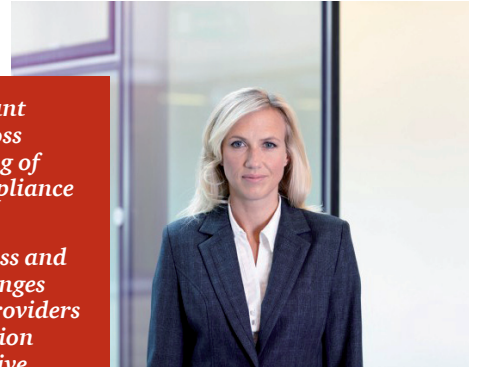


# VAT Package Implementation Programme



*The VAT package represents one of the most significant changes in recent years to the way 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 VAT authorities. Our VAT Package Implementation Programme is designed to help you in a comprehensive and flexible way. The programme aims at highlighting what should be done, the benefits for your business and the solutions we can offer.*

*Monitoring changes and their impacts on your business*

## **Impact of the changes on businesses**

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” (BtoB). 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 recover VAT paid in another EU member state through the electronic filing of a request in the country of establishment.

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.

Key areas of focus, include:

- Exceptions to the new general rule remain (e.g. for services connected to immovable property).
- If the supplier doesn't have the valid VAT number of his/her customer, the member state of establishment of the supplier could claim the payment of local VAT.
- The supplier needs to determine who is benefiting from the service.
- Where VAT is incorrectly charged, this VAT is not recoverable for the customer.
- Software systems that have not been updated may lead to an incorrect VAT treatment.
- In some cases e-filing will be obligatory in Luxembourg starting 2010.
- The filing of monthly sales listings relating to intra-Community supplies of goods will become the principle.
- Some VAT registrations, new required, may no longer be necessary in 2010.

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

### **How PwC can help**

- Our network and technical expertise:** PwC's dedicated network of VAT experts is closely monitoring developments in all member states. The latest news is available on our dedicated website [www.globalvatonline.com](http://www.globalvatonline.com).
- Our approach:** we offer a tailor-made approach to your needs. Therefore, we propose 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](http://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.

### **For further information, please contact:**

<b>Anne Murrath</b> Partner	+352 49 48 48 5843	<a href="mailto:anne.murrath@lu.pwc.com">anne.murrath@lu.pwc.com</a>
<b>Laurent Grençon</b> Partner	+352 49 48 48 5769	<a href="mailto:laurent.grencon@lu.pwc.com">laurent.grencon@lu.pwc.com</a>
<b>Marie-Isabelle Richardin</b> Director	+352 49 48 48 5769	<a href="mailto:marie-isabelle.richardin@lu.pwc.com">marie-isabelle.richardin@lu.pwc.com</a>
<b>Frédéric Wersand</b> Director	+352 49 48 48 2519	<a href="mailto:frederic.wersand@lu.pwc.com">frederic.wersand@lu.pwc.com</a>

"PwC" is the brand under which member firms of PricewaterhouseCoopers International Limited (PwCIL) operate and provide services. Together, these firms form the PwC network. Each firm in the network is a separate legal entity and does not act as agent of PwCIL or any other member firm. PwCIL does not provide any services to clients. PwCIL is not responsible or liable for the acts or omissions of any of its member firms nor can it control the exercise of their professional judgment or bind them in any way.