

Deduction of VAT rates – need for action

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Newsblog

As is known, the Federal Cabinet decided on 12.6.2020 to decrease the value added tax from 1.7.2020 to 31.12.2020. The regular tax rate will fall from 19 % to 16 %, the reduced tax rate from 7 % to 5 %. Unfortunately, the temporary reduction of the tax rate entails a lot of implementation work and also a potential for error. Among other things, the temporary reduction in tax rates gives rise to the following points to consider:

- The new tax rates should be applicable to sales made between 01.07.2020 and 31.12.2020. It will therefore depend on when the services are actually provided. Neither the date of invoicing nor the date of payment will be decisive for the determination. The same applies to partial services.
- In the case of down payments made before July 1, 2020 for sales which are only carried out between July and December 2020, the down payments are to be settled first at the previous tax rate. When services are rendered or the final invoice is issued, the reduced tax rate must then be adjusted.
- If there is a subsequent change in the tax base, the applicable tax rate depends on when the underlying service was performed. It is not relevant when the change occurred. Annual bonuses, for example, would therefore have to be split.
- In the case of vouchers, it should be noted whether they are single-purpose or multi-purpose vouchers. In the case of single-purpose vouchers, the tax rate at the time the voucher is issued is relevant. In the case of multi-purpose vouchers, it depends on when the service for which the voucher is redeemed is performed.
- Whether or not the reduction in tax rates affects the level of prices depends on many different factors. This should be examined in each individual case. Among other things, it is important to consider whether net or gross price agreements have been made and whether specific tax rates or tax amounts have been agreed. In the case of long-term contracts, § 29 UStG, which standardises a civil law compensation claim, must be observed.
- In the case of incoming invoices, it should be noted that the old tax rate (19%) will not be charged for sales carried out between 01.07.2020 and 31.12.2020. In the amount of the difference, there would be an overstated tax statement in accordance with § 14c para. 1 UStG and input tax deduction would be excluded. The service provider is nevertheless liable for the overstated tax amount and owes this until an effective correction is made.
- In this context, contracts that serve as invoices and in which a specific tax rate and tax amount are therefore shown must also be amended. Otherwise, the service provider incurs a tax liability for the amount of the tax rate difference according to § 14c paragraph 1 UStG and the service recipient is therefore not entitled to deduct input tax. In this case, an invoice adjustment according to § 31 para. 5 UStDV would be possible.
- Last but not least, ERP systems and POS systems must be prepared for the changes. Depending on the system used, tax codes must be adapted and new sales accounts with automatic tax must be set up.



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