



Increase of VAT to 7 and 19 percent respectively as of January 1, 2021.

January 6, 2021 | Timo Röhl, Tax Advisor

Newsblog

The temporary reduction of VAT has expired on December 31, 2020. Beginning on January 1, 2021, original VAT rates of 7 and 19 percent respectively apply again in Germany. Special regulation for the gastronomy sector should be noted.

The re-increase of VAT rates will again cause a significant administrative burden for businesses. Similar to the temporary reduction as of July 1, 2020, transitional problems again must be observed with the re-increase and supplies and services must be correctly defined.

In principle, the same rules apply to the increase in VAT rates as to their reduction in summer 2020. The communication issued by the Federal Ministry of Finance (BMF) dated June 30, 2020 and November 4, 2020 still apply. For more information, please view [our paper of June 24, 2020](#) on the reduction of VAT.

In summary, the following now applies to the performance of supplies and services:

- The regular VAT rate of 7 or 19 percent applies to supplies and services if they were performed before July 1 or after December 31, 2020. If the payment was received before January 1, 2021, but the supplies or services are performed after December 31, 2020, the standard VAT rate applies. The reduced VAT rates still apply to supplies and services for which payments are received after December 31, 2020 but which were already performed before January 1, 2021.
- As a general rule, supplies and services are deemed to have been carried out when the recipient of the supplies has acquired power of disposition of the object or the service has been completed. Regularly, this is the point in time at which VAT arises (or the end of the advance notification period) determining the applicable VAT rate.
- Deviant from this, VAT for intra-Community acquisitions arises with issue of the invoice, the latest, however, at the end of the month following the acquisition.

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Special regulation for the gastronomy sector:

Contrary to the general VAT re-increase, an exception applies to restaurant services. After January 1, 2021, the supply of food will be subject to the reduced VAT rate of 7 percent, regardless of whether intended for consumption on site or take-away. This exception does not cover beverages. The special regulation for restaurant services will likely apply until June 30, 2021. After July 1, 2021, the general VAT rates of 7 or 19 percent will apply again.

In addition to these general regulations, the BMF communication also cover special rules on certain transactions and simplification. We are happy to provide you with detailed information on individual transitional regulation.

The link to the BMF letter dated November 4, 2020 can be found [HERE](#).



Timo Röhl

Tax Advisor

+49 211 47838-283

roehl@adkl-msi.de