

Germany VAT

A tax professional's essential guide to calculating reporting and paying VAT in Germany



Introducing VAT in Germany...

Germany was one of the earliest adopters of VAT, having first implemented its system in 1968.

Today, VAT in Germany is based largely on the European Union's directives; the majority of which the German government has adopted in national legislation.

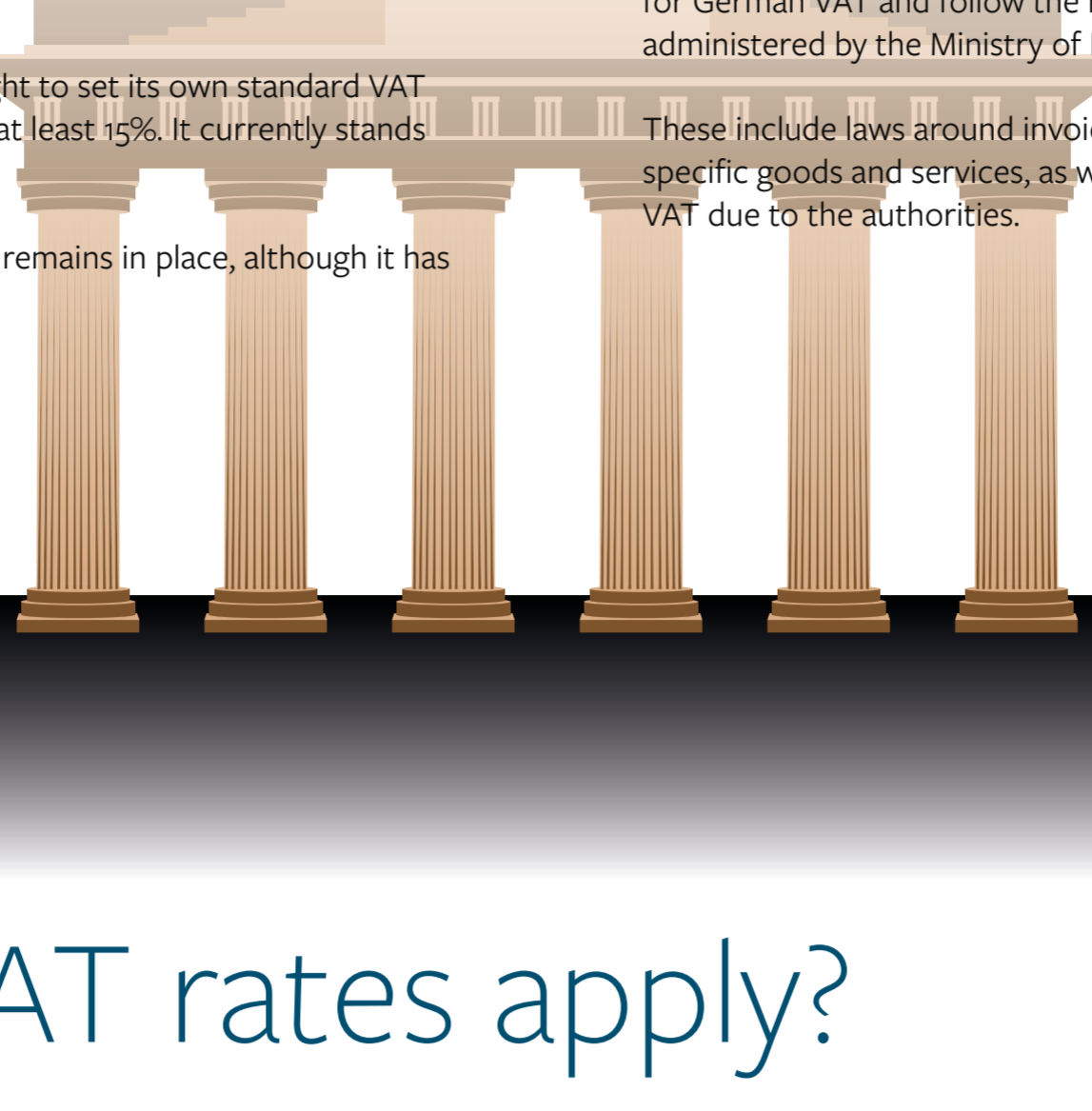
However, Germany retains the right to set its own standard VAT rate on the basis it will always be at least 15%. It currently stands at 19%.

The Value Added Tax Act of 1980 remains in place, although it has

been updated a number of times to include new regulations and to implement the European Union's legislation.

Any business that is based outside Germany and provides goods or services to consumers in Germany is likely to have to register for German VAT and follow the rules and regulations that are administered by the Ministry of Finance.

These include laws around invoicing, applying the correct rates to specific goods and services, as well as collecting and paying any VAT due to the authorities.



What VAT rates apply?

Germany has a standard rate of 19%, as well as a range of other rates that businesses can apply:

- 19%** Standard
e.g. most taxable goods and services
- 7%** Reduced
e.g. some food, water supplies, newspapers, admission to events
- 0%** Zero
e.g. intra-community and international transport



Do you need to register?

Foreign businesses that provide goods and/or services in Germany are likely to be required to register for VAT. With this comes an obligation to meet certain regulations, such as submitting regular tax returns and pay any tax due to the German tax office.

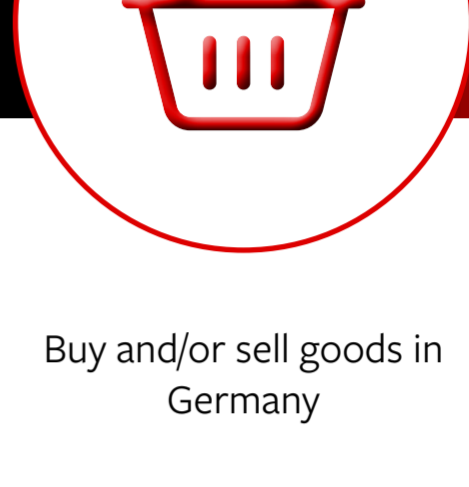
Does your business perform any of these activities? If so, you need to register for VAT.



Import goods into Germany from another country



Move goods to any other EU state (either sales or purchases)



Buy and/or sell goods in Germany



Hold goods in consignment stock



Sell goods online to Germany consumers

Exemptions

A number of goods and services are exempt from VAT in Germany, including:

- Medical treatment
- Loans
- Long-term rentals
- Buying/selling property
- Deliveries to EU states

Compliance

As soon as a business successfully registers for German VAT, it will be expected to meet several key regulations. These include:

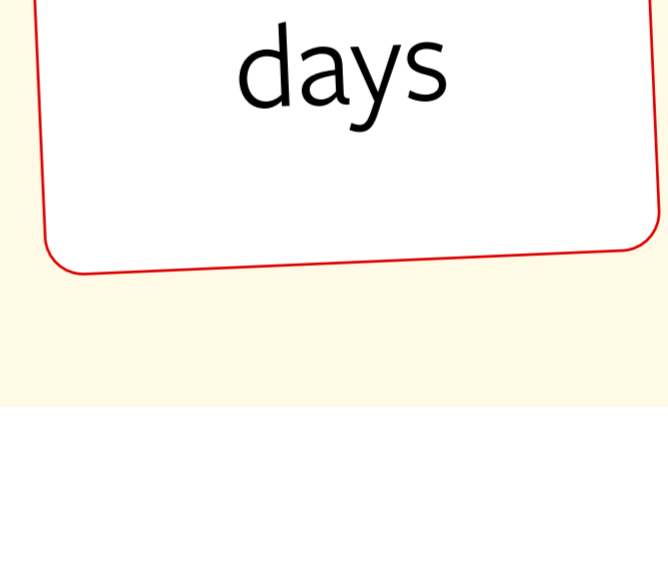
- 1 Issuing invoices that include the disclosure details listed in the German VAT Act.
- 2 Maintaining accounts that will be available upon request for 10 years.
- 3 Providing electronic invoices with proper signature and authenticity by the recipient.
- 4 Processing credit notes and other corrections as applicable.
- 5 Correctly invoicing customers in accordance with German time of supply VAT rules.

VAT due date

Time of supply rules determine when VAT is due in Germany.

For goods, the tax point is the time of delivery. For services, it is upon completion of the service.

VAT is subsequently due to the tax authorities after



What about reverse charge?

In Germany, the reverse charge system is available for both German and foreign businesses in the following scenarios:

- Construction work
- Deliveries of gold
- Commercial cleaning
- Mobile phones
- Real estate
- Work supplies
- Deliveries of scrap

Recovering VAT

Businesses that are registered for VAT in Germany are able to declare and deduct German input VAT within their VAT returns under a certain set of conditions. Entrepreneurs that are not registered for VAT in Germany are also able to recover German input VAT.

For example, input VAT on a variety of business and employee outgoings can be recovered, including:

- Client meals
- Entertaining clients
- International flights
- Hotel stays
- Fuel (business car)

The expert's view...

From its origins in the 1960s (when tax was applied at just 0.5% before the implementation of a comprehensive VAT regime) to the robust and respected VAT system Germany boasts today, it's been quite a journey for indirect taxes in Europe's largest economy.

As with many member states of the European Union, Germany's VAT system follows many of the fundamental rules and regulations set by Brussels, not to mention features such as triangulation and MOSS.

But Germany's tax authorities have also introduced numerous pieces of legislation and unique markers of VAT in the country that require some attention for businesses.

Did you know the German VAT system has specific rules in place for exhibitions and events? And even passengers transported by foreign bus companies? That's how particular your knowledge needs to be if you're to feel confident of having German VAT covered in-house.

Luckily, at Innovate Tax we have an out-of-the-box solution for Oracle users, allowing us to install dozens of rates, codes and requirements that make up the tax content for Germany within your ERP in a matter of hours.

What's more, once our solution is enabled, you'll not only save bundles of time and stacks of cash, but you'll also be able to enjoy the complete peace of mind that comes with knowing your automated tax configuration ensures 100% compliance in every transaction.

We also have products and services designed to achieve similarly seamless success within all other major ERPs.

If you're interested in learning more about German VAT and how we can help, get in touch today!



Carl Robinson
Head of Marketing

