



VAT's new?

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

Highlight

No fixed establishment without personnel in another Member State

In line with CJEU Titanium principles, a property which is let in a Member State where the owner of that property does not have his or her own staff to perform services relating to the letting does not constitute a fixed establishment. (CJEU, judgment of 3 June 2021, C-931/19, Titanium).

Münster Fiscal Court, judgment of 29 October 2024 - 15 K 399/23 U

News

Zero-rated intra-Community supply

If the conditions for an intra-Community supply are met for a workplace owner for visually impaired individuals, the supply is exempt from VAT and eligible for input tax deduction.

Lower Saxony Fiscal Court, judgment of 14 November 2024 - 5 K 17/24

VAT conversion rates for January 2025

The German Federal Ministry of Finance updated its monthly overview of VAT conversion rates overview to include the exchange rates for January 2025.

German Federal Ministry of Finance, letter dated 3 February 2025 - III C 3 - S 7329/00014/007/005

Fuel supplies under fuel card systems

On 10 April 2003, the German Federal Fiscal Court ruled on the VAT assessment for fuel supplies to vehicle lessees (V R 26/00), which followed the principles established by the CJEU (CJEU, judgment of 6 February 2003 - C-185/01, Auto Lease Holland). In its judgment of 15 May 2019 - C-235/18, Vega International, the CJEU examined the VAT treatment of fuel card transactions, applying the principles from Auto Lease Holland case. Recently, the German Federal Ministry of Finance extended its comments on fuel supplies in the vehicle leasing sector to the fuel card business.

German Federal Ministry of Finance, letter dated 21 January 2025 - III C 2 - S 7116/00010/005/168

Lump sums for benefit in kinds for 2025

The German Federal Ministry of Finance published the lump sums for benefits in kind for 2025.

German Federal Ministry of Finance, letter dated 21 January 2025 - IV D 3 - S 1547/19/00006/006/024

Barter-like transaction in the waste disposal sector

In its judgment of 18 April 2024 - V R 7/22, the German Federal Fiscal Court held that a barter-like transaction does not exist if a taxable person takes over hazardous waste for legally mandated disposal via a recycling process, as specified in the Closed Cycle and Waste Management Act. This VAT treatment also applies even if the taxable person views the potential sales price as a discount for the customer. The German Federal Ministry of Finance adopted this ruling and amended the German VAT Application Decree accordingly.

German Federal Ministry of Finance, letter dated 15 January 2025 - III C 2 - S 7119/00004/002/027

Link to further information

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Reduced VAT rate for art foundry supplies

The Annual Tax Act 2024 had re-implemented the reduced VAT rate for the supply of original sculpture products. In a recent letter, the Bavarian State Office for Taxes provided commentary on the VAT treatment, which applies until the end of 2013, from January 2014 until the end of 2024, and starting from January 2025 onward.

Bavarian State Office for Taxes, letter dated 14 January 2025 - S 7220.2.1-33/111 St33

EU-Commission – Infringement proceedings

The European Commission initiated infringement proceedings against Bulgaria, Cyprus, Greece, Ireland, Lithuania, Portugal, Romania, and Spain for failure to implement the Amending Directive to the VAT Directive (2020/285) on the special VAT scheme for small businesses by 31 December 2024.

Further, infringement proceedings against Belgium, Bulgaria, Greece, Spain, Lithuania, Portugal, and Romania have been initiated for failure to implement the Amending Directive to the VAT Directive (2022/542) on VAT rates by 31 December 2024.

EU-Parliament – EU fight against VAT fraud

The European Parliamentary Research Service published a briefing on the EU's efforts to combat VAT fraud. The document outlines the origins of VAT fraud and explores the various policy measures the EU has implemented. Additionally, it provides an overview of the cooperation channels established at EU level to address VAT fraud and reviews the progress made over the past decade, along with the challenges that still exist.

EU-Commission – Proposal for authorizing Greece to introduce mandatory B2B e-invoicing

The European Commission published its proposal to authorize Greece to implement mandatory e-invoicing for domestic B2B supplies without the recipient's prior approval, by way of derogation from Articles 218 and 232 of the EU VAT Directive.

Hungary – Increased threshold for SMEs under Hungarian VAT rules

The VAT exemption threshold for SMEs under Hungarian VAT rules has been increased retroactively from 12 million to 18 million Forint, effective from 1 January 2025.

Ecuador – Zero VAT rate for veterinary products and pet food under Ecuadorian VAT rules

The Ecuadorian VAT rate for veterinary products and pet food has been reduced to 0%.

China – New VAT law effective as from 1 January 2026

After several decades of provisional regulations in the area of VAT law, China will introduce a definitive VAT law at the beginning of next year. In December 2024, the draft VAT law of the People's Republic of China was reviewed and approved by the Standing Committee of the National People's Congress. The VAT law is due to come into force on 1 January 2026.

Entrepreneurs operating in China should examine the impact of the VAT law and the introductory provisions on their companies.

Link to further information

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