to have your systems amended accordingly to ensure such information is captured at the time the relevant invoices are raised.

All businesses should ensure it has obtained valid VAT registration numbers from its EU business customers and that all such VAT registration numbers have been verified (format/country code etc) in advance of 1 January 2010. This is likely to be a time consuming exercise but a critical one.

All businesses should ensure their systems are correctly recording the necessary information. If we can be of assistance in this regard please do not hesitate to contact us.





8. I am not registered to file electronically through the Revenue On-line Service (ROS). Can I file the VIES returns manually?

Provided you are not already ROS registered, it is possible to file the new VIES returns manually. However if your tax affairs are dealt with by Revenue's Large Cases Division (LCD), electronic filing is compulsory.

9. A number of employees are responsible for the business' invoicing. As the new place of supply rules for services are fundamentally changing, what measures should I take to ensure all such employees are up-to-date with such changes?

It is essential to ensure that all employees responsible for the issue/receipt of invoices are fully aware of the new place of supply rules for services and the corresponding new VIES reporting obligations. In order to minimise the potential risk and exposure

of non-compliance, it is advisable that all such employees are fully trained in advance of same. If you have not already done so, availing of PwC's bespoke training services is likely to prove helpful in this regard.

10. Are there any other items I should consider?

Yes, particularly if your business is engaged or partially engaged in VAT exempt activities, for example financial services companies having little or no VAT recovery. The new place of supply rules will result in more services (when acquired from abroad) being subject to the 'reverse charge' mechanism. This will not only increase the VAT cost for some businesses but also their VAT obligations and consequently an increased exposure to non-compliance.

As the legislation is still in draft some uncertainties continue to exist. For example, where a business supplies services on a continuous basis, it has yet to be determined with certainty how such supplies are to be treated.

However from our discussions with Revenue, we understand such supplies can be reported on an invoice basis but we are awaiting further clarification on this.

It is likely that other items, specific to your business, may be a cause for concern to you. If you would like to discuss any issues, specific or otherwise, which this brief has not addressed please contact us.

Conclusion

The FAQs address, at a high level, some of the concerns stemming from our discussions with clients. While the exact impact of the new changes will be dependent on the size and level of your cross-border supplies of services, it is imperative that all businesses “get to grips” with the new changes.

We at PwC would be happy to discuss the impact this new legislation may have on your business and any specific concerns you may have.



VAT Brief

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