

EU regulation on services connected with immovable property (2/8/17)

Rules explaining the VAT treatment of services connected with immovable property apply from 1 January 2017 as part of Council Implementing Regulation (EU) No. 1042/2013 amending Implementing Regulation (EU) No. 282/2011 as regards the place of supply of services. The new rules aim to shed more light on these services and to make the VAT treatment across the EU as uniform as possible.

Services connected with immovable property under the new regulation

Services connected with immovable property are treated as supplied (and attract VAT) where that property is situated under both article 47 of Directive 2006/112/EC and section 25 of the Latvian VAT Act.

The regulation gives a definition of immovable property that is binding on member states' taxable persons for VAT purposes. Under the regulation, services connected with immovable property include only services that have a sufficiently direct connection with that property. Such a connection exists where –

- services are derived from an immovable property and that property makes up a constituent element of the service and is central to, and essential for, the services supplied;
- services are provided to, or directed towards, an immovable property, having as their object the legal or physical alteration of that property.

The regulation mentions services that do not qualify as connected with immovable property and gives a long list of services that are treated as connected with immovable property. We would highlight some of them to ensure they receive the correct VAT treatment, because previously such services did not qualify as connected with immovable property:

- survey and assessment of risks and integrity of immovable property;
- valuation of immovable property;
- assignment or transfer of the right to use the whole or parts of an immovable property, including access to lounges in airports;
- installation, assembly, maintenance, repair, inspection and supervision of machines or equipment treated as immovable property.

The regulation also lists services that may qualify as connected or unconnected with immovable property (such as drawing up plans for buildings or parts of buildings, and certain legal services).

Direct application of EU regulations

The regulation is directly applicable and explains how particular provisions of the VAT directive should be applied. This means that the provisions of the regulation will not be transposed into the Latvian VAT Act, and taxpayers should be aware of the existence of the regulation and its provisions.

It would be useful for taxpayers to read explanations about EU VAT rules for the place of supply of services, prepared and published by the European Commission's Directorate-General for Taxation and Customs Union and [applicable to services connected with immovable property from this year onwards](#).