

Financial Services VAT Package Implementation Programme



Monitoring changes and their impacts on your business

The VAT package represents one of the most significant changes in recent years to the way in which VAT operates across Europe. Companies now have to rethink the planning of their service flow as well as their reporting and compliance obligations.

Assessing the impact of the new rules on your business and taking the appropriate actions to adapt to these changes may foster your relationships with clients, service providers and the VAT authorities. Our VAT Package Implementation Program is designed to help you in a comprehensive and flexible way. The program aims at highlighting what should be done, the benefits for your business and solutions we can offer.

Impact for the Financial Services sector

As of 2010, the VAT rules will change as a result of the implementation of the so-called “VAT package”. The most substantial changes will affect cross-border services supplied to “businesses” (Business-to-Business). For the Financial Services sector this implies:

- an extension of the “reverse charge – rule” for cross-border BtoB services, meaning that the recipient of the services is liable to pay the VAT in his/her country of establishment;
- a new obligation to report in a “European Sales Listing” (ESL) services rendered to EU clients where the recipient is liable to pay VAT in his/her country;
- the possibility to issue invoices only where this is required in the country of the client.

An incorrect application of these new rules could lead to mismatches in the information reported in the ESL implying risks of double taxation, questions and assessments by the Luxembourg or foreign VAT authorities, penalties and interest for late payment.

In the FS sector, these risks are high due to the divergent VAT treatment applied to the same services in the various EU countries and because VAT can generally not be fully recovered.

Situations to be avoided are cases where:

- services are exempt in the country where the client is established but are reported in the ESL of the supplier in Luxembourg, or no invoice is issued where it should have been;
- foreign service providers report services that are exempt in Luxembourg in their ESL, or do not provide their Luxembourg client with an invoice where they should have.

	Incoming transactions	Outgoing transactions	Operational solutions
Your issues	<ul style="list-style-type: none"> Identify services received from abroad and update VAT treatment in Luxembourg Foreign service providers: <ul style="list-style-type: none"> inform them on VAT treatment applicable in Luxembourg provide them with your VAT number 	<ul style="list-style-type: none"> Identify services supplied: <ul style="list-style-type: none"> review VAT treatment in Luxembourg check VAT treatment applicable abroad Confirm need for an invoice Confirm the VAT number of your client 	<ul style="list-style-type: none"> Review/update <ul style="list-style-type: none"> VAT codes in ERP VAT manual and processes Train your staff Adapt your IT system for ESL data extraction Implement of e-VAT Check what invoices must be issued
Our solution	<ul style="list-style-type: none"> Easy to use template/decision tree to categorise services received (taxable/exempt) + associated helpline to ensure understanding of the template Standard letter you may send to your suppliers to inform them of the VAT treatment of their services in Luxembourg (taxable/exempt) 	<ul style="list-style-type: none"> Easy to use template to categorise services supplied + associated helpline to ensure understanding of the template Confirmation of the VAT treatment in the country of your customer Standard letter you may send to your clients to ask for their VAT number/ to agree the VAT treatment of the service in their country 	<ul style="list-style-type: none"> Match templates/decision tree with VAT accounting codes VAT manual to guide your teams in dealing with the new rules Advice on IT system changes needed for data collection and production of reports Review of VAT returns and ESL Compliance outsourcing
Your benefits	<ul style="list-style-type: none"> Make sure that your service providers will not wrongly include services in their ESL Avoid that suppliers charge foreign VAT where they should not Make sure that invoices are received where you need to reverse charge the VAT 	<ul style="list-style-type: none"> Identify services that need to be included in your ESL Make sure that you will not wrongly include services in your ESL and avoid creating issues for your clients Make sure that your clients have a correct invoice 	<ul style="list-style-type: none"> Make sure that your system is able to cope with the new rules and produce compliant ESL, VAT returns and invoices Raise awareness of staff involved and make sure they apply the new rules correctly

How PwC can help

Our network and technical expertise: PwC's dedicated network of FS VAT experts performed a study for the European Commission on the reform of the VAT regime for Financial Services. Through this study, our PwC VAT experts have acquired leading edge knowledge of the VAT treatment of Financial Services in Europe.

- Our involvement in the industry:** PwC Luxembourg is represented and actively involved in VAT working groups of European and Luxembourg professional associations (ALFI, ABL, EFAMA, ...)
- Our approach:** we offer an approach that is exactly tailored to your needs. Therefore, we propose first a 1,5 hour meeting with one or two of our leading VAT experts. The purpose of this meeting is to:
 - discuss the potential impact of the VAT package on your business;
 - conclude on the steps you need to undertake to be compliant with the new legislation.

Why PwC Luxembourg?

PwC Luxembourg (www.pwc.com/lu) has about 2000 professionals from 53 different countries. PwC firms provide industry-focused assurance, tax and advisory services to enhance value for their clients. More than 161,000 people in 154 countries in firms across the PwC network share their thinking, experience and solutions to develop fresh perspectives and practical advice.

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