

VAT IN EUROPE: JUST THE FACTS

KEYWORDS

- Cross-border Suppliers
- EU Sales List
- European Taxes
- VAT
- VAT Returns

An important step in doing business in Europe is obtaining a Value Added Tax (VAT) number. A VAT number is required to import, sell and export products within the European Union and will need to be provided in the country where products are imported.

What some foreign businesses do not know is that they may be entitled to a VAT refund from the Dutch tax office.

At EuroDev we support our clients with the registration and administration of the VAT process to make sure they get the most of their operations in Europe.

WHAT IS VAT?

Value added tax (VAT) is a general tax levied on all goods and services bought and sold for use or consumption within the EU. VAT is calculated on the value added to goods and services by a trader at each stage of the production and distribution chain.

In Europe, VAT needs to be paid at every step during the production- or distribution process.

WHO PAYS THE VAT?

Ultimately, VAT is borne by the final consumer in the form of a percentage added to the final selling price of the goods or services. The supplier (the business identified for VAT) pays the VAT due on the supply of goods or services to the local tax authorities after deducting the VAT incurred from its suppliers.

CROSS BORDER SUPPLIERS

When you supply and transport goods from one EU Member State to another EU Member state, these supplies are known as intra-community supplies.

A VAT zero rate may be applied on cross border supplies of goods to businesses in other EU and non-EU countries, subject to strict terms and conditions. If the correct use of the VAT zero rate cannot be proven (i.e. by supporting documentation), the local tax authorities may enact a VAT assessment on the supplier, possibly accompanied with penalties and interest.

For cross border supplies of services, the 'place of supply' rules determine which tax jurisdiction is allowed to levy VAT. Individual rules are applied for goods and for services, as well as for business-to-business (B2B) and business-to-customer (B2C) supplies. In each case, there is a general rule and exceptions that can cater for certain types of transactions.

In addition, the supplier should, whenever possible, acquire a valid VAT identification number from its client. This VAT identification number must be stated on the sales invoice.

If the evidence of transport is insufficient, or if the VAT identification number of the recipient is not valid, the supplier will be at substantial risk of being subject to an additional VAT assessment from the local tax authority. This situation may lead to additional VAT payments, possibly accompanied by a single or multiple monetary fines.

To verify whether a VAT number originating from any EU country is valid, a supplier can use the online tool provided by the EU, at: http://ec.europa.eu/taxation_customs/vies/

VAT Return

If a business is required to submit VAT returns, these VAT returns must be completed on a regular basis, generally once per quarter. Businesses are legally required to complete and sign each VAT return, and submit it within two months of the end of the period it covers.

Filing a VAT return is required, even if a business did not conduct any activities in the EU during this period. A VAT return must also be filed if the value of the VAT refund to which a business is entitled exceeds the VAT it has to pay.

EU SALES LIST

When performing intra-Community supplies of goods or services to businesses established within the EU, the supplier must submit a 'Declaration of Intra-Community Supplies' (EU Sales List).

In general, the EU Sales List must be submitted to the tax department no later than the last day of the month following the calendar quarter it covers. The supplier must state its VAT identification number on the EU Sales List and state, by customer, the:

- VAT identification number of the EU customer
- Total value of the intra-Community supplies of goods and services made to the EU customer in that period.
- The value needs to match with the submitted VAT return

Using the EU Sales List, each tax authority of each EU Member State can verify whether VAT has been paid with regard to each intra-Community transaction. The combination of listings and VAT returns enable EU Member States to exchange information regarding the flow of goods throughout the EU.

IMPORTS FROM NON-EU COUNTRIES

Goods that are imported from outside the EU to The Netherlands must be declared to Customs. The VAT is calculated on the value added goods. You can claim refund of VAT in The Netherlands if you have a Dutch VAT number.

If you sell your products and ship the goods from the Netherlands to a customer you need to fill this in your VAT return. You don't have to charge VAT on your end. If you selling to another EU country you need to add their VAT number on the invoice. Each quarter you have to fill an EU sales list. On this list you have to notice per VAT number the amount of the invoices in that quarter per customer.

MEET OUR CONTENT AUTHOR DEBBIE KALSBEK (right)

- Finance Consultant
- Specialisms: Finance | Taxation | Payroll |
- Languages: Dutch, English



For further information about VAT or other Finance related inquiries, please contact our VP of HR Outsourcing Paulien Olde Bijvank at paulien.oldebijvank@eurodev.com, and she will get you in touch with our team of Finance Consultants.