

Latest VAT developments (3) (2/34/19)

This article completes what we wrote last week.

Amendments to Cabinet Rule 17 prescribing new import licensing procedures

In line with recent changes to the VAT Act, the Cabinet of Ministers' Rule No. 17 authorises the State Revenue Service (SRS) to decide about issuing or refusing a special import permit within 15 working days after receiving a taxable person's application (previously five days for a taxable person having no overdue taxes, duties or other mandatory charges).

Amendments to the Cabinet Rule have pushed a taxable person's debt threshold of €1,430 down to €150 (if this is exceeded the SRS may suspend the special import permit). The SRS may suspend it also if they find during tax administration measures (previously during a tax audit only) that VAT on goods imported (released for free circulation) was not reported in the VAT return for the correct tax period.

Amendments to paragraph 142 of the Cabinet Rule redefine the conditions authorising the SRS to cancel a special import permit.

Deregistering a taxable person

To deregister taxable persons that conduct no business and have not exercised their statutory right to apply for deregistration, the SRS is required by 20 September 2019 to deregister any taxable person registered for at least 12 calendar months that reported no transaction in their VAT returns for the last 12 calendar months up to 20 July 2019. It is important to note that the concept of "no transaction" means reporting not only the person's own supplies of goods and services but also reporting VAT on acquired goods and services. This situation might arise, for example, if a taxable person is building a property for business purposes.

To deregister a taxable person that has potentially fraudulent VAT registration goals and business intentions, the SRS now has wider powers to deregister a taxable person that has replaced all its officers or a taxable person that has reported no transaction in its VAT returns for the last six months when its business has not been suspended under the Commercial Code. The SRS will first send out an invitation to explain the facts and circumstances of the situation, along with a warning of deregistration. Within 20 working days after the warning is received, the SRS may deregister the taxable person if they fail to provide the information requested or if the SRS believes the information provided indicates the risk of the government suffering losses or missing tax revenues. In the event of officers being replaced, the SRS will interview them.

Section 70(1)(9-10) of the VAT Act provides that a person deregistered because of having replaced all its officers or reported no transaction in the last six months may register for VAT again after providing relevant and complete information about their intention to carry on a business without jeopardising inland revenue.

Applying for VAT registration

The application form now has a new paragraph (7) for giving the date the person's total taxable supplies exceeded €40,000.