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.
**Incoming transactions**
- Identify services received from abroad and update VAT treatment in Luxembourg
- Foreign service providers:
  - inform them about VAT treatment applicable in Luxembourg
  - provide them with your VAT number

**Outgoing transactions**
- Identify services supplied:
  - review VAT treatment in Luxembourg
  - check VAT treatment applicable abroad
  - Confirm need for an invoice
  - Confirm the VAT number of your client

**Operational solutions**
- Review/update
  - 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

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### 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.

### 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.
- **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.

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