



Information on VAT

On 3 June 2020, the coalition committee of the governing parties agreed on a comprehensive economic recovery and crisis management package to counteract the already noticeable economic consequences of the COVID-19 pandemic. It is expected that the proposed legislation which still needs to be passed by the Bundestag and Bundesrat will enter into force on July 1, 2020.

We would like to draw particular attention to the surprising announcement that the current VAT rates will be temporarily reduced. According to the published benchmark paper, **the standard tax rate is to be lowered from 19 % to 16 % and the reduced tax rate from 7 % to 5 % for the period from 1 July 2020 to 31 December 2020.**

The VAT is generally incurred at the time the relevant delivery or service is conducted, which is also the decisive point in time the VAT rate is to be applied. This has a massive impact on all actions subject to VAT. Here are just a few examples:

- Steady invoices, e.g. for rent
- Gross list price for the taxation of the non-cash benefit of a company car
- Down payments
- Single purpose vouchers
- Partial services

In addition, special features must be taken into account when deducting input tax, in particular the incorrect VAT indication according to Art. 14c UStG.

As these are particularly issues with high risk and differentiation issues, **we will be happy to answer any questions you may have.** We will publish further comments and information on our website, as soon as a draft bill of the Federal Government is available.

Kind regards

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