

Fresh tax, legal and economic information

# NEWSLETTER

3/2019

MAJOR CHANGES IN VAT FROM 1 JANUARY 2020

TAX EXEMPTION WHEN SUPPLYING GOODS FROM OUR COUNTRY TO ANOTHER MEMBER STATE.

CHAIN TRANSACTIONS AND ALLOCATION OF TRANSPORT IF CARRIED OUT BY A "MIDDLE MAN".

INTRODUCTION OF MANDATORY PROCEDURE WHEN SUPPLYING GOODS IN THE "CALL-OFF STOCK" REGIME.



We are a member of HLB International, the global advisory and accounting network

## MAJOR CHANGES IN VAT FROM 1 JANUARY 2020

The current issue of Mandat News deals in detail with the amendment to the VAT Act, which is currently under preparation and was recently submitted to the Parliament for adoption. The amendment should become effective from 1 January 2020 and includes implementation of the so-called quick fixes that should – at least partly – eliminate the most frequent problems related to VAT.

### TAX EXEMPTION WHEN SUPPLYING GOODS FROM OUR COUNTRY TO ANOTHER MEMBER STATE

According to the proposed amendment, it would be possible from 1 January 2020 to claim tax exemption when supplying goods to another Member State only if certain substantive-law conditions are fulfilled. It is a response to the amendment of Article 138 of the VAT Directive.

One of the substantive-law conditions for VAT exemption when supplying goods to another Member State, as a result of the new wording of the respective Article, is that the recipient has been assigned a VAT identification number in the Member State in question. Furthermore, the recipient has to disclose this VAT identification number to the supplier.

The supplier has to proceed carefully when reporting the transaction in their summary report. According to the new rules, tax exemption cannot be granted if the supplier has not filed their summary report for the given period or if information in their summary report is incorrect, untrue or incomplete. Tax exemption may be granted by tax administration if the supplier proves their good-faith effort.

Evidence that must be available to the supplier to claim tax exemption has changed too. The currently proposed amendment does not include the provisions of Regulation 2018/1912 on conclusiveness of tax exemption, as it is expected that the Regulation shall be directly applicable and therefore it is not necessary to include such provisions in local legislation. The Regulation enumerates documents that must be available to the supplier, depending on whether transport of the goods has been carried out by the supplier, the recipient or a third party.

If summarized briefly, there must always be two non-contradicting documents issued by two different parties that are mutually independent from the seller and the recipient.

### **CHAIN TRANSACTIONS AND ALLOCATION OF TRANSPORT IF CARRIED OUT BY A “MIDDLE MAN”**

Chain transactions mean the situations when certain goods are subject to multiple consecutive deliveries, although the consignment or transport of such goods is just one and is carried out from one Member State to another Member State, directly from the first supplier to the final recipient within the chain. In the past, it was difficult to determine which of the deliveries was non-stationary, i.e. which delivery can be allocated the transport and be exempted from VAT.

According to the proposed amendment of the VAT Act, transport is allocated primarily to the first delivery within a chain transaction. The VAT exemption shall be claimed by the supplier, who is the first link in the chain.

If, however, the middle man discloses their VAT identification number for the Member State from which the goods were dispatched or transported (VAT ID of the supplier’s Member state), consignment and transport shall be allocated to the second delivery.

### **INTRODUCTION OF MANDATORY PROCEDURE WHEN SUPPLYING GOODS IN THE “CALL-OFF STOCK” REGIME**

Introduction of mandatory procedure when supplying goods in the “call-off stock” regime should simplify and/or unite rules applicable to this special regime. The new procedure should reduce burden on foreign entities whose registration was mandatory upon receipt and/or supply of goods in our country if such goods are supplied to one recipient, who is known in advance. Tax burden is thus transferred to this recipient.

In comparison with the current provisions, the most significant changes include the fact that new simplification rules can be applied even

if the supplier has tax identification number in the destination state of the transport or that the goods must be delivered within 12 months from the completion of transport in the destination Member State.

The amendment includes provisions applying to situations when the Slovak Republic is the exporting state as well as those when the Slovak Republic is the destination state. In the past, these provisions were not included in local legislation. Last but not least, supplier shall be obliged to file their summary report twice.

As this amendment will have a significant impact on the operation of business relationships, it is expected that transitory provisions shall prolong the effectiveness of the currently applicable rules.

## ABOUT US

The companies **MANDAT CONSULTING, k.s.** and **MANDAT AUDIT, s.r.o.** were founded in 2004 as tax advisory and auditing companies. Since their establishment, they have been providing small, medium-sized and companies active in Slovakia with services in the field of tax consultancy, audit and accounting. Long-lasting cooperation with foreign advisory companies hand in hand with the competence of Slovakian tax advisors and auditors enables us rendering our service to the clients originated from abroad.

In present time, 41 well trained members of our staff are at the disposal to our clients.

Information provided in this material are only of a cursory nature.

**MANDAT CONSULTING, k.s.** assumes no liability for any decision taken on the basis of this issue.

Should you wish to add other person to be receiving NEWSLETTER, please contact: [news@mandat.sk](mailto:news@mandat.sk)

Please contact us, should you require additional information.



**MANDAT CONSULTING, k.s.**  
**MANDAT AUDIT, s.r.o.**

Námestie SNP 15  
811 01 Bratislava

**TEL:** 00421 2 571 042 11  
**FAX:** 00421 2 571 99  
**EMAIL:** [office@mandat.sk](mailto:office@mandat.sk)  
**WEB:** [www.mandat.sk](http://www.mandat.sk)

We are a member of HLB International, the global advisory and accounting network