Taxation
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Indirect Tax Update
VAT on Digital Services

VAT Rules for Digital services - Implementation by non EU-countries

We would like to bring to your attention that following the recommendations under BEPS Action 1: Addressing the Tax Challenges of the Digital Economy many non EU Member countries are taking measures for implementation of VAT rules for digital services.

The rules resemble the rules implemented by EU Member States from 1 January 2015 for Telecommunication, Broadcasting and Electronically supplied services. We set out below a summary of the rules that were implemented at EU level back in 2015 as well as the status of implementation of similar rules in non EU territories.

VAT Framework within the European Union

As from 1 of January 2015, came into force the changes under the Council Directive 2008/8/EC, amending the Council Directive 2006/112/EC with regards to the place of supply of Telecommunications, Broadcasting and Electronically supplied services to non VAT taxable persons (hereafter "TBEs") within the European Union, when supplied within EU.

The place of supply as of 1 January 2015, is the place of consumption i.e. the place where the non- taxable customer is established or usually resides, and therefore VAT at the rate applicable in the Member State of consumption has to be changed.

It should be noted that the above rules also apply in the case of non EU suppliers providing TBEs to non VAT taxable persons within the EU.

Mini One Stop Shop

The MOSS system is applicable across all EU Member States and enables businesses to remain registered only in their Member State of identification instead of registering for VAT to all Member States in which the private customers are located.

The MOSS system enables businesses to report the supplies made to non-taxable customers within the EU through the electronic submission of the MOSS return. Payment of the VAT due will also be made solely in the Member State of registration.

An EU business that opts to use MOSS was able to register from 1 October 2014.

The MOSS system can also be used in a similar manner by non EU suppliers of TBEs who can register for VAT in a Member State of their choice and report and pay the VAT accordingly.

VAT Framework in Non EU- Countries

In addition to the countries of the European Union, countries residing outside of the European Union have implemented/are in the process of implementing similar provisions for digital services in their local VAT Legislation and therefore adapt them to the growth of the international digital economy. This is also as a result of the recommendations under BEPS Action 1: Addressing the Tax Challenges of the Digital Economy. On the basis of the above persons offering digital services to non-taxable persons located in the specific countries will also have the obligation to proceed with registration in that country and pay the applicable VAT according to the local legislation of that Non – EU country.

Please refer to the table below for a summary of the new VAT rules in certain non – EU countries.

Country	***Implementation Status***	***Standard VAT rate***	***Effective from:***
Norway	*A threshold for registration of NOK50.000 in a 12-month period (equivalent to EUR 5.800 or USD6.600) applies.* *Norway has been a pioneer in terms of implementation of VAT rules for digital services as such rules were implemented since 2011.*	*25%*	*1 July 2011*
Switzerland	*A threshold for registration of CHF100.000 in a 12-month period* *(equivalent to EUR 94.000 or USD 107.000) applies.*	*8%*	*1 January 2016*
Japan	*A threshold for registration of YEN10.000.000 in a 12-month period*	*8%*	*1 October 2015*

	(equivalent to EUR EUR75.500 or USD 83,000) applies.		
South Korea	*There is no registration threshold. All service providers are subject to the regulation regardless of the transaction amount.*	*10%*	*1 July 2015*
Russia	*A new VAT law imposing an obligation to foreign companies not registered for tax purposes in Russia, to start paying Russian VAT on Internet / digital services rendered to Russian individuals. For that purpose on 15 June 2016, the Russian Parchament posted special VAT registration procedures as envisaged in the Law.*	*18%*	*New rules will apply from 1 January 2017*
New Zealand	*A threshold for registration of NZ$ 60,000 in a 12-month period (equivalent to EUR 36.500 or USD40.000) applies.*	*15%*	*New rules will apply from 1 October 2016*
Australia	*The government announced the VAT provisions for digital services in its 2015-2016 Budget requiring overseas suppliers selling digital products or other services (e.g. "apps" and downloads of digital content) to register, report and pay VAT on their supplies to Australian consumers.*	*10%*	*New rules will apply from 1 July 2017*
Israel	*On 13 March 2016, the Israel Ministry of Finance issued a draft bill to introduce VAT on digital services supplied by non-resident vendors to private consumers in Israel. Digital services include telecommunication services, television or radio broadcast services and electronic services.* *A registration threshold of approximately USD25.000 is expected to apply.*	*17%*	*N/A, not yet enacted.*

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