EUROPEAN VAT

BUSINESS AND TAXATION GUIDE 2017

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PREFACE

This European Value Added Tax (VAT) guide (**2017 version**) sets out some of the key aspects of the European VAT system, a sales tax system that is applicable in all Member States of the European Union , as well as a number of other countries. Knowledge of the VAT system is an important consideration for companies based in Europe, as well as companies from outside of Europe that import, buy and sell goods, or render services in or to Europe.

Every Member State of the European Union has a VAT framework. The laws establishing the VAT are national laws, each framed within certain parameters specified by the current **EU VAT Directive** (No. 2006/112).

The information in this guide is intended to provide general guidance only. Professional advice is recommended if undertaking a specific transaction or if you need guidance for a specific set of circumstances. For this reason the publishers and authors are not responsible for the result of any actions which are undertaken on the basis of the information which is contained within this publication, nor for any error in, or omission from this publication.

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[1] The Member States of the European Union are: Austria, Belgium, Bulgaria, Croatia, Cyprus, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden and the United Kingdom.

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1. THE EU VAT SYSTEM

1.1 General introduction to VAT

Value added tax (VAT) is a general tax levied on all goods and services bought and sold for use or consumption within the EU. VAT is calculated on the value added to goods and services by a trader at each stage of the production and distribution chain.

Contrary to sales and use taxes, VAT is a multi-stage tax charged at each stage of the supply chain. It is collected through a system of partial payments. It allows taxable persons (businesses identified for VAT purposes) to deduct, from the VAT due, the amount of VAT that they have paid for business purchases in the preceding (production) stage. This system ensures that the tax is neutral, regardless of the number of transactions.

The principles and structure of VAT are incorporated in EU law. However, the EU still comprises many different countries. To a great extent VAT legislation has been harmonised, although local VAT legislation can and does still differ substantially.

1.2 Who pays the VAT?

Ultimately, VAT is borne by the final consumer in the form of a percentage added to the final selling price of the goods or services. The supplier (the business identified for VAT) pays the VAT due on the supply of goods or services to the local tax authorities after deducting the VAT incurred from its suppliers.

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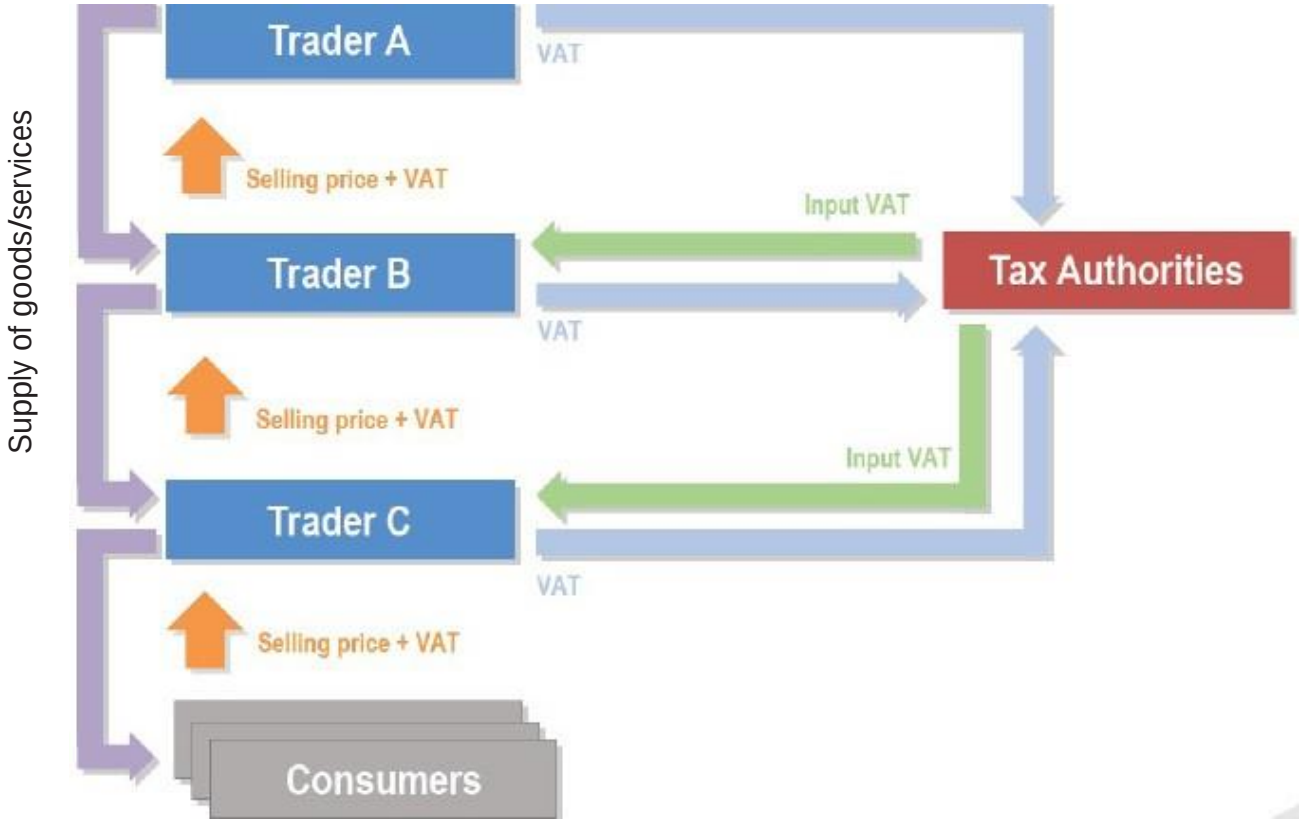

1.3 Transactions subject to VAT

Within the EU, the following transactions are subject to VAT:

- The supply of goods by a taxable person within the territory of a EU Member State;
- Intra-Community acquisitions of goods in a EU Member State, whereby goods are transported from one EU Member State to another;
- The supply of services if the recipient is established within the EU;
- The importation of goods from outside of the EU.

1.4 Exemptions

There are transactions (goods or services) that fall under a category exempt from VAT. When sold to the buyer, normally a final consumer, no VAT may be charged. For example, VAT exemptions can include certain public interest activities, such as medical care and school education, and specific insurance and financial services.

The disadvantage of exempt supplies is that it is not possible to deduct VAT paid on the inputs.

1.5 EU VAT Directive

The current EU VAT system came into effect on 1 January 1993. With the introduction of the single market in 1993, fiscal customs based controls at the internal EU Member State borders were abolished in favour of a new VAT system of control for intra-Community trade. Under this new VAT system, local VAT legislation has been respected and therefore maintained. The 1993 VAT system resulted in the elimination of around 60 million customs documents a year, leading to a significant relief in the administrative burden faced by EU businesses. Although existing local VAT legislations in the EU have been respected, they have been integrated to a certain extent through the introduction of a single EU VAT Directive.

The European VAT Directive dictates VAT regulations that all EU Member States are required to implement. However, it does allow EU Member States to introduce exceptions and partial revocations (derogations) from the VAT regulations, as stated in the directive. Moreover, the directive does not set the VAT rates that EU Member States must apply. Only a minimum rate of 15% is set. This means that VAT rates differ widely. Currently, EU Member States apply standard rates ranging from between 17% and 27%. They may also apply one or two reduced rates, with a minimum of 5%.

1.6 Cross-border supplies of goods and services

A VAT zero rate may be applied on cross border supplies of goods to businesses in other EU and non-EU countries, subject to strict terms and conditions. If the correct use of the VAT zero rate cannot be proven (i.e. by supporting documentation), the local tax authorities may enact a VAT assessment on the supplier, possibly accompanied with penalties and interest.

For cross border supplies of goods to businesses in other EU countries, the rules are complex. Individual rules are applied for business-to business (B2B) and business-to-customer (B2C) supplies. In each case, there is a general rule and exceptions that can cater for certain types of transactions.

2. CROSS BORDER SUPPLY OF GOODS

2.1 Introduction

When supplying and transporting goods from one EU Member State to another EU Member State, these supplies are known as intra-Community supplies, not exports reserved for supplies of goods to a country that is outside of the EU.

2.2 Supplying goods to companies

The supply of goods by a company from one EU Member State to a company established in another EU Member State is, in principle, not subject to VAT in the EU Member State where the goods are dispatched (known as the EU Member State of origin). The subsequent acquisition is subject to VAT in the EU Member State where the goods are destined. Currently, the definition of intra-Community supplies is called cross border supplies between EU Member States.

In order to apply the VAT zero-rate, a supplier must present written proof ï at the request of the local tax authority ï that the goods have been transported to a company established or registered in another EU Member State. In order to prove to the tax authorities that the goods have actually been removed, the following evidence is deemed important and should therefore be retained, stored and archived by the supplier:

- Freight notes;
- Customer orders;
- Correspondence with customers;
- Sales invoices;
- Packing lists;
- Bank statements.

A combination of the abovementioned documents provides stronger evidence than a single document.

In addition, the supplier should, whenever possible, acquire a valid VAT identification number from its client. This VAT identification number must be stated on the sales invoice.

Case study example

A Dutch company supplies computers to a French company. The goods will be transported from Amsterdam to Paris. The Dutch company does not charge VAT on the invoice issued to its French customer. The French company reports the VAT amount due on the acquisition of the goods in France to the French tax authority. In principle, the same VAT amount can be deducted as input VAT in the French VAT return.

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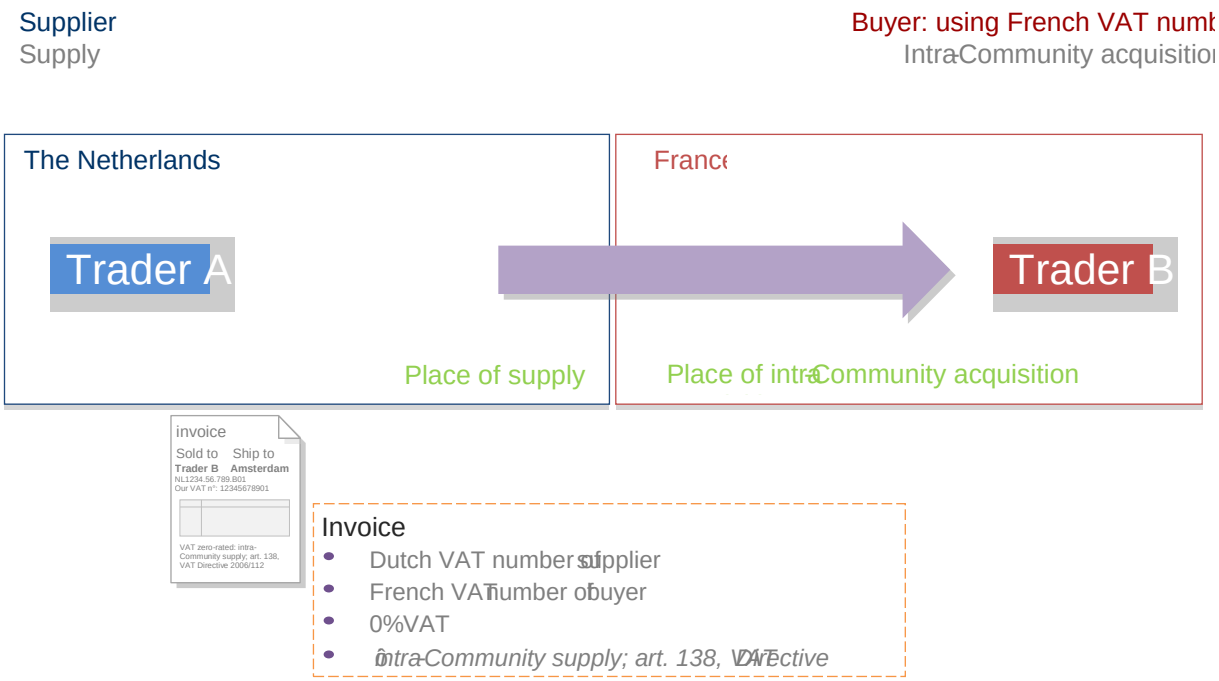

This example shows that the levy of VAT is little more than an administrative formality whereby a trader, who is entitled to deduct VAT, purchases goods. The VAT due on an intra-Community acquisition must be declared in the domestic VAT return and can, in principle, be deducted as input VAT in that same VAT return. Companies are legally required to carry out this procedure, even if it does not result in the payment or the receipt of any VAT.

The VAT amount due is calculated using the remuneration charged. Amounts in foreign currencies must be converted to the currency of the country in which the buyer is based. The last quoted selling exchange rate on the date the VAT became due is used for the currency conversion.

If the evidence of transport is insufficient, or if the VAT identification number of the recipient is not valid, the supplier will be at substantial risk of being subjected to an additional VAT assessment from the local tax authority. This situation may lead to additional VAT payments, possibly accompanied by a single or multiple monetary fines.

To verify whether a VAT number originating from any EU country is valid, a supplier can use the online tool provided by the EU, at: http://ec.europa.eu/taxation_customs/vies.

While this is a useful tool, it ôs important to recognise provided by a company and whether these match the VAT number. It is therefore only advisable to use this online tool as a preliminary check. If in doubt, please contact your customer for any documents or confirmations required.

2.3 The (temporary) transfer of own goods to another EU Member State

Frequently, entrepreneurs will (temporarily) move goods to another EU Member State, with no intention of selling the goods to a third party on arrival. For example, a company moves goods to a warehouse located in another EU Member State. These movements of goods are effectively treated as an intra-Community transaction.

Case study example

If a Belgian entrepreneur moves specific goods to Germany and keeps them in local storage, the entrepreneur is considered to have made a deemed supply to himself, followed by a deemed acquisition in Germany by himself. Both the supply and the acquisition must be reported in a VAT return. The supply is not subject to VAT in Belgium, whereas the deemed acquisition is subject to local VAT in the country of arrival (Germany). It means that the Belgian entrepreneur will have to register for VAT in Germany and submit VAT returns in Germany.

When the transferring entrepreneur does not issue a pro forma invoice, the price used as the basis to calculate VAT is unknown. In these situations, VAT regulations state that the price applied is either the purchase price of the goods in question, or the price of similar goods. The entrepreneur can also choose to issue an invoice to himself.

If an entrepreneur moving goods either uses the goods, or intends to use them for taxable supplies, VAT due on the deemed acquisition can be simultaneously deducted from VAT due on taxable supplies. This is done on the VAT return.

2.4 Installation, delivery and assembly in another EU Member State

For intra-Community transactions subject to VAT, there are several exceptions to the general rule. The most important relates to the delivery of goods that are subj EU Member State. Contrary to the general rule, if the buyer requests an assembly or installation of the goods, the acquisition is not subject to VAT. This is because the supply (including installation) is deemed to have been made in the country where the goods are installed and is subject to VAT in that country.

Case study example

A Dutch company sells food supply equipment to a French company. The Dutch company supplies and installs the equipment in France using its own staff and staff hired in France. In this situation there is no intra-Community acquisition with regard to the goods installed in France. The Dutch company makes a supply (and installation) that is subject to VAT in France. Based on local French VAT rules, the VAT liability shifts to the French customer. This means that the Dutch company does not legally have to register itself for VAT, and it is not required to declare VAT in France.

Note that the actual charging of foreign VAT and the process for VAT registration by the supplier may be legally required in some EU Member States. In certain EU countries, such as France, a reverse charge mechanism may be applied, whereby the VAT liability shifts to the client. The legislation in the various EU Member States tends to differ on this point. For this reason, itôs advisable to seek requirements when supplying and installing goods in other countries.

2.5 Chain transactions

In cases where two parties trade in just two countries, the VAT requirements can be deemed as relatively straightforward. However, in reality, transaction chains often involve a large numbers of parties. One of the key challenges in a transaction chain is determining the sales that are subject to VAT, and in which territory.

2.5.1 Intra-Community supply in chain transactions

Although three (or more) parties may be involved in the chain transaction, the zero rate for an intra-Community supply can only be applied once when the chain transactions involve one physical cross border movement of the goods. The place of the intra-Community supply is the EU Member State where the goods departed from. Any other supplies in the chain are treated as domestic supplies in either the EU Member State where the goods departed or where they were received. It depends on where in the chain the supply actually falls.

In chain transactions, the supplies that qualify as intra-Community supplies must be identified. These supplies are subject to zero per cent VAT (assuming all conditions are met). Other supplies might lead to mandatory local VAT charges. In general, the trader who owns the goods at the moment of transportation would usually declare the acquisition of the goods in the country of arrival. In case of doubt or difficulties, contractual agreements may need to be examined.

Case study example

Company A supplies goods to company B, who in turn supplies these goods to company C. Assume that A and B are registered for VAT purposes in France, with France being the country where the goods are dispatched. C, to whom the goods are delivered, is registered in the Netherlands (please refer to Figure A). Company C arranges for the goods to be transported from France to the Netherlands. In this example, it is clear that the supply from B to C has to be treated as the intra-Community supply. As C is the owner of the goods at the moment of transportation, C should declare the acquisition of the goods in the EU Member State of arrival (the Netherlands).

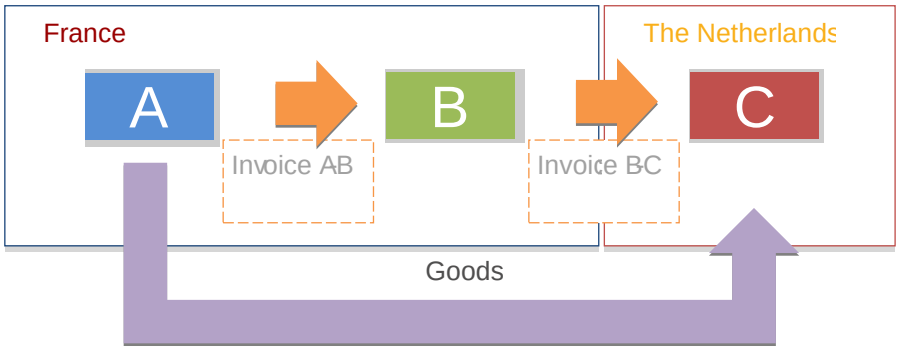

Figure A. Chain transaction

2.5.2 Triangulation supply chain

Triangulation is another variation that adds to the complexities associated with chain supplies. In a classic case of triangulation, company A supplies goods to company B, who in turn supplies these goods to company C, and the goods are transported directly from A to C (please refer to Figure B. Triangular transaction).

The supply from A to B would always be in the EU Member State from which the goods are dispatched, and would either be subject to local VAT or zero per cent VAT. The VAT treatment regarding the supply from B to C depends on where, between A and C, the cross border transfer of goods occurred. This is where the intra-Community supply is.

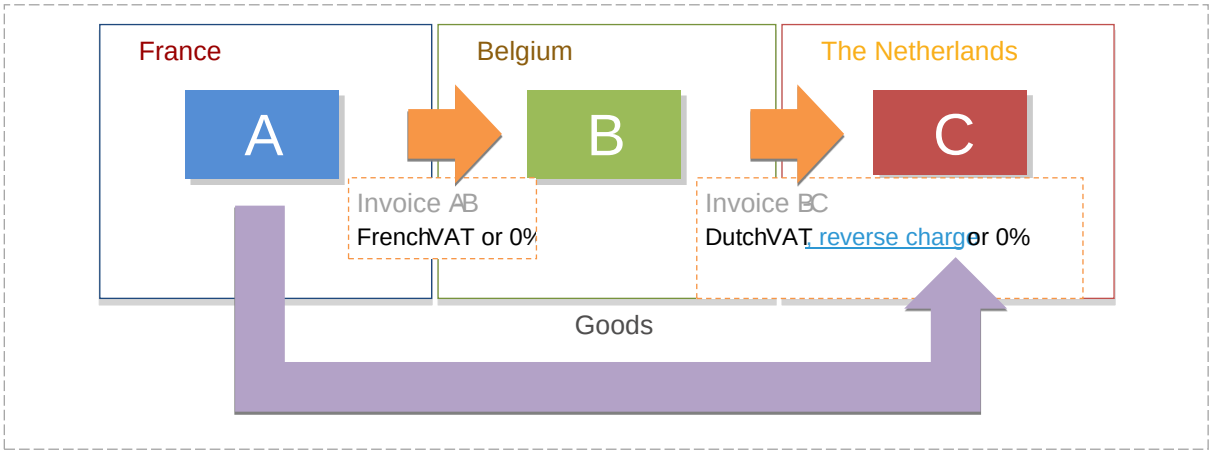

Figure B. Simplified triangular

For example

If the A to B supply qualifies as the intra-Community supply, the goods will be delivered to B in the same EU Member State where C is located. This makes Bôs supply to C a purposes in the EU Member State of C. This situation normally occurs if the goods are transported because of a contractual agreement between A and B, whereby A dispatches the

Alternatively, if the B to C supply qualifies as he intra-Community supply, the goods will be delivered to B in the EU Member State where A is supplying to B. This makes Aôs supply to B a domestic supply. Aôs EU supply to C takes place in that same EU Member State subject to zero per cent VAT. This situation normally occurs when goods are transported as a result of a contractual agreement between B and C. Consequently, B mat be required to register for VAT purposes in either A or cô EU Member State

To reduce the administrative and compliance burden on traders with regard to VAT registration and reporting, the simplification measure for triangulation was introduced within the EU.

The simplified measure for triangulation requires the presence of two supplies of goods in succession, made between three VAT-registered traders in three different EU Member States. In short, a simplified triangular transaction comprises a trader in one EU Member State ordering goods from a trader in a second EU Member State, to be delivered to a trader in a third EU Member State.

The simplification measure involves :

1. Supply from A to B: this is a zero-rated intra-community supply. Company A has to report an intra-community supply in the VAT return of A and also in its EU Sales Listing. The intra-community acquisition (in the Member State of C) is deemed to have been subject to VAT and the liability to account and pay VAT is shifted by company B to company C. Company B therefor may ignore all VAT obligations arising from that taxable event.

2. Supply from B to C: this is a VAT-free supply. Company B has to indicate adoption of the simplified IC triangulation arrangements and that company C is liable to account for VAT due on the supply. Company B furthermore has to report the supply as an intra-community supply in its VAT return and EU Sales Listing. Company C next has to report the purchase as an intra-community acquisition.

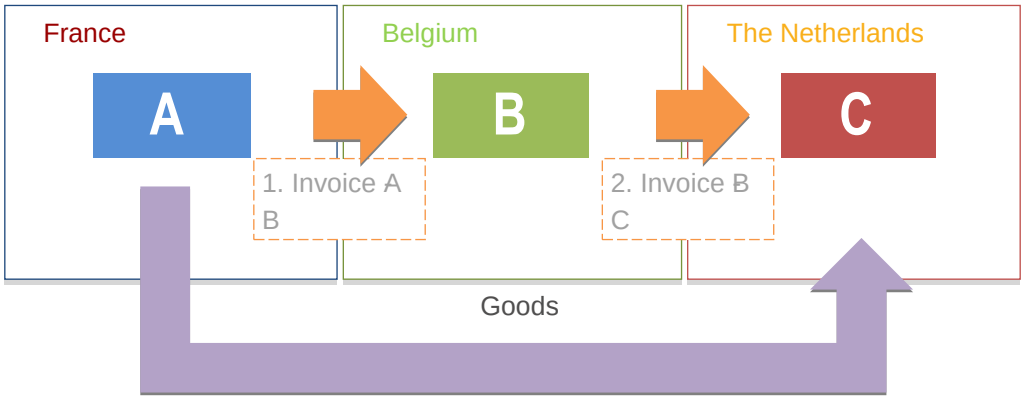

Figure C. Simplified triangular

Case study for simplified triangular transaction

Company A makes an intra-Community supply to company B. Company A is allowed to issue a zero rated VAT invoice, providing the VAT identification numbers of both A and B are stated on the invoice. Company A must declare the supply both in its local VAT return, AND in the EU Sales Listing.

Company B is also allowed to issue a zero-rated invoice, providing that it states on the invoice that the simplified triangulation procedure applies to the goods supplied to C and it lists the VAT identification numbers of both B and C. Please refer to Figure C. Simplified triangular transaction for an illustration of these transactions.

As a result, no registration in either EU Member State A or C is required for company B.

The simplified measure for triangulation may only be used in cases where three different parties VAT registered in three different EU Member States are involved. The reverse charge mechanism in principle does not apply if the intermediate supplier is (also) established in the final c u s t o m e r's Member State.

The general rules also apply to all other cases. As a result of these complexities, professional guidance from specialists with European VAT expertise is recommended.

2.6 Supplying goods to VAT exempt entrepreneurs

Section 2.2 outlines how intra-Community supplies to entrepreneurs are generally subject to VAT in the EU Member State of destination, and the buyer reports the VAT amount due on the acquisition of the goods. A different rule applies to entrepreneurs that specifically supply goods and services exempt from VAT. These entrepreneurs include hospitals, banks, insurance companies, doctors, educational institutions, etc.

In principle, supplies to VAT exempt entrepreneurs are always taxable in the country where the VAT exempt entrepreneur purchases the goods. This means the supplier has to charge VAT to the customer. As a result, the acquisition of these goods is not subject to VAT in the EU Member State of destination.

Should the intra-Community purchases by a VAT-exempt entrepreneur in a single calendar year exceed a specified threshold, the acquisition is taxed, rather than the supply. In these cases, the supplier makes a zero-rated supply. Therefore, the general rule as described in section 2.2 applies.

NB: The thresholds may differ between EU Member States (see Appendix II).

Case study example

The threshold for VAT exempt entrepreneurs established as a legal entity in the Netherlands is EUR 10,000. This threshold is of importance for foreign suppliers, who supply goods and services exempt from VAT. From the moment the purchase threshold is exceeded, the Dutch VAT exempt entrepreneur is legally required to submit a VAT return in the Netherlands. Consequently, he or she will be legally required to report and pay Dutch VAT on the acquisitions in the Netherlands.

There is no retroactive effect when the threshold is exceeded. This means that for a VAT exempt entrepreneur making purchases in other EU Member States which did not exceed the threshold in the previous calendar year, will only be confronted with taxed acquisitions in the current year after their value has exceeded the total threshold applicable in the country where that entrepreneur is based. In other words, an Community entrepre supplies to VAT exempt buyers in another EU Member State are generally subject to VAT in the EU Member State of the supplier. However, once the total value of the transactions exceeds the threshold applicable in the buy Member State, the supplies are taxable in the EU Member State of the recipient.

VAT exempt entrepreneurs may choose to pay VAT on their acquisitions, regardless of whether the threshold will be exceeded. To do this, the entrepreneur must submit a written application to the tax inspector and the registered VAT number to foreign suppliers. This will inform them that the customer is entitled to receive zero-rated supplies. Applying to register and pay VAT, which remains valid for at least two years, is often considered by suppliers and customers to be the safest option.

2.7 Supplying goods to consumers

In general, purchases made by private individuals are subject to VAT in the EU Member State where the goods are purchased. Having purchased the goods, these private individuals are allowed, without any further formalities, to travel throughout the EU with those purchases.

Due to the differences in VAT rates that exist between countries, making cross border purchases ï sometimes referred to as ó b o r d ï may result in considerable savings. For example, a Dutch holidaymaker buying a camera in Luxembourg will pay less (Luxembourg) VAT and potentially a lower price than in the Netherlands.

There are two exceptions to the general rule, which state that private individuals pay the VAT of the EU Member State where the goods are purchased. The first exception: sometimes be levied in the buyerôs country in the purchase of new vehicles, such as cars and boats: the concerning VAT is

2.7.1 Distance selling

Purchases made by private individuals are generally subject to VAT in the country where the goods are purchased. To be more specific, the country from which the goods originate. It is easy to comprehend why private consumers, given means and opportunity, will usually make their purchases in the EU Member State with the lowest VAT rate. While differences between the VAT rates exist in the various EU Member States, this practice will no doubt continue.

Means and opportunity notwithstanding, the travel range and availability of time for private individuals is generally limited. There are, however, ways to overcome these limitations ï u s i n g w h a t ô s k n o w n a s ó d i s

Mail-order firms and online retailers, for example, will happily supply goods to private individuals in other EU Member States. Distance selling could, without effective countermeasures, rapidly increase in countries with the lowest VAT rates, leading to undesirable effects on state treasuries and loss of income for entrepreneurs based in EU Member States with higher VAT rates. To alleviate some of these effects, special regulations have been implemented.

Distance selling is defined in the European VAT Directive as the supply of goods by an entrepreneur:

- To a private individual or an individual or an organisation with (legal) characteristics comparable to those of a private individual (such as entrepreneurs ï including, but not limited to (charitable) foundations and associations ï carrying out fully VAT exempt transactions only and, as such, has no right to deduct input VAT);
- Where goods are transported or sent to another EU Member State by the entrepreneur, or at his/her expense.

Distance-selling regulations do not apply to supplies to:

- Taxable entrepreneurs;
- The supply of new vehicles;
- Excisable goods or goods supplied that are intended for assembly or installation.

Under the distance-selling regulations, the supplying entrepreneur is required to charge the VAT rate effective in the country where the goods are to be shipped (the EU Member State of destination).

Case study example

A Luxembourg mail-order firm specialising in home furniture sells a new three-piece leather suite to a Dutch couple and ships it to The Netherlands. Regardless of the fact that the general rule applicable to sales to private individuals requires that VAT is levied in the country where the goods are purchased, the mail order firm ï falling under distance-selling regulations ï must charge 21% Dutch VAT on the supply. The mail-order firm is subsequently required to report and pay the Dutch VAT to the Dutch tax authority. If the Luxembourg mail-order firm has not already done so, it must register for VAT purposes in the Netherlands.

The distance-selling regulations provide for one notable exception concerning cases whereby the total value of goods (exclusive of VAT) supplied by a distance-selling entrepreneur:

- To a given EU Member State;
- During a single calendar year;
- Does not exceed the distance-selling threshold.

If all of these above conditions are met, the entrepreneur can charge the applicable VAT rate of the EU Member State where the goods departed from.

The distance-selling threshold differs between EU Member States (see Appendix III). However, it is generally set between (the local currency equivalents of) EUR 35,000 and EUR 100,000.

For example, where goods are transported or sent to the Netherlands, the threshold is EUR 100,000, the same as in Germany. In Belgium, however, the threshold is EUR 35,000 and in the United Kingdom the threshold is GBP 70,000. When calculating the threshold, it is important to keep in mind that EU Member States of destination may be using a different currency.

Please note that distance-selling entrepreneurs are ï under certain terms and conditions ï entitled to forego the exception and choose to pay VAT in the EU Member State of destination. Distance-selling entrepreneurs based in a EU Member State with a (comparatively) high VAT rate are advised to exercise this right. Submitting a written request to do so may be prudent.

2.7.2 New vehicles

Due to the differences in VAT rates, making more expensive purchases in an EU Member State with lower VAT rates, such as new vehicles (for non-business use), may make financial sense. This is because the general rule dictates that VAT is levied in the EU Member State from which the goods originate.

However, as with distance selling, the purchase by a private individual (or an entrepreneur comparable to a private individual) of new vehicles in another EU Member State and transferred to the EU Member State of residence will be subject to VAT in the EU Member State of destination.

For example, a Dutch resident purchasing a new Volkswagen in Luxembourg, hoping that it will be cheaper, will still be required to pay Dutch VAT. From a supplierôs perspective, the VAT levy is Luxembourg.

Specific forms of transport are also included under the term vehicle. The EU VAT Directive provides a clear definition of the types of vehicles that are subject to VAT of the EU Member State of destination:

- Motorised land vehicles equipped with an engine with a displacement or cylinder capacity of more than 48 cubic centimetres, or is constructed or adapted to be electrically propelled using more than 7,2 kilowatts (about 9.65 horsepower);
- Vessels with a length of 7.5 metres or more (with some exceptions);
- Aircraft with a take-off weight of more than 1,550 kilograms.

The EU VAT Directive also provides a definition of a new vehicle:

- A motorised land vehicle is considered new when less than six months have elapsed since the date of its first entry into service and, since that date, has travelled less than 6,000 kilometres under its own power;
- A vessel or aircraft is considered new when less than three months have elapsed since the date of its first entry into service and has travelled, under its own power, less than a 100 hours for a vessel/boat, or 40 hours for an aircraft.

For any other vehicles that donôt meet these criteria, the VAT rules for the supply of goods in the destination apply.

As mentioned above, the supply of new vehicles is always subject to VAT at the EU Member State of destination. Therefore, the supplier makes a zero-rated supply and the acquisition of the new vehicle(s) is subject to local VAT, irrespective of the person performing the acquisition.

With this in mind, a private individual, or a legal entity with characteristics comparable to a private individual (such as entrepreneurs ï including, but not limited to charitable foundations and associations) that is carrying out fully VAT exempt transactions only and, as such, has no right to deduct input VAT, may bypass the VAT levy by purchasing the vehicle through an intermediary based in an EU Member State with a lower VAT rate. The intermediary could, for instance, buy the vehicle at the lower rate and subsequently pass it on to the individual in the EU Member State with the higher VAT rate.

Legislators have already anticipated this VAT loophole. Anyone selling a new vehicle in another EU Member State is deemed to be a taxable entrepreneur. This potentially means that private individuals may be involved in the levy of VAT, though only with regard to the sale of new vehicles. Being classified as a taxable entrepreneur entitles the private individual to deduct the input VAT (that is, the VAT paid in the course of conducting the business) included in the price paid for the vehicle by the private individual (seller). If requested, the input VAT will be refunded to the private individual.

NB: The deductible VAT amount is limited to the VAT that would have been due if the intra-Community supply of the new vehicle was not exempt. This measure is implemented in order to prevent misuse of the VAT system.

3. CROSS BORDER SERVICES

3.1 Place of supply of services

Services are only subject to VAT if they are supplied within the territory of a Member State. When a company is supplying cross border services, it is important to understand in which country this service is subject to VAT. The ó s-coa l place ô of supply rules provide a framework. This can assist a company to determine which c o u n t VAT rules apply to these services and how the company in question must account for the VAT due on the supply of services.

For VAT purposes, the place of supply of services is the place (country) where a service is treated as being supplied. This is the place where it is subject to VAT (if any). With services, determining the place of supply can be complicated. Various rules can apply. The two important criteria are:

- Nature of the service supplied;
- Status of the service recipient: taxable person acting as such (a business acting in its business capacity) or a non-taxable person (a private individual, for example).

Because of this complexity, the rules for determining the place of supply of services have been subject to many revisions and amendments. The most recent major changes came into effect on 1 January 2010, along with other changes to VAT rules regarding international transactions.

As of 1 January 2010, two general rules for determining the place of supply of services were introduced:
1. Business to business (B2B) supplies are usually subject to VAT in the country where the customer is established;
2. Business to consumer (B2C) supplies are, in general, subject to VAT in the country where the supplier has its place of establishment.

In addition, certain services are subject to special place of supply rules.

3.2 Business to Business (B2B) services

3.2.1 General rule

The general rule for supplies of B2B services states that the supply is subject to VAT in the country where the customer is established. This means that in cross border situations the supplier does not charge VAT to its customer.

If the customer is established within the EU, the VAT liability shifts to the European customer. In this instance, the customer must report the VAT due in its VAT return. Subsequently, the customer can deduct the same amount as costs (to the extent allowable by local VAT legislation). The invoice must contain reference to the European VAT Directive regulations concerning the shift of the VAT liability to the customer. Also, the European cu s t o m e r ô s v VAT identification number must be stated on the invoice.