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TAX & AUDIT SERVICES

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MANDAT news

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**Guideline on the application of tax exemption for the export
of services pursuant to Section 47(6) of the VAT Act**

GUIDANCE ON EXEMPTION FROM TAX ON EXPORT OF SERVICES

We would like to draw your attention to the guideline on the provision of export services published on the website of the Financial Directorate.

You can find the full text of the guideline here:

https://www.financnasprava.sk/_img/pfsedit/Dokumenty_PFS/Zveřejnovanie_dok/Dane/Metodicke_usmernenia/Nepriame_dane/2017.09.26_%C2%A7_47ods_6_DPH.pdf

Guideline on the application of tax exemption for the export of services pursuant to Section 47(6) of the VAT Act

Exemption from tax under Section 47(6) of Act No. 222/2004 Coll. on the Value Added Tax, as amended (hereinafter referred to as the "VAT Act"), stipulates a tax exemption for the provision of services, including transport and ancillary services, where such services are directly connected with the export or import of goods.

In its judgment in the Case C-288/16 IK 'L.Č.', the Court of Justice deals with the question, whether Article 146(1)(e) of the Directive should be interpreted in the sense that the exemption provided for in the provision concerned applies to the provision of services of transport of goods to a third country where such services **are not directly provided to the consignor or to the consignee of the goods**. The national court specifically wished to know whether the application of that exemption, which requires the provision of the services concerned to be "directly connected" with the export or import of the goods mentioned in the given provision, **is subject to a direct legal relationship** such as a reciprocal commercial relationship between the service provider and the consignor or the consignee of the goods in question. The Court of Justice states in its judgment that it is clear from the wording and purpose of Article 146(1)(e) of the Directive that the existence of such a direct relationship not only requires that the services in question contribute from the viewpoint of their purpose to an effective performance of the export and import activity, but also that those services are provided directly, depending on circumstances of each case, to the exporter, importer or consignee of the goods provided for in the given provision (point 23 of the judgment). This means that the tax exemption for services related to the export of goods or the import of goods under a customs procedure shall apply only if there is a direct relationship between the service provided and the export of goods or the import of goods under the customs procedure and, **at the same time, the respective services are provided directly to the exporter, importer or consignee of the goods in question**. It follows from points 17, 23 and 24 of the judgment in Case C-288/16 IK 'L.Č.' that the application of the tax exemption is conditioned by the existence of a direct legal relationship between the service provider and the exporter, importer or consignee of the goods in question.

The previous interpretation of the application of the tax exemption pursuant



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to Section 47(6) of the VAT Act is not in line with the judgment of the Court of Justice in Case C-288/16 IK 'L.Č.'. **From the day following the publication of this guideline, it is necessary to apply the tax exemption for the services, including transport and related ancillary services, when exporting goods and importing goods under a customs procedure pursuant to Section 47(6) of the VAT Act, in accordance with the conclusions of the judgment cited, i.e., only if the services concerned are provided directly to the exporter, importer or consignee of the goods. The Financial Administration shall accept the application of procedure under the present interpretation if the services, including transportation and related ancillary services, which are connected with the export of goods or import of goods under the customs procedure are provided before 1 November 2017.**



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NOT TO BE MISSED

Important dates

Overview of important dates in the October 2017 can be found on our website: <http://www.mandat.sk>

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.

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