



VAT's new?

**Current developments
in Germany and the EU
in the field of VAT**

Highlight

Newly drafted administrative guidance on mandatory e-invoicing for domestic B2B supplies

Since 1 January 2025, accompanied by transitional rules for invoice issuers, e-invoicing is mandatory for domestic B2B supplies of goods and services. The first administrative guidance was issued on 15 October 2024. Addressing the need for further clarification, the second administrative guidelines on mandatory e-invoicing were published as a draft on 25 June 2025. The draft was submitted to the relevant associations for consultation purposes. The publication of the final guidance is planned for the fourth quarter of 2025. The drafted guidelines include explanations, especially regarding the validation and retention of e-invoices. Accordingly, technically invalid e-invoices are non-compliant. Therefore, the validation of e-invoices is compulsory. Regarding the retention of e-invoices, at least their structured part must be stored for eight years in such a way that it is accurate and available in its original form. The mere storage and archiving of e-invoices outside a GoBD-compliant data processing system does not trigger any breach of storage obligations under Sec. 14b GVATA.

German Federal Ministry of Finance, draft of 25 June 2025 – III C 2 – S 7287-a/00019/007/230

Link for further information

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News from Germany

Entering the economic cycle of the European Union

The German Federal Fiscal Court asked the CJEU if a means of transport enters the economic cycle of the European Union if it is not used as a means of transport in a Member State but is repaired there. In addition, the CJEU is asked to clarify if the customs debt expired if the item was not used in accordance with Article 124(1)(k) of the Union Customs Code.

German Federal Fiscal Court, request for a preliminary ruling of 18 February 2025 – VII R 17/22

Supply of protective masks

The distribution of protective masks by a pharmacy to eligible individuals under the Coronavirus Protection Masks Ordinance constitutes a taxable supply. Considering the flat rate paid to the pharmacies according to Sec. 5(1) 1 Coronavirus Protection Masks Ordinance, the remuneration was paid by a third party.

German Federal Fiscal Court, judgment of 6 February 2025 – V R 24/23

Allocation of a uniform total remuneration

A method for splitting the price of a menu, which results in a pro-rate sales price being allocated to a product that is higher than the individual sales price, is inappropriate. In a recent case, two franchisees operated fast food restaurants, where menus for on-the-go-consumption, including a drink, a burger, and French fries, were sold at a total price. The supply of the drink was subject to the standard VAT rate, while the food supply qualified for the reduced VAT. The franchisees divided the total price using the "food-and-paper" method. The calculation was based on the total expenses for food and drink. As the profit margin on drinks is generally higher than that on food, this method would result in a lower VAT rate compared to an allocation based on unit selling prices. In such a case, a taxable person must not always use the simplest calculation method. If another method is at least as appropriate as the allocation according to unit selling prices, it may be applied. However, it is contrary to economic reality that the sales price of a menu product sold at a discount could be higher than the retail price. An allocation method that leads to this result is not appropriate. In a similar case, the German Federal Fiscal Court also did not approve the "food-and-paper" method (judgment of 22 January 2025 – XI R 22/22).

German Federal Fiscal Court, judgment of 22 January 2025 – XI R 19/23

Links for further information

[Deloitte Tax-News: Steuern – Indirekte Steuern/Zoll](#)

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VAT exemption for lessons

If a taxable person provides additional services, including accommodation and catering, these services are regularly considered to be independent principal services. Lessons in equestrian sports are typically leisure activities. Exceptionally, they may be considered as training, further education or vocational retraining under Sec. 4 no. 21 GVATA. Moreover, the VAT exemption under Sec. 4 no. 23 GVATA, in the version applicable in the years 2007 to 2011, for accommodation and catering services does not apply if the requirement of a recognized facility with an essentially social character is not met.

German Federal Fiscal Court, judgment of 22 January 2025 – XI R 9/22

Drying of wood chips excluding input tax deduction

A benefit in kind does not exist if a taxable person dries wood chips for an affiliated company using the heat generated in his combined heat and power plant without remuneration in order to receive an increased bonus when feeding the electricity produced into the grid. The free drying is not subject to VAT as benefit in kind because it is not made for purposes outside the company. The right to deduct input tax is excluded if the input services are received for a non-economic activity. The input tax deduction must be corrected in the subsequent years if the VAT assessment of the allocation year can no longer be amended.

German Federal Fiscal Court, judgment of 11 December 2024 – XI R 4/23

Links for further information

[Deloitte Tax-News: Steuern – Indirekte Steuern/Zoll](#)

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Validation of foreign VAT identification numbers

From 20 July 2025 onwards, requests for the validation of foreign VAT IDs according to Sec 18e GVATA can only be made online via the Federal Tax Office website. This applies to simple and qualified confirmation enquiries. The German Federal Ministry of Finance amended the German VAT Application Decree accordingly.

German Federal Ministry of Finance, letter of 6 June 2025 – III C 5 – S 7427-d/00014/001/002

Reduced VAT rate on the supply of wood chippings

The German Ministry of Finance withdrew the publication of the letter on the reduced VAT rate on the supply of wood chippings dated 17 April 2025. A revised administrative guidance will be issued shortly. Until this date, the principles of the letter dated 4 April 2023 (Federal Tax Gazette I 2023, 733) and 29 September 2023 (Federal Tax Gazette I 2023) apply.

German Ministry of Finance, publication of 6 June 2025

Monthly VAT exchange rates

The German Ministry of Finance updated the monthly overview on the VAT exchange rates by adding the figures for May 2025.

German Ministry of Finance, letter of 2 June 2025 – III C 3 – S 7329/00014/007/069

Input tax correction

A change in the relevant circumstances also occurs if the legal assessment proves to be inaccurate even if the supplies remain the same (Sec. 15a(2) no. 6 of the German VAT Application Decree). If the legal assessment regarding the business allocation was incorrect, an input tax correction is no longer possible (Sec. 15a.1(6) of the German VAT Application Decree). Rather, the incorrect assessment should have been objected to at the time of the input tax deduction. Input tax correction requires that the VAT assessment for the year in which the input tax was incorrectly deducted is binding and unamendable. In the case of a VAT assessment for the following year, only those reasons for change can be considered whose conditions were fulfilled at the end of the following year. A correction in a subsequent year can only be made from the year in which the VAT assessment for the deduction year can no longer be changed under the German Fiscal Code.

Baden-Württemberg Chief Finance Directorate, order of 27 March 2025 – S 7316 card 3

VAT-exempt investment gold transactions

The supply, importation and intra-Community acquisition of investment gold is exempt from VAT under Sec. 25c(1)(1) GVATA. Investment gold includes gold in the form of bars or wafers with a weight accepted by the gold markets and a purity of at least 995 thousandths under Sec. 25c(2) no. 1 GVATA. The Baden-Württemberg Chief Finance Directorate commented on the requirements of this VAT exemption.

Baden-Württemberg Chief Finance Directorate, order of 27 March 2025 – S 7423 card 1

Exemption from customs duty on the importation of returned goods

Article 143(1)(e) of Council Directive 2006/112/EC of 28 November 2006 on the common system of VAT and Article 86(6) and Article 203 of Regulation (EU) No 952/2013 of the European Parliament and of the Council of 9 October 2013 laying down the Union Customs Code must be interpreted as meaning that, except where there is an attempt at deception, non-compliance with formal obligations such as the presentation of goods to customs provided for in Article 139(1)(a) of that regulation and the declaration for release for free circulation provided for in Article 203 of that regulation does not preclude the entitlement to the VAT exemption provided for in Article 143(1)(e) of that directive in respect of the reimportation into the territory of the European Union of goods in the state in which they were exported.

CJEU, judgment of 12 June 2025 – C-125/24, Palmstråle

News from EU

Special scheme for works of art

Article 316(1)(b) of Council Directive 2006/112/EC of 28 November 2006 on the common system of VAT must be interpreted as meaning that Member States must grant taxable dealers the right to opt for the application of the margin scheme to supplies of works of art which have been supplied to them by the creator acting through a legal person, provided that, first, the creator has sufficient decision-making power within the legal person to have the decisive vote on the sale of the work in question and, second, the proceeds from the sale of that work, or at the very least a substantial part of it, directly or indirectly forms part of the creator's assets.

Opinion of Advocate General Szpunar, delivered on 12 June 2025 – C 433/24, Galerie Karsten Greve

IOSS Draft Directive

The Council of the European Union agreed on a draft directive to encourage the use of the Import One Stop Shop (IOSS). The directive is aimed at reducing the need for multiple registrations and simplifying the declaration and payment of VAT on imports. Accordingly, traders who are not registered under the IOSS but are making supplies eligible for IOSS will be made liable for import VAT and VAT on the distance sales of imported goods in the Member States of final destination. As a result, registration in each of these Member States will be required. The European Parliament is consulted on the agreed text. The text must then be formally adopted and published in the Official Journal of the EU. The directive is currently scheduled to take effect on July 1, 2028.

Links for further informationeuropa.eu[Deloitte Tax-News: Steuern – Indirekte Steuern/Zoll](#)**EU Customs Reform**

On June 27, 2025 the Council adopted its negotiating mandate on a core element to reform the EU Customs Union. After two years of technical discussions in the Council working group, the Council mandate paves the way for trilogues with the European Parliament, marking a major leap forward.

Addressing the pressures that customs in the EU face today, from the e-commerce surge to geopolitical shifts, the reform strengthens the Customs Union's ability to safeguard the Single Market and enables Member States' customs authorities to act as one.

A major innovation is the European Customs Authority, which will develop and run the new EU Customs Data Hub – transforming data provision, data sharing and risk management across Member States and ensuring smarter and more efficient customs operations.

Links for further information[EU Customs Reform](#)[Deloitte Tax-News: Steuern – Indirekte Steuern/Zoll](#)**Council of the European Union**

After six exciting month, it's time to say goodbye to the Polish presidency of the Council of the European Union. Poland has presided over EU Council meetings since January 1, 2025. Poland marked the end of its presidency with a day of events at the World Expo in Osaka, Japan, highlighting a broad definition of security and showcasing Polish civic initiatives, creativity and cultural diplomacy.

On July 1, 2025 – December 31, 2025 the presidency of Council rotated among the next EU Member State: Denmark! Under the slogan "A strong Europe in a changing world" the Danish presidency will work for a secure Europe as well as a competitive and green Europe.

Links for further information[The presidency of the Council of the EU – Consilium](#)[Programme of the Danish EU Presidency](#)

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