Welcome to the latest edition of *EY VAT News*, which provides a roundup of indirect tax developments.

If you would like to discuss any of the articles in more detail, please speak with your usual EY indirect tax contact or one of the people below.

Previous editions of EY VAT News can be found [here](#).

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**EY Events**

**EY Indirect Tax Perspectives – 7 April 2017 – guest speaker confirmed**

The next EY Indirect Tax Perspectives event will be on the morning of Friday 7 April 2017 at 1 More London Place.

With the triggering of Article 50 expected on Wednesday 29 March 2017 we are delighted to announce that former Special Advisor to the Prime Minister, Mats Persson, will be joining us to talk about his thoughts and experience around Brexit. Mats was a member of the government team that renegotiated the UK’s EU membership terms in 2015/16 and prior to his tenure at Downing Street, he was the Director of Open Europe – a leading think-tank on European Affairs. Mats is now the Head of International Trade at EY, playing a leading role in analysing the impact of Brexit on the economy, sectors and individual firms.

The session will also include an update from the indirect tax global trade team on the latest Brexit position from an indirect tax perspective and the usual update on current and future indirect tax developments businesses should be aware of.
If you would like to register for the event please use this link or for further information contact Alex Dixon.

**EY ReFIT Forum Special Event – 11 April 2017**

On Tuesday 11 April 2017, we will be hosting a special EY ReFIT Forum at 1 More London Place.

ReFIT is an indirect tax forum for people working in Finance/Tax/VAT in a retail environment. In addition to a “traditional” ReFIT Forum from 10:00 am, details of which are below, we will also be running an afternoon workshop to discuss the role of technology and robotics in indirect tax.

The indirect tax function in retail is complex, and increasingly so – there are few other sectors which are required to deal with so many different aspects of the tax in order to remain compliant, while working with data from different sources and of variable quality, leading to a time consuming and often inefficient end to end reporting process.

In response to these challenges and in an environment of increasing overseas compliance obligations, tax strategy planning, SAO and the looming introduction in the UK of a new Criminal Corporate Offence, we have developed a suite of technology tools designed to significantly improve on current processes and controls, leading to a lower risk indirect tax environment and facilitating resource release to deal with the above challenges.

Our demonstration of these tools, all designed to automate existing manual processes, will, from experience, resonate with you – from automated product file review analysis, AP and AR data analytics, end to end reporting tools and dashboard metrics, to robotics designed to sweep away time consuming analysis and reporting, all are bespoke to the retail sector.

**ReFIT session – 10:00 am registration for a 10:30 am start**

- Case law Update
- Budget Update
- New Criminal Corporate Offence
- Brexit Update
- Hot Topics
- Open Forum

**Buffet lunch from 1:00 pm – 2:00 pm**

**Indirect Tax Technology Workshop – 2:00 pm to 4:00 pm**

- Setting the scene
- Fitting in with finance and IT
- An introduction to indirect tax technology and robotics
- Demonstration workshop
- Q&A
- Close – 4:00 pm.

If you would like to attend either or both of these session please contact Simon Baxter.

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**Court of Justice of the European Union**

**Wednesday 5 April 2017**

Opinion – C-616/15 Commission v Germany – Action brought by the European Commission against the Federal Republic of Germany. The applicant claims that the Court should declare that, by restricting, to groups whose members exercise a limited number of professions, the exemption from VAT for the supply by independent groups of persons carrying on an activity which is exempt from VAT, or in relation to which they are not taxable persons, of services to their members for the direct purposes of the exercise of that activity where those groups merely claim from their members exact reimbursement of their share of the
joint expenses, the Federal Republic of Germany has failed to fulfil its obligations under Article 132(1)(f) of the VAT Directive. For further information please contact Simon Harris or Damian Shirley.

Thursday 6 April 2017

Opinion – C-132/16 Iberdrola Inmobiliaria Real Estate Investments – Bulgarian referral concerning the right of a taxable person (the tenant) to deduct input tax in respect of services relating to the construction or improvement of a property owned by a third party (the landlord). The referral appears to raise the question of whether the building works should properly be treated as supplied either to the tenant, who uses the property for the purpose of its taxable business, or the landlord, who will benefit from the improved property at the end of the lease term.

Wednesday 26 April 2017

Judgment – C-564/15 Farkas – Hungarian referral concerning the compatibility with EU law of a national practice whereby the tax authorities seek to penalise the recipient of a supply, for a transaction to which the reverse charge applies, in circumstances where a normal VAT invoice is issued and the supplier and customer account for output tax and input tax respectively in accordance with the normal VAT system.

Thursday 27 April 2017

Opinion – C-101/16 Paper Consult – Romanian referral, continuing a long-running theme of referrals from Eastern European EU Member States, concerning the right of input tax deduction in respect of transactions considered by the tax authorities to be suspicious, in the presence of irregular conduct on the part of the supplier (specifically, on this occasion, where the supplier has been declared inactive by the tax authorities).

Opinion – C-164/16 Mercedes Benz Financial Services UK – UK referral from the Court of Appeal concerning the VAT treatment of a specific motor vehicle finance product offered by the taxpayer, specifically whether for VAT purposes it falls to be treated as a supply of services (as contended by the taxpayer) or a supply of goods (as contended by HMRC), with resulting cash flow implications. For further information please contact Jamie Ratcliffe.

Hearing – C-251/16 Cussens and Others – Irish referral asking whether certain transactions constitute an abusive practice liable to redefinition under the Halifax doctrine (which addresses the scope of the EU principle of abuse of rights in the context of VAT), even in the absence of national legislation giving effect to that principle and in circumstances where the transactions were completed before the CJEU judgment in Halifax.

Legislation

Draft legislation: the Value Added Tax (Refund of Tax to Museums and Galleries) (Amendment) Order 2017

HMRC has published, for external comment, a draft statutory instrument and tax information and impact note amending the Value Added Tax (Refund to Museums and Galleries) (Amendment) Order 2017. This draft legislation adds further museums and galleries that allow free public admission to the VAT refund scheme.

EY Global Tax Alerts

India – According to media reports, on 20 March 2017 India’s Union Cabinet cleared four Central Goods and Services Tax (GST) legislations, namely, Central GST (CGST), Integrated GST (IGST), Union Territory GST (UTGST) and GST Compensation laws.

These laws are likely to be introduced in Parliament as money bills before the end of March 2017.

UAE – On 21 March 2017, the UAE Ministry of Finance hosted a VAT briefing session for advisors. The session aimed to send a clear message to the market, which is that VAT is coming and businesses must begin to prepare immediately.
The UAE (and some unnamed other Gulf Cooperation Council Member States) is still on track to implement VAT from 1 January 2018, and it expects to release its domestic VAT Law by the middle of 2017, with detailed Executive Regulations to follow shortly after.

Businesses should note that although VAT is a federal tax, taxpayers will be required to report sales and purchases on an Emirate level basis on their UAE VAT returns. This will represent an additional compliance burden to businesses operating across the Emirates. Also, imports of goods into the UAE will be subject to the reverse charge, meaning that businesses will not have to physically pay VAT at the point of import. Imports of goods into other GCC Member States, transhipped through the UAE will not be eligible for the reverse charge, and import VAT will be due on such imports at the first point of entry into the GCC Customs Union. If imported through the UAE there will be no entitlement to recover the import VAT paid as input VAT in the UAE. The input VAT will have to be sought from the final destination Member State.

A number of additional details were confirmed regarding the VAT liability of a number of supplies of goods and services together with details regarding registration thresholds, return frequencies, audits, appeals and record keeping requirements.

Businesses should initiate a VAT impact assessment immediately in order to determine the impact that VAT will have across their operations.

**Taiwan** – On 8 March 2017, the Taiwan Ministry of Finance released draft amendments to the *Value-added and Non-value-added Business Tax Act* (VAT Act to conform to the partial amendments to the VAT Act enacted on 28 December 2016). Under the Draft Amendments, foreign suppliers selling e-commerce services to Taiwanese individual purchasers must register and pay VAT directly or indirectly through the appointment of a tax-filing agent.

**Canada** – On 22 March 2017, Saskatchewan Finance Minister Kevin Doherty tabled the province’s fiscal 2017/18 budget. The budget contains several provincial sales tax measures including:

- An increase to the rate of Saskatchewan's provincial sales tax (PST)
- An increase in tobacco tax,
- The elimination of PST and fuel tax exemptions and the expansion of the PST system to include insurance and real property contracts.

**Canada** – On 22 March 2017, Canadian Finance Minister Bill Morneau tabled his second budget. A number of Goods and Services Tax/Harmonized Sales Tax (GST/HST) measures were announced, including:

- Taxi owners and drivers must register and report GST/HST effective 1 July 2017
- Elimination of non-resident GST/HST rebate for tour package accommodations
- Opioid overdose drug GST/HST exemption restored
- Confirmation of amendments to GST/HST drop-shipment rules, pension plan rules, and joint venture election
- Proposals for legislative amendments to the General Preferential Tariff and Least Developed Country Tariff Rules of Origin Regulations
- Proposals to eliminate the tobacco manufacturers’ surtax of 10.5% applicable on profits under the Income Tax Act
- Proposals to increase excise duties on alcohol

**Council of the European Union**

**Economic and Financial Affairs Council Meeting – 21 March 2017**

At the Economic and Financial Affairs Council meeting in Brussels on 21 March 2017, the agenda highlights included:

- Reduced VAT rate for electronic publications – The Council debated a proposal to amend the EU VAT Directive in order to allow electronic publications, such as electronic books, newspapers and periodicals, to benefit from reduced VAT rates, along the same lines as physical publications.

  *In December 2016, the European Commission unveiled a series of proposed measures concerned with the Digital Single Market, aimed at improving the VAT environment for e-commerce businesses. The Council commenced a review of reduced VAT rates for electronic books, newspapers and periodicals and proposals to amend the EU VAT Directive.*
- VAT reverse charge mechanism (RCM) — The council debated a proposal for a RCM which aims to contribute to the prevention of VAT fraud. According to the proposal, Member States would be able to temporarily apply, if they so wish, a RCM to domestic supplies of goods and services above a threshold of €10,000.

  In December 2016 the European Commission presented its proposal for a generalised RCM following requests by a number of EU Member States suffering significant revenue losses due to VAT fraud. The proposal follows the meeting held last year which obtained a commitment from the European Commission to bring forward a legislative proposal allowing individual Member States to apply a generalised RCM to domestic supplies above a defined threshold.

The provisional outcome document released following the meeting reports that with regard to reduced VAT rates for electronic publications, the presidency confirmed its intention to broker an agreement on the proposal before the end of June 2017. The Council noted the Commission's intention to make proposals on VAT rates in Autumn 2017.

With regard to the proposal regarding the generalised RCM, the Council confirmed that it will continue to work on the proposal but a number of issues were noted which require resolution.