

VAT eLearning module 7

CHARGEABLE EVENT AND TAXABLE AMOUNT

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 01.01.2015 (valid for the EU VAT Directive, the EU VAT Refund Directive and the EU VAT Implementing Regulation).

The new provisions regarding VAT treatment of vouchers will apply to vouchers issued after 31 December 2018 and are without prejudice to the validity of the legislation previously adopted by the Member states (Council Directive (EU) 2016/1065 amending the VAT Directive 2006/112/EC)

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

This course addresses the questions "**When and what?**"

"When does the chargeable event take place and VAT become chargeable?" and, "On what is the VAT calculated?"

1. Learning objectives

At the end of the training you will:

- Know when VAT becomes chargeable that is when the chargeable event takes place: **chargeability.**
- Know what is VAT calculated on: **taxable amount.**

- Know how to relate these concepts to the different transactions: **supply of goods, supply of services, intra-Community acquisition, importation.**
- Know when a taxable amount may be adjusted as a result of changes after the supply has taken place: **cancellation, refusal, total or partial non-payment and reduction of price.**
- Describe how the tax due is a result of applying the rate to the taxable amount expressed in monetary terms.

2. Chargeable event: General rules and variations

Chargeable event: is the moment when all legal conditions for VAT to become chargeable are fulfilled.

Chargeability: when the tax authorities can claim the tax from the taxable person VAT becomes chargeable.

Generally VAT becomes due when the chargeable event occurs and VAT becomes chargeable.

The concepts of Chargeable event and Chargeability are related to different types of transactions.

2.1 General rule

In the supply of goods VAT becomes chargeable when **the goods are supplied**, no matter when payment occurs.

In the case of Intra-Community acquisition of goods normally VAT becomes chargeable **on the 15th day of the month following** that in which the chargeable event occurs, in this case the **delivery of goods**.

If an invoice is issued before that day VAT becomes chargeable already **upon issue of the invoice**.

In the case of supply of services, VAT become chargeable **when the services are supplied**.

In the case of importation of goods, normally, VAT becomes chargeable **on entry of the goods into the EU**. However, **if imported goods are subject to custom duties**, the chargeable event occurs and VAT becomes chargeable **only when** the chargeable event in respect of these duties occurs and **those duties become chargeable**.

Example: A buys goods in the third country. These goods are shipped by the vendor to A (day 0). The goods arrive in A on day 10. On day 25, customs duties become chargeable. Vat becomes chargeable on day 25.

2. 2 Variations on the general rule

For transactions involving the supply of goods or services, there are variations on the general rule.

Variations for supply of goods: VAT becomes chargeable **at the end of the supply period** (i. e. in case of gas supply).

Variations for supply of services: VAT becomes chargeable **at the moment of payment** if payment **of the total amount of the contract** is made **in advance** (art. 65).

If the supply of services **is paid partially** in advance and the rest at the moment of the supply VAT will then become **chargeable at two moments**:

- First upon payment, that is under article 65.
- Secondly upon supply of the service, which follows from Article 63.

In this issue, the VAT Directive allows the MS other options (art. 66).

3. Taxable amount

The taxable amount is the basis on which the VAT is calculated. In general the taxable amount is **everything received in return for goods or services supplied or for goods acquired**. For goods that are imported, it is the value of for customs purposes that is relevant.

The taxable amount **depends on the type of transaction**.

For the supply of goods, the intra-Community acquisition of goods and the supply of services the taxable amount **includes everything the supplier receives** or is to receive from his customer or a third party. It is made up by the price plus other taxes, duties and expenses minus price reductions and certain discounts (art. 78 and 79).

In the case of an importation of goods, the starting point **is the value used for customs purposes plus taxes and excise duties** if not already included, **plus any applicable additional expenses**, as described in Article 86.

3. 1 Variations on the general rule

The VAT Directive specifies some variations on the general rule.

In the case of supply of goods or services or intra-Community acquisition of goods, the taxable amount can be based on the cost of the goods or services rendered. If a taxable person uses **business goods for private purposes**, this may be considered a deemed supply and the taxable amount is **based on the cost of the goods** (Art. 74).

If there is an importation of goods returning to the EU, the taxable amount can be based on the tax difference.

Article 88 states that where goods temporarily exported from the Community are re-imported after having undergone, outside the Community, repair, processing, adaptation, making up or re-working, Member States shall take steps to ensure that the tax treatment of the goods for VAT purposes is the same as that which would have been applied had the repair, processing, adaptation, making up or re-working been carried out within their territory.

Example: A producer in a MS A sends goods worth 1.000 EUR to a manufacturer in a third country to do some adaptations to the goods. The price for these services is 500 EUR. A must reduce the taxable amount on importation of the goods to 500 EUR.

3. 2 Adjustments

In case of **cancellation**, refusal, **total or partial non-payment** and reduction of the price after the supply takes place, **the taxable amount is adjusted and reduced**.

Each Member State sets the conditions for how this reduction should be calculated (Art. 90).

Further variations exist, for example, in the case the taxable amount is expressed in a currency other than that of the Member State in which the assessment of this amount takes place or as regards the costs of returnable packing material (Art. 91 and 92).

Access to non-restricted eLearning courses is available via EUROPA website: https://ec.europa.eu/taxation_customs/eu-training/general-overview_en.

Remember, this is a quick and handy summary of the most relevant course information. Only the European Union legislation published in the Official Journal of the European Union is deemed authentic. The Commission accepts no responsibility or liability whatsoever with regard to the training.