

# SMC NEWSLETTER

## ADAPTION OF THE VALUE ADDED TAX ANNOUNCEMENT FORMS for 2021

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Dear Ladies and Gentlemen,

We wish you and your families a healthy and successful year 2021.

In their application letter dated 22 December 2020, the Federal Ministry of Finance (BMF) published the new forms for the VAT announcement and advance payment procedure for 2021 shortly before the holidays.

The **main changes** in the model form for the VAT announcements 2021 (USt 1 A), which apply accordingly to the annual VAT return 2021, are briefly described below:

- **Extension of reverse charge procedure on services in the field of telecommunications** (Sec 13b (2) No. 12 German VAT Act)
  - ✓ Introduction in the course of the Annual Tax Act 2020 with effect from 1 January 2021
  - ✓ applicable to so-called "resellers"
  - ✓ **Service recipient** = declaration of received service and related VAT in **line 42 (box 84/85)**
  - ✓ **Supplying enterprise** = declaration together with other output services subject to the reverse charge procedure in **line 49 (box 60)**.
  
- **Correction of tax amounts due to changes in the VAT basis** (Sec 17 (1) s. 1 & s. 2 German VAT Act) **as a result of irrecoverability**
  - ✓ applicable **exclusively** for reductions due to **irrecoverability (e.g. bad debts)** that
  - ✓ result from supplies, other services or taxable intra-community acquisitions.
  - ✓ unchanged regular declaration under taxable turnover (lines 20-24) or input tax (lines 55; 59-60)
  - ✓ additional declaration as "Supplementary information"
    - ✓ **reduction in turnover**: declaration in **line 73 (box 50)**
    - ✓ **reduction of deductible input tax amounts**: declaration in **line 74 (box 37)**

Although the following item is not an innovation in the forms, we would like to take this opportunity to point out the following reporting obligation once again:

- **“top-up VAT” on taxed advance payments etc. due to change in tax rate**
  - ✓ VAT due (16% or 5%) for fees/partial fees received before 1 January 2021 (in this case prepayments or advance payments) is
  - ✓ to be adjusted to 19% or 7% at the time of performance of the service/partial service after 31 December 2020.
  - ✓ **Declaration of the “top-up VAT” of 3% or 2% in line 64 (box 65);**
  - ✓ No reporting of subsequent taxes in lines 20 - 24 (taxable turnover)

Overall, the implementation of the necessary changes in the organisational process as well as the necessary IT adjustments to the accounting software in order to meet the obligations is made even more difficult by the short notice of the announcement of the new forms by the BMF.

If we are mandated to keep the books or prepare the VAT announcements of your company, we will contact you directly if necessary.

Otherwise, we recommend contacting your software provider to get more information about the status of the implementation or, if necessary, to discuss manual solutions.

If you have any further questions, please do not hesitate to contact us.

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