

The VAT package: overview and preparation – Part II

TAX

From 1 January 2010, the VAT legislation will change significantly all over the European Union. The proposal on the Hungarian implementation of the changes referred to as the “VAT package” is currently under discussion at the Hungarian Parliament.

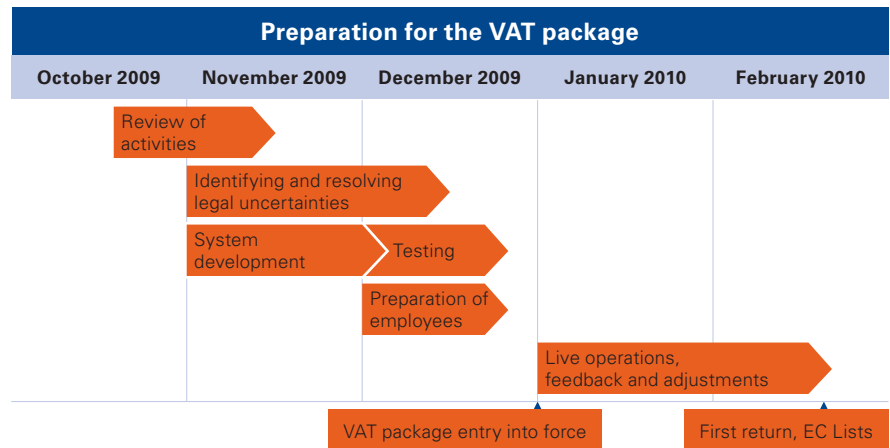
In the first part of our newsletter, we presented an overview of the significant changes. Now we will cover the actions to be taken in order to prepare for the changes with our practical comments – *marked in italics*.

The main changes under the VAT package as from 1 January 2010 will be:

- restructuring the place of supply rules for services and the related reverse charge rules;
- EC listing for intra-community services;
- Changing the VAT refund procedure for non-resident companies established in the EU but not established in the given member state.

Review of Activities

The impact of the VAT package will differ for companies with different activities. The most affected companies will be those providing services on a



regular basis to taxpayers in other countries or which receive services from other countries.

- As the first step, it must be reviewed how the changes of the

VAT package affect your activities. You should identify the transactions that may be subject to a new VAT treatment, or where reporting and invoicing changes are expected.

- Complex, individual contracts may be specially reviewed from the perspective of the new VAT rules.
- It could be useful to implement minor changes in the scope of the services in agreements, or to attach explanatory agreements to existing contracts (e.g. asking third-country customers to confirm their taxpayer status, or requesting the customer to declare that the services are not intended for private use).
- Mapping the range of invoices subject to foreign VAT refund.
- As part of the survey, it is also advisable to estimate in advance the necessity of modifying the information systems due to the changes – e.g. introduction of new VAT codes, or changing the codes for existing transaction types.

How can KPMG help you?

- *We can help you explore your activities which may be affected by the changes in focused meetings.*
- *As part of our advisory services, we can determine the correct VAT treatment of your various transactions in line with the new legislation.*
- *We are pleased to assist with reviewing individual contracts if required.*

Identifying and Resolving Legal Uncertainties

Following the previous phase it may turn out that some specific points in the new legislation cannot be clearly applied for the specific activities or contract terms existing

- Responding to any ambiguous provisions or unregulated questions can be important to avoid future risks.

- It is important to resolve individual practical invoicing or administrative questions – creating new templates, documents (e.g. certificate on the handover of means of transport).
- In some cases, the provisions of other Member States and countries may have to be investigated – such as to explore the range of the reverse charge rules, clarify registration obligations, to investigate the scope of use and enjoyment rules, or to clarify the conditions of foreign VAT returns (e.g. prohibited deductions).

How can KPMG help you?

- *Our specialists would explore and identify the most appropriate interpretation for ambiguous questions. If a precise answer cannot be safely provided, we would ask the authorities to confirm our professional opinion.*
- *With the help of the KPMG offices in all EU countries, we can quickly and comprehensively investigate the VAT legislation and practice of each country.*

Systems Development, Testing

The new legislation can easily require modification to existing information systems at several points.

- Modification of the VAT codes could be required (e.g. services provided to abroad subject to different place of supply rules; or separation of the two types of services subject to reverse charge when received from abroad, in order to determine the correct tax point).
- Review of pre-recorded service templates, samples.
- Modification of invoicing – e.g. if the legal references may change.
- Registration of these changes in the analytics and returns.

- Preparing recapitulative statement for services provided and received. Completing the lists of tax ID numbers; developing appropriate lists and filters (for client groups, transaction types, periods).
- Setting the filtering criteria for monthly recapitulative statements instead of quarterly.
- Listing of foreign VAT refunds on the basis of the relevant codes used, preparation for electronic data input and transfer.

How can KPMG help you?

- *We can prepare a full list of the requirements for system development and changes, taking into consideration the individual activities of the company.*
- *If required, our colleagues can assist in development of the information system.*

Preparation of Employees

The preparation of the relevant staff for the new system is also required, especially where their work is significantly influenced by the changes

- Preparation of employees working in the field of tax/finance/accounting for the application of the new legislation and for handling any emerging difficulties.
- Preparation of staff responsible for incoming and outgoing invoicing.
- Preparation of other staff as necessary: e.g. preparation of purchases, sales, and legal specialists responsible for making contracts.

How can KPMG help you?

- *We can organize lectures, small-group seminars and workshops about the changes and their impacts with practical examples and consultation opportunities customized for the activities of your company.*

Live Operation, Feedback and Adjustments

From 1 January 2010, unexpected issues and difficulties can arise during day-to-day work. As an unsettled question may even block the issue or receipt of invoices, or may even impede the submission of correct returns, recapitulative statements, as well as foreign VAT claims in the future, it is important for our clients to be prepared to quickly identify and handle such difficulties.

How can KPMG help you?

- *Our VAT team is available to our clients for any question and practical difficulties arising. We can help you settle these issues quickly either through phone discussions or our written professional advice.*
- *We would prepare the foreign VAT refund claims of your company and assist your foreign partners in VAT refund applications from Hungary.*

Our in-depth services are available to guide our clients through the entire preparation process, from preliminary surveys until final implementation.

If you are interested in learning more about these issues, or if you have questions about the VAT changes, please feel free to contact Balázs Földes (887 – 7232, balazs.foldes@kpmg.hu) or your usual advisor in the indirect tax department of KPMG.

Partners

Michael Glover

Partner
+36 1 887 7405
michael.glover@kpmg.hu

Gergely Demetrovics

Partner
+36 1 887 7366
gergely.demetrovics@kpmg.hu

dr. Csaba László

Partner
+36 1 887 7420
csaba.laszlo@kpmg.hu

Philippe Norré

Partner
+36 1 887 7449
philippe.norre@kpmg.hu

Gábor Beer

Partner
+36 1 887 7329
gabor.beer@kpmg.hu

Mergers & Acquisitions Group

dr. Zoltán Kádár

Manager
+36 1 887 7404
zoltan.kadar@kpmg.hu

Indirect Tax Group

Balázs Földes

Senior Manager
+36 1 887 7232
balazs.foldes@kpmg.hu

dr. Tamás Kosztolányi

Senior Manager
+36 1 887 7256
tamas.kosztolanyi@kpmg.hu

dr. Zsolt Kovács

Manager
+36 1 887 7467
zsolt.kovacs@kpmg.hu

Tax Advice for the Financial Services Sector

Gábor Farkas

Senior Manager
+36 1 887 7415
gabor.farkas@kpmg.hu

Bálint Gombkötő

Senior Manager
+36 1 887 7159
balint.gombkoto@kpmg.hu

Balázs Pethő

Senior Manager
+36 1 887 7368
balazs.petho@kpmg.hu

Géza Tomory

Manager
+36 1 887 7199
geza.tomory@kpmg.hu

International Tax Structures Group

Tamás Mlinárik

Director
+36 1 887 7498
tamas.mlinarik@kpmg.hu

Personal Income Tax Group

Kornélia Mitrik

Senior Manager
+36 1 887 7410
kornelia.mitrik@kpmg.hu

dr. Katalin Boncsér

Manager
+36 1 887 7321
katalin.boncser@kpmg.hu

Gabriella Joó

Manager
+36 1 887 6630
gabriella.joo@kpmg.hu

Corporate and International Taxation Group

Mihály Gerhát

Senior Manager
+36 1 887 7180
mihaly.gerhat@kpmg.hu

Enikő Vadon

Senior Manager
+36 1 887 7359
eniko.vadon@kpmg.hu

Tibor Járóli

Manager
+36 1 887 7416
tibor.jaroli@kpmg.hu

József Zsolt Garabuczi

Manager
+36 1 887 7273
jozsef.garabuczi@kpmg.hu

Transfer Pricing Advisory Group

Mónika Mindszenti

Senior Manager
+36 1 887 7170
monika.mindszenti@kpmg.hu

Mihály Gódor

Manager
+36 1 887 7340
mihaly.godor@kpmg.hu