

## **Provision of goods and services provided to diplomatic missions**

### **New VAT exemption procedure**

On 19 July 2017, the Belgian government has published the new procedure regarding the VAT exemption for diplomatic missions.


Until today, diplomatic missions, consular posts and their personnel established in Belgium had to provide the Form 450 (for official use) or Form 451 (for private use) in order to benefit from the VAT exemption as provided in article 42, § 3, 1°, 2° of the Belgian VAT Code. The beneficiary had to deliver the form to the supplier in order to allow the latter to issue an invoice without VAT. As from 1st January 2018, the use of the Forms 450 and 451 by the beneficiaries will, in principle, no longer be authorized and will be replaced by an electronic control system through an accredited company.

The new rules entered into force on 1<sup>st</sup> August 2017. However, up to and including 31 December 2017, a transition period is foreseen to allow diplomatic missions, consular posts and their staff to keep up with the new requirements. Therefore, until that date, beneficiaries will still be able to submit Forms 450 and 451.

As from 1<sup>st</sup> January 2018, the Forms 450 and 451 will no longer constitute valid supporting documents for the application of the VAT exemption and the beneficiary will have to obtain the exemption on the basis of an E-certificate, except when the exemption is subject to validation of the VAT exemption certificate (Form 151) by the relevant tax authority (vehicles purchase, buildings purchase, continuous deliveries of water, gas, electricity, etc.).

In this respect, diplomatic missions, consular posts and their personnel in Belgium who claim a VAT exemption for covered transactions will have to submit an application to the relevant tax authority, through an accredited company. The latter will provide the beneficiary with an E-certificate attesting the result of the automatic verification. The E-certificate, issued by the accredited firm, confirms that the beneficiaries are recognized by the FPS Foreign Affairs Protocol Department and that they can benefit from the VAT exemption.

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In order to establish the E-certificates and recover the VAT previously paid to the seller, the diplomatic missions, consular posts and their personnel will have to conclude a cooperation agreement with an accredited firm of their choice. If beneficiaries decide to switch to a different accredited firm, they will have to respect a transition period of 2 months following the month in which the notification of the request took place with the accredited firm concerned.

The seller which receives an E-certificate from the accredited firm has to ensure that:

- products and / or services may be taken into account for the application of the VAT exemption;
- the recipient of the invoice corresponds to the beneficiary and is also the actual purchaser;
- the address corresponds with the data entered on the invoice and if necessary also with the delivery address.

Only under these conditions, the supplier / service provider is able to issue a credit note and a new invoice excluding VAT by mentioning "Exemption from VAT pursuant to Article 42, § 3, of the Code de la VAT". The supplier / service provider will also have to keep the E-Certificate for VAT purposes.

The VAT amounts, received by the suppliers/ services providers in respect of supplies of goods and services which benefit from the VAT exemption based on the E-certificate, must be transferred into the bank account of the accredited firm, by the end of the second month following the month in which the covered transaction took place. The accredited firm will in turn reimburse the beneficiaries except where a specific procedure exists. In this case, the seller will have to refund VAT directly to the beneficiaries.

The communication of 19 July 2017 also adjusts the minimum thresholds, in order to be able to benefit from the VAT exemption. As from 1st January 2018, the (net) amount is increased to € 125 (instead of € 123 ) for official use, and to € 50 (instead of € 247) for personal use.

Should you want any further information with respect to the above, the Tax team of RSM Belgium is at your disposal.

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