Articles

Recent Changes in the Ordinance to the Swiss VAT Law
Based on a report from the Swiss Federal Council, the Federal Department of Finance recently announced that they will carry out a complete review of the Swiss VAT Law with the vision of finding an "optimum" way of value added taxation for the future.

Accounting for GST in Australia
As one of the last countries to introduce a GST system, Australia has learnt from other countries when constructing its GST legislation. This has helped it to avoid some of the problems that have arisen in other countries, although the impact of this has had some unfortunate effects upon the taxpayer. This article looks at some further oddities in the Australian GST system, the time of supply rules, both for accounting for output tax and for reclaiming input tax credits.

New VAT Regime Applicable to Real Estate Transactions
The Italian Government, with Law Decree no. 223/2006 (hereinafter "Law Decree"), effective as of July 4, 2006, brought significant amendments to the indirect tax regime applicable to sale or lease transactions involving real estate, for the main purpose of reducing considerably tax evasion and increasing tax revenues.

Indian Service Tax – Exemption to CAV CS/ CWA
The Government, via Notification No. 25/2006 – Service Tax dated July 13, 2006, has exempted from levy of service tax the representational services provided by a practicing Chartered Accountant/ Cost Accountant/ Company Secretary, to a client, in his/ her professional capacity, to appear before a statutory authority in the course of proceedings initiated under any law for the time being in force, by way of issue of notice.

In Brief

China: US Calls on WTO to Settle Dispute with China over Auto Parts
European Commission: Commission Proposes Increases of Minimum Rates of Excise Duty on Alcohol; Customs Co-operation: Commission and China Strengthen Co-operation on Supply Chain Security
European Court of Justice: In the View of AG Kobott, the State auctioning of 3G Mobile Telephone Licences is not Liable to VAT; Italy Loses Company Car VAT Refund Case in ECJ
Germany: German Supreme Court VAT Cases
Latvia: New VAT Rules in Latvia
United Kingdom: Reversing the Carousel; HMRC Business Briefs 11/06, 12/06 & 13/06; €165m Euro Fraud Discovered in UK & German Joint Operation
Recent Changes in the Ordinance to the Swiss VAT Law

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Based on a report ("Spori-Group Report") from the Swiss Federal Council, the Federal Department of Finance recently announced that they will carry out a complete review of the Swiss VAT Law with the vision of finding an "optimum" way of value added taxation for the future.

This review is driven by political needs and the experiences of VAT within the last 10 years. The ultimate goal of the Federal Department of Finance is to have a VAT system that is both attractive and simple to operate for the tax payer whilst ensuring that there is no tax avoidance or abuse of the Law to the VAT Authority.

The first steps towards this significant exercise have already begun with the formation of the "Spori Group", which is made up of 14 working sub-groups. The first actual changes will be effected through new regulations in the Ordinance to the Swiss VAT Law effective from July 1st 2006. The following article summarises the main changes.

Invoicing and treatment of missing formal requirements
(Article 15a and 45a of the Ordinance to the Swiss VAT Law)

Over the past 18 month or so, we have seen several simplifications offered by the Swiss VAT Authority especially the need for invoices to meet all the formal requirements laid down by the Law. Now, we have a legal basis to reinforce the simplifications offered by the Swiss VAT Authority.

Article 15a of the Ordinance to the Swiss VAT Law will now allow input VAT to be deducted even when the correct name, or the address of the supplier or recipient, is not fully shown provided it is clear that the remaining information can clearly identify that the recipient did receive the supply and that it was booked correctly for accounting purpose. In addition, under Article 45a of the Ordinance to the Swiss VAT Law, an additional tax claim will not arise where the formal requirements are missing if it is obvious that there is no resulting loss of tax. Both new regulations apply retrospectively for pending cases.

Therefore, an invoice for hotel accommodation where the company's name is misspelled or the address is incorrect, will now be accepted as supporting evidence for the deduction of input VAT, if the recipient can prove that the costs were for business and correctly booked for accounting purposes.

Aircraft management and similar supplies (Article 1a of the Ordinance to the Swiss VAT Law)

For supplies of aircraft management and similar supplies (namely for ships, railway wagons and containers) the place of supply will, in the future, deemed to be where the recipient is established, rather than where the supplier is domiciled, which is the current rule. As an example, from July 1st 2006, the supply of the aircraft management services to a recipient domiciled outside Switzerland will no longer carry Swiss VAT but there will be a right to deduct related input VAT.

Turnover of social welfare, social assistance, social security and turnovers associated with the care of children and youths (Article 4a of the Ordinance to the Swiss VAT Law)

According to Article 18, paragraph 8 and 9 of the Swiss VAT Law, turnover in connection with social welfare, social care, social security and care of children and youth is VAT exempt. Following a decision of the Federal Court, it was clarified that the provision of the social welfare services by third parties do not benefit from this exemption and, consequently, Swiss VAT is due. However, this created a VAT cost to the Communities who subcontracted this service out. Therefore, Article 4a to the Ordinance seeks to reverse the decision of the Federal Court, to avoid irrecoverable VAT being suffered by the Communities. In accordance to the new regulation, the provision of social welfare services, even if provided by an independent 3rd party will also benefit from this VAT exemption. At the time of writing, what is not known is how far back this exemption may apply. Therefore, should the services be further subcontracted out to another independent party, it is not known whether this can also benefit from the exemption too. In addition, it is also unclear whether this regulation will have retrospective effect.

Margin taxation (Article 14, paragraph 2 of the Ordinance to the Swiss VAT Law)

Currently, proposals, invoices and other related documents for margin taxation could not carry references to VAT. The revised Article 14 of the Ordinance now seeks to relax the formalistic rules for margin taxation and future invoices and contracts for margin taxation, with references to VAT, could be acceptable provided that there is no overall loss of tax. This new regulations applies retrospectively for pending cases.

The draft legislation of the new VAT Law will be released within the next few months

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