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VAT ADJUSTMENTS TO BE INCLUDED IN THE LAST VAT RETURN OF THE YEAR

Due to the global pandemic businesses face disruptions in their tax obligations. With respect to the VAT compliance position, businesses need to do a year-end review in order to see whether adjustments need to be made in the last Dutch VAT return of the year (period December or Q4 2020). Due to the global lockdown, it was not uncommon that businesses in the Netherlands accommodated employees to work remotely and provided equipment in this respect. In addition, working remotely may also have tax implications for the private usage of company cars. In this brief news update, we would like to point out the main focus areas.

Decree for exclusion of input VAT

In the Netherlands a decree for exclusion of input VAT is applicable. This decree states that VAT incurred on particular costs relating to qualifying gifts or employee benefits cannot be recovered in case a threshold of EUR 227 per beneficiary is exceeded. Employee benefits refer to amongst others providing wages in kind or particular services or the provision of foods and drinks free of charge or at below cost price. These corrections generally need to be included in the last VAT return of the year.

Company cars

In case company cars are used for private purposes or commuting a correction needs to be made on the recovered input VAT relating to the company cars. In order to determine the private usage for which an input VAT recovery correction should be made, a lump sum is used, provided that there are no mileage records or other records in place to determine the exact amount of private usage. The lump sum is set on 1,5% or 2,7% depending on the starting date of the use of the car and certain other conditions. As the pandemic disrupted commuting from home to work, this may result in deviant private use corrections in relation to previous years.

Means to work remotely

Companies may have provided equipment on a large scale to employees to work remotely such as office chairs and desks. Whether the VAT is recoverable for the aforementioned companies depends on the contractual agreements and invoices issued by the suppliers of these means. As the office chairs and desks are used at the residence of the employees, this could trigger debates with the Dutch tax authorities as to whether and to what extent a correction should be made for possible private usage. Therefore, companies should consider reviewing their position with respect to the VAT incurred on the means provided to enable employees to work remotely.

What to do?

Companies should carefully review their VAT position with respect to 2020 to see whether any adjustments are required from an input VAT recovery perspective due to the decree and the provision of means for employees to work remotely. The current commuting landscape on the other hand also leads to disruptions with respect to the private usage of company cars. We are happy to assist you with any questions regarding the aforementioned.