

# VAT eLearning module 3

## TAXABLE PERSON

### Course takeaways

This is a handy summary of the most relevant course information.

This eLearning course is based on EU VAT Legislation as it stands on 01.01.2020 (valid for the EU VAT Directive, the EU VAT Refund Directive and the EU VAT Implementing Regulation). This module is a part of a VAT broader course which is made up of the following units:

- Introduction
- Territory
- **Taxable person**
- Transactions
- Place of taxable transactions
- Digital Services and Mini One-Stop Shop (MOSS)
- Chargeable Event & Taxable Amount
- Rates
- Exemptions
- Right to deduct
- Refund
- Obligations

In this course you will learn who the persons involved in a transactions are. This covers the question: **“who?”**

### 1. Learning objectives

At the end of the training you will be able to:

- Differentiate the **taxable person**, the **person liable for payment** and the **final consumer**.
- Identify who is liable for payment and who qualifies as tax person.
- Define the variety of persons who can become **liable for payment**.
- Understand what **reverse charge** is and when it is used.

### 2. Overview

In any taxable transaction there is a **supplier** and a **purchaser**. Each person involved has a different role for VAT purposes.

The final consumer has to pay the taxable person who is also the person liable for payment of the tax to the Tax Authorities. **The tax is paid to Tax Authorities by the supplier** who is liable for payment but **the cost of the tax is borne by the final consumer as part of the price** paid to the supplier.

The final consumer must pay the price plus VAT for the goods or services received. That means the vendor or the service provider has to transfer to the Tax Authorities the VAT paid by the customer.

**Taxable person:** is anyone who regularly and independently carries out the economic activity of supplying goods and services.

**Non-taxable legal person:** Some categories of legal persons, such as public bodies and holdings with no economic activity, are non-taxable legal persons.

**Person liable for payment:** Person legally obliged to handle the VAT payment to the tax authorities.

**Final consumer:** is the ultimate customer to whom goods and services are supplied and who will bear the full burden of the tax.

**Reverse-charge:** when the customer can be liable of the payment of VAT to the Tax Authorities instead of the supplier.

### 3. Transfer of liability: REVERSE-CHARGE

Usually the supplier is also the person liable for payment of the tax but sometimes **the customer becomes liable for payment instead of the supplier**. This exception is used to simplify VAT collection or to prevent tax evasion. Reverse-charge can be either **mandatory or optional**.

In some cases (i.e. for supply of energy) **it is mandatory to transfer the tax liability to the customer**, meaning that the taxable person receiving the service must conduct self-assessment regarding the amount of VAT to be paid on the service received.

Example: For the supply of electricity, VAT should be paid by the power company in the Member State where the final consumer is. However, since this company is not established in that Member State, the tax liability is transferred to the customer, in this case the electricity distributor.

With Directive 2008/8 the rules concerning a taxable person supplying services to a customer in another Member State have changed.

The most important **reason for the transfer of the liability** to the recipient of the goods or services is **the non-establishment of the supplier in the Member State** in which the supply of goods is **taxable. VAT is then shall be payable by a taxable person to whom the services are supplied.**

### Optional reverse-charges:

In other cases the option is left to Member States which may decide to embed the transition of tax liability into their national law.

Even if the supplier is established in the Member State where tax is due, the reverse-charge mechanism **may still remain an option for the Member States** in order to prevent fraud.

Example: A newly build house is being sold to a taxable person in Member State A. Since the supplier is established in MS A, he would be liable for payment of VAT. It is however possible that the reverse-charge could apply under Article 199(1)(g). In this case, the related national law has to be consulted.

The reverse-charge mechanism can apply to supply of goods, supply of services, intra-union acquisition of goods and to importation of goods.

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[https://ec.europa.eu/taxation\\_customs/eu-training/general-overview\\_en](https://ec.europa.eu/taxation_customs/eu-training/general-overview_en).

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