

Are you ready for 2015?



In brief

New VAT rules for B2C supplies within the EU will be applied for telecommunications, broadcasting and electronically supplied services as of 1 January 2015

In detail

What are the changes?

Telecommunications, broadcasting and electronically supplied services rendered to EU non-taxable persons (e.g. private individuals, public bodies) will be subject to VAT in the country where the customer is established, has his permanent address or usually resides.

Currently, such services are taxed in the country where the supplier is established. The new rules are expected to have a significant impact on the pricing strategies and the profit margins of suppliers. In order to apply

the correct VAT rate, suppliers will need to collect information to identify the location of their customers.

In addition, under the new rules, suppliers will be required to register for VAT purposes and pay VAT in different EU countries where they have customers.

In order to avoid such administrative difficulties, a possibility for registration under the Mini One Stop Shop (MOSS) will be introduced. The submission of applications for registration under the MOSS scheme should be possible from 1 October 2014.

Who will be impacted?

All businesses that provide telecommunications, broadcasting and electronically supplied services to non-taxable persons in other EU Member States will be impacted by the changes.

Their clients purchasing such services could also be affected by different pricing levels.

The changes could impact not only those companies that provide directly the services affected by the changes but also intermediaries in the supply chains to end consumers.

Examples of services that will be impacted by the new rules include:

- Fixed and mobile telephone services
- Access to internet
- Supply of mobile gaming
- Radio and television programs transmitted over a network or distributed via the internet
- Audiotext services
- Supply of software and subsequent updates
- Supply of software applications
- Supply of music, films, images, texts and information
- Remote maintenance of programmes and equipment
- Website supply, webhosting
- Supply of distance teaching
- Facsimile, telegraph and telex
- Voice mail
- Call forwarding
- Cloud computing
- Electronic auctions

What needs to be done?

Companies need to review their existing agreements and the services that they provide in order to assess the impact of the new VAT rules on their activity. They will need to start as soon as possible to prepare for the changes, including to analyse the impact of the changes, to adjust their pricing strategies and to be ready for the compliance obligations.

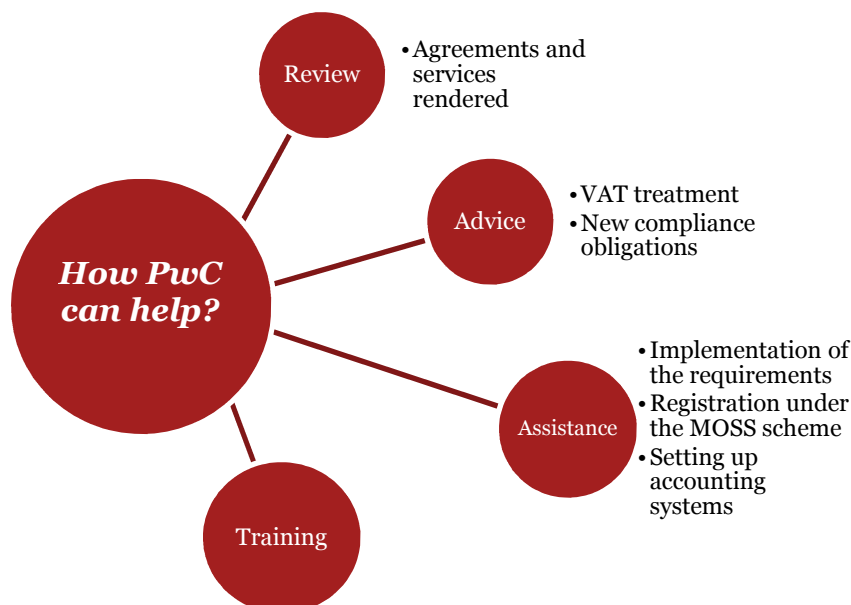
In addition to the above, companies would need to be able to determine the place where their customers are established, have their permanent address or usually reside. Therefore, they should decide what information they will collect from their customers and how this information will be stored.

The impact on IT and accounting systems should also be assessed and the required adjustments in these systems should be considered in advance.

How PwC can help?

We will be happy to assist you with the preparation for the forthcoming changes. More specifically, PwC can help you with the following:

- Review of agreements and services rendered in order to assess which of them will be impacted by the new VAT rules
- Advice on the VAT treatment of the affected services after 1 January 2015
- Assistance with implementation of the requirements for identification of the location of the customer and collection of the required information
- Assistance with registration under the MOSS scheme
- Advice and assistance with new compliance obligations
- Providing training to personnel
- Assistance with setting up accounting systems



Let's talk

For a deeper discussion of how these issues might affect your business, please contact:

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