



2020 'Quick Fixes'



Tax Alert
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On 4 October 2017 the EC Commission suggested amending the VAT Directive and the VAT Implementing Regulation in four ways.

- First, to introduce a mandatory check of the customer's VAT identification number, allocated by a Member State other than that in which dispatch or transport of the goods begins. This should constitute an additional substantive condition for the application of the exemption in respect of an intra-Community supply of goods.
- Second, to increase legal certainty and harmonized application of VAT rules when determining the VAT treatment of chain transactions, including triangular transactions.
- Third, to modify the VAT rules for call-off stock arrangements so that they are applied more uniformly in the EU.
- Fourth, to identify the documentary evidence to be used to claim zero-rating for intra-Community supplies.

These amendments were adopted by the Council on 4 December 2018, are now referred to as the '2020 Quick Fixes', and will enter into force on 1 January 2020.

To be ready by this deadline, the following actions are advisable.

- Suppliers should verify that all of their customers' VAT identification numbers appear in the VIES database. At the moment, this is not a requirement in Italy, to claim zero-rating for intra-EU supplies.
- The current VAT treatment of chain transactions should be reviewed and validated by all taxpayers in light of the criteria introduced by the new article 36a of the VAT Directive.
- Italy has already implemented call-off stock simplifications that essentially appear to be in line with the new rules: no immediate action is needed.
- The current procedure for collecting and retaining documentary evidence of intra-EU transport of goods should be reviewed and validated by all taxpayers in light of the presumptions introduced by the new article 45a of the VAT Implementing Regulation, particularly when Incoterms EXW, FCA or similar apply.

The Italian tax authorities have historically taken a very strict approach to proof of intra-EU transport, and it is likely they will apply these new rules very strictly too. It would be advisable to reach out to EU clients and logistic providers to discuss and agree how to comply with the new rules, bearing in mind that, from 1 January 2020, there will be a strict deadline (the 10th day of the month following the supply) by which the purchaser should provide the vendor with a written statement that the goods have indeed been dispatched to the EU Member State of destination. Until now, the Italian tax authorities have usually allowed vendors to obtain similar statements from their customers even a long time after the supply: this will no longer be possible.

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