

Mini One Stop Shop for VAT (2/26/18)

The EU has adopted the Mini One Stop Shop (MOSS) to ease VAT administration. This article explores the essence of the MOSS scheme and how to register for it.

Place of supply of electronically rendered services

Electronically rendered services are a key component of export services that can be supplied from Latvia to any individual or entity around the world. While there is essentially no way to determine the place of supply of electronically rendered services, the VAT Act effective from 1 January 2015 provides that electronic communications, broadcasting or electronically rendered services that are supplied to a non-taxable person are treated as supplied where the customer belongs. This means that VAT is payable in each country where the customer is located.

The VAT Act defines electronically rendered services as follows:

1. web hosting, supplies of web resources, remote maintenance of programmes and equipment;
2. software supplies and updates;
3. supplies of images, text and information, and providing access to databases;
4. supplies of music, films and games (including games of chance and gambling games) and supplies of political, cultural, art, sport, science and entertainment programmes and news;
5. distance learning.

The EU VAT rules give the characteristics of electronically rendered services:

1. they are supplied over the Internet or an electronic network;
2. they are supplied mainly automatically and with minimal human intervention;
3. they cannot be supplied without information technology.

Electronic services include electronic communications services (such as Skype), radio and television broadcasting services (such as Shortcut and Netflix), and electronically rendered services (such as Wordpress, iCloud, and Coursera).

In Latvia, traders can use the MOSS scheme from 1 January 2015. When services are supplied to individuals or other non-taxable persons, the VAT return should disclose all the member states in which the services are supplied. Once the supplies have been reported and the VAT paid, the State Revenue Service (SRS) takes care of VAT administration between other member states, making the trader's life considerably easier.

Under the MOSS scheme a taxable person that supplies telecommunications services, radio and television broadcasting services or electronically rendered services to non-taxable persons in member states where that taxable person does not carry on business, may account for VAT on such services using a website in the member state where the taxable person is identified.

The MOSS scheme offers a simplified approach that treats such services as supplied in the buyer's member state. The MOSS scheme helps taxable persons avoid having to register in each member state where they supply such services to customers. However, if the taxable person opts for the MOSS scheme, this should be applied in all member states concerned.

A taxable person registered for the MOSS scheme in the member state of identification should electronically file a quarterly VAT return prepared according to the scheme, giving details of the telecommunications, broadcasting and electronically rendered services supplied to non-taxable persons in other member states of consumption, as well as the amount of VAT due. The member state of identification will send the VAT return and output tax details to the member states of consumption over a secure network. The MOSS return is filed in addition to the one the taxable person files in their member state according to their domestic VAT obligations.

MOSS is similar to a scheme that operated until 2015 for electronically rendered services which persons that do not carry on business in the EU supply to non-taxable persons.

MOSS is available to taxable persons that conduct or do not conduct business in the EU.

Registration

An entity can register for the MOSS scheme by filing an application with the SRS on a form available from the Electronic Declaration System. The form can be found in the document group "Special VAT Scheme Documents for Electronic Communications, Broadcasting and Electronically Rendered Services."

The application should state the trader's business activity and website addresses through which business will be carried on, as well as VAT registrations and fixed establishments in other member states. Within five working days the SRS will decide to register the trader for the MOSS scheme. In general the registration will take effect on the first day of the quarter that follows the one in which the taxable person announced their intention to use the MOSS scheme.

Watch this space for MOSS accounting and compliance aspects.