



NEW INTERNATIONAL STANDARD BY OECD FOR COLLECTION OF VAT ON CROSS BORDER SALES

Earlier this month Paris hosted the annual meeting of the OECD Global Forum on VAT, with delegates of over 100 countries. The representatives decided to endorse the new OECD International VAT/GST Guidelines as the preferred international standard to ensure that VAT on cross-border transactions is effectively paid in the country of consumption, while minimizing the risks that uncoordinated tax rules distort international trade.

With an ever-increasing number of cross-border services and online downloads on which no VAT is paid these guidelines respond to serious concerns from governments across the globe. The final package includes recommendations and rules for the collection of VAT on electronic services, such as e-books, apps, music, videos and other digital downloads, which are provided by businesses to consumers (B2C) across the border. These B2C Guidelines were developed in the context of the OECD BEPS Project, Action 1 "Addressing the Tax Challenges of the Digital Economy".

The Guidelines bring new elements which include the following rules and recommendations:

- non-established businesses should register and remit tax on sales in the jurisdiction where the final consumer is located;
- a mechanism should be adopted to ensure the effective collection of VAT by tax authorities from non-established businesses, to ensure VAT is collected, minimizing the VAT Gap, and to create a level playing field between domestic and foreign businesses.

Way forward

For now we look forward to the development of an OECD Recommendation in 2016 that will embody the complete set of Guidelines to develop a package to support the effective

and consistent implementation. This package will also work on and include research and analysis of approaches to improve neutrality and overall performance of VAT systems, which could be achieved through the development of a possible framework for the exchange of information and enhanced administrative co-operation in the area of VAT.

Future work could also focus on the application of VAT to cross-border trade in goods, including on the collection of VAT on low value imports and on good practices to address compliance issues.

Interaction indirect and direct taxes

Finally, future activities are also expected to be developed towards the interaction between indirect taxes such as VAT and the international direct tax framework, more specific in the area of transfer pricing. Business agreements, intercompany or otherwise, will therefore become even more important between parties.

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