

### Value Added Tax

#### Quick Fixes

The so-called “Quick Fixes” which have now been formally approved by the European Council aim to remedy some of the practical problems that the EU faces under its current VAT rules. The VAT Quick Fixes mainly have implications for businesses with cross-border trade operations. Under the new rules there will be more stringent requirements of evidencing documents, customer VAT number verification and recording. Businesses involved in the intra-Community trade of goods can therefore expect a number of extensive changes when the Quick Fixes become effective on 1 January 2020. The VAT Quick Fixes concern the following areas:

#### Application of the zero % VAT rate to intra-EU supplies

The zero % VAT rating of intra-Community supplies will be subject to more stringent requirements in the future. From 2020 onwards, the following additional criteria have to be met:

- \* A valid VAT number for the customer must be obtained (in the form of a written declaration from the customer) and recorded;
- \* The customer must be registered for VAT purposes in a different EU Member State to the EU Member State where the dispatch or transport originates;
- \* The goods supplied must be included in the supplier's EC Sales List (“Zusammenfassende Meldung”).

If the supplier fails to record (valid) customer VAT numbers in its ERP master data the zero % VAT rate cannot be applied. From 2020 onwards it will therefore be essential for businesses to introduce suitable processes for customer VAT number validation, and they will have to ensure that the VAT numbers are correctly stated in the EC Sales List. Checks to confirm the validity of the customer VAT number should be performed before the first delivery is made. Businesses are also advised to install process for the periodic validation of customer VAT numbers. You are welcome to request us to perform validation checks on your behalf.

Under the new rules, when goods are transported to another EU Member State, the supplier must provide at least **two** non-contradictory documents evidencing the transportation issued by two different parties such as signed CMR consignment letters, bills of lading, air freight invoices or shipper invoices. In this connection we would like to emphasise that you are responsible for recording these documents. We cannot generally perform this task in the context of our accounting activities.

If only one evidencing document is provided, a second one can be substituted by any of the following:

- \* An insurance policy for the dispatch or transport of the goods, or bank documents evidencing the payment of the dispatch or transport of the goods;
- \* Official documents issued by a public body such as a notary confirming the arrival of the goods in the destination Member State;
- \* A receipt issued by a warehouse in the destination Member State confirming the storage of the goods at the warehouse.

#### Call-off stock arrangements

The new rules eliminate certain registration and declaration requirements on the part of the supplier in the destination country. Under the following circumstances, the transfer of goods to another EU Member State is no longer a deemed intra-Community supply and a deemed acquisition:

- \* Goods are transferred to a warehouse in another EU Member State for delivery to the customer at a later date;
- \* The supplier has no registered office or permanent establishment in the Member State to which the goods are transported;
- \* The identity and VAT identification number of the customer are known by the supplier at the time of dispatch or transportation of the goods;
- \* The supplier and customer keep a call-off register of goods;
- \* The goods are taken out of the warehouse and delivered to the customer within 12 months.

If the above-mentioned criteria are met, the supplier is deemed to have made an intra-Community supply (only) when the customer calls off the goods and the goods are taken out of stock at the warehouse. As a result of this simplification the supplier does not have to register for VAT purposes in the country of destination. This rule harmonises legislation on call-off stock arrangements across the EU as of 1 January 2020.

No intra-Community movement of goods will be recognised if the goods are returned to the Member State of origin within the 12-month time limit and the return shipment is properly documented. Also if the customer is substituted by a different customer within the 12 months, no intra-Community movement of goods will be recognised. This provides suppliers with a practical and harmonised deferral period between the goods entering the warehouse and being called off.

### Summary

The simplifications associated with the EU's Quick Fixes are fundamentally advantageous. However, they do introduce more stringent requirements for application of the zero % VAT rate on intra-Community supplies and, as a result, they are associated with a higher VAT risk. Even though the evidencing document requirements increase the suppliers' administrative workload, the new rules also simplify intra-Community supplies because the different rules that applied in different EU Member States have now been harmonised. We recommend that you consider the impact of these upcoming changes for your internal order policies and processes, and adapt them as necessary. We will be happy to support you if required.

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