

# SMC NEWSLETTER

– UPDATE 26 JUNE 2020 –

## TEMPORARY REDUCTION OF THE VAT RATES

### Economic stimulus and crisis management package

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Dear Sir or Madam,

As a follow-up to our newsletter dated 10 June 2020, we would like to give you an update today on the recent developments regarding the temporary tax rate reduction as a result of the "Second Corona Tax Assistance Act".

On 23 June 2020, a second draft of the letter prepared by the Federal Ministry of Finance (BMF) regarding guidance on the application of the reduced VAT rate, revised by numerous amendments, was published.

The publication of the Act, as well as the publication of the final application letter of the BMF, is still scheduled for 30 June 2020, so that the Act comes into effective on 1 July 2020.

We would like to draw your attention here to selected facts, changes or clarifying additions by the BMF application letter (draft only):

- For simplification purposes, a “**period of no objection**” is planned for the **month of July 2020** within a chain of entrepreneurs (B2B transactions):
  - Invoices for services rendered after 30 June 2020 which still show 19% (or 7%) tax instead of 16% (or 5%) do not have to be corrected;
  - The recipient of the service is nevertheless entitled to reclaim input VAT for such incorrect invoices on the basis of the tax rate shown on the invoice.
- The valid **forms** for the VAT announcements and the annual VAT return 2020 will not be changed as of the current status:
  - Turnover and EC acquisitions at 16% and 5% and the corresponding tax amounts must be declared in line "Turnover at other tax rates" (lines 28 and 35 VAT 1A / lines 45, 84 and 96 VAT 2A);
  - The tax base and output VAT for sales for which the reverse-charge mechanism according to § 13b UStG (German VAT Act) is applicable have still to be declared in lines 48 to 50 of the VAT announcements or lines 99 to 101 of the annual VAT return.

- **Deliveries of electricity, gas, water, cold and heat** are considered to be ongoing services and are therefore deemed provided at the end of the meter reading period. This date determines the tax rate:
  - End of the meter reading period after 30 June 2020 and before 1 January 2021 -> billing is at 16% (or 5%) for the entire meter reading period;
  - End of the meter reading period after 31 December 2020 -> billing is at 19% (or 7%) in total;
  - Exception: if appropriate, a separate billing based on days is possible;
  - **Invoices for payments on account** for the above utility deliveries in the period after 30 June 2020 and before 1 January 2021 do not have to be corrected if 19% (or 7%) VAT continues to be paid and correctly accounted for in the final invoice;
  - The service recipient is allowed to claim 19% (or 7%) input VAT deduction - here too, the correction is made in the final invoice.

If you have any questions regarding the necessary conversion of your accounting and invoicing, we will be happy to continue to assist you.

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