

VAT regulation changes from 2015 January

In line with the EU Directives new VAT rules will be applicable in connection with certain services as of 1 January 2015. The changes will affect providers of telecommunication services, radio and audio-visual media services and services provided electronically. We would like to briefly summarize the most important information, which may facilitate the application of the new provisions in the coming year.

One of the basic principle of the value added tax is that the tax liability should be levied where the goods or services are actually consumed or being provided. However based on the current legislation telecommunication services, radio and audio-visual media services and services provided electronically to end users are taxed in the country where the service provider is and not where the service is being provided. From 1 January 2015, the above services – provided to non-taxable people – will be taxed for VAT in the country where the non-taxable person resides. This means that Hungarian entities providing such services will no longer be at a disadvantage due to the highest VAT in the EU compared to other Member States with lower VAT rates.

What transactions are affected by the new VAT rules?

We would like to emphasize that services provided between entities are not affected by this change, they continue to be taxed in the Member State where the seat of the service provider is. Those sale transactions carried out through e-commerce where only the orders are done through an electronic system are also not affected by these new provisions (e.g. in case of webshop orders – though, in any case, the VAT liability arises at the premises of the non-taxable person based on the distance selling rules of the EU Directive). However those providing telephone service, satellite television subscription channels, or distributing downloadable software, music, or e-books should prepare for the upcoming VAT legislation changes.

What does the legislation change mean in practice?

As a result the above listed entities might have to face VAT liability arising in all of the Member States where the end users to whom the mentioned services are provided reside. In order to minimize the associated administrative burden a so called Mini-One-Stop-Shop is being introduced (MOSS). The MOSS will provide telecommunication, broadcasting and electronic service providers the opportunity to submit their tax return in the Member State where their seat is and where they are already registered with the tax authority even for those services where the tax liability would arise in another Member State. In addition this also allows the taxpayer to avoid having to register themselves in all of the Member States where they provide the mentioned services to end users.

Mini-One-Stop-Shop

It is important to note that MOSS is only an option for the taxpayer in order to simplify their administrative tasks, and not an obligation. In case the taxpayer decides to be registered in the MOSS system, he has to submit electronically a quarterly tax return in accordance with the common system of VAT directive in all relevant Member States, in addition to fulfilling the national tax return requirements.

If your company supplies similar services as described above, we suggest that the practice should be revised from a tax point of view. Professional tax advisor of Accace is pleased to help you with such an overview.

Contact

Laszlo Icsu

Tax Manager

Laszlo.Icsu@accace.com

www.accace.com

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