



CHANGE IN VAT RATE AND IT IMPLEMENTATION

In view of the Corona crisis, the German government in form of the coalition committee agreed on 3 June 2020 on a comprehensive economic stimulus and crisis management package. One of the tax measures is the temporary reduction of the VAT rate from 19 % to 16 % and from 7 % to 5 % from 1.7.2020 to 31.12.2020. We think that the draft bill will be processed very shortly. Hence, a legislative implementation can be expected in rapid speed. Companies should therefore quickly gain an overview of the possible effects of the change and take appropriate conversion measures.

In the following, we give a first – not conclusive – overview of important points that need to be considered when making adjustments:

IT

- › Implementation of the new tax rates on both the input and output side (also applies to reverse charge tax keys on the input side)
- › Creation of new condition and tax rates (for example with SAP)
- › Creation of new VAT accounts with tax automation (other ERP systems)
- › Change of price lists and material master data
- › Adaptation of merchandise management and cash register systems
- › Inventory and, if necessary, adaptation of „intelligent“ interfaces
- › Inventory and, if necessary, adjustment for individual data processing (Excel) and reporting systems

INVOICING

Principle: The date of performance of the service is decisive for the applicable VAT rate.

- › Invoices issued in July with performance date in June are still to be invoiced at the currently applicable VAT rate.
 - › For recurring supplies of goods, the date of the respective supply of goods is decisive for determining the VAT rate (June 30, 2020: 19 %; July 1, 2020: 16 %; January 1, 2021: 19 %).
 - › Special regulations have to be observed for supplies of electricity, gas, heat, cold and water: These are only considered to be executed at the end of the respective meter reading period.
 - › Adjustment requirement for permanent invoices and contracts serving as invoices (especially for rental and leasing contracts)
 - › Permanent services (recurring services): Identification of the point in time when the service is provided (successively or at the end of the service period)
 - › Contracts for work: Examination of the conditions for the agreement of partial services
 - › Long-term contracts: Compliance with § 29 UStG (German Value Added Tax Act) (civil law compensation claim)
 - › Adjustment requirement for down payment invoices: At the time of receipt, a different VAT rate may have to be applied than when the service is performed.
 - › Final accounts: If necessary, the valid VAT rate at the time of service execution is applied to the total amount, even if the higher VAT rate was invoiced at the time of down payment.
 - › Identification whether the invoice is based on a gross or net price agreement
- › Will the VAT rate reduction be passed on to end consumers or will it increase profit (net price increase)?
 - › Review of contracts concluded in the past with regard to a price adjustment clause in relation to VAT
 - › Subsequent change in the tax base: VAT rate applicable at the time the original service was performed
 - › Special rules for annual bonuses, annual refunds and loyalty discounts (allocation and exchange of documents required)
 - › Handling of the issue and redemption of vouchers (single-purpose vs. multi-purpose vouchers)
 - › Special rules for the taxation according to collected fees
 - › Change in VAT rate also affects intra-Community acquisitions and the purchase of services from foreign companies in reverse charge procedure

INPUT VAT DEDUCTION

- › Increased auditing of invoices with regard to tax point and VAT rate
- › No (full) deduction of input VAT, if the VAT amount included in purchase invoices is too high

Since the necessary IT adaptation of accounting systems, billing programs, merchandise management and cash register systems must be carried out at short notice and there are many questions regarding implementation, we are available for all questions.

YOUR CONTACT



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