Issue No. 4, 2015

VAT Newsletter

Important VAT, GST and sales tax news from around the world

Introduction

Welcome to the fourth issue of Ernst & Young LLP's 2015 *VAT Newsletter* for the US and Canada. These newsletters cover a variety of topics, as VAT can impact businesses in many ways. Approximately 160 countries now have a VAT, goods and services tax (GST), consumption tax, service tax or similar VAT, and the laws and regulations are constantly changing. We use this newsletter to inform you of significant changes taking place.

At the end of this newsletter, you will find contact details for the senior members of our team in the US and Canada who can help answer any questions you may have about the articles in this newsletter or any other VAT questions.

We are interested in your feedback on the items covered and what topics you would like to see covered in the future. Please provide any feedback to Howard Lambert at how **howard.lambert@ey.com**.

If you would like to subscribe to EY's other Indirect Tax Updates, please click **here**.

EY

Building a better working world

Global

EY's *2014 Worldwide VAT, GST and Sales Tax Guide*

You can access the latest guide **here**.

EY's *Indirect Tax Briefing*, 11th edition

You can access the latest briefing **here**.

Public comments on two new elements of the OECD VAT/GST Guidelines

The OECD has published the public comments it has received on discussion drafts of two new elements of the OECD International VAT/GST Guidelines.

On 18 December 2014, the OECD invited comments from interested parties on discussion drafts of two new elements of the OECD International VAT/GST Guidelines. These discussion drafts related to (i) the place of taxation of business-to-consumer supplies of services and intangibles (B2C Guidelines) and (ii) provisions to support the application of the Guidelines in practice (supporting provisions). For the guidelines and the comments, see these documents: *OECD International VAT-GST Guidelines* and *2015 – Public comments on OECD International VAT-GST Guidelines*.

Summary

Americas

Argentina — Tax authorities extend electronic invoicing system to all VAT taxpayers

The Argentine Federal Tax Authorities (AFIP) have extended (through General Resolution 3749) the issuance of electronic invoices to all value-added tax (VAT) taxpayers beginning 1 July 2015.

Until now, taxpayers developing certain activities were required to issue electronic invoices, while other taxpayers had the option of issuing them. Over the years, however, more activities now require electronic invoices to be issued, which means that many (if not most) taxpayers were already covered by the e-invoicing system.

General Resolution 3749 provides exceptions to the obligation of registered VAT taxpayers to issue electronic invoices (as well as electronic credit and debit notes and other official documents). For example, an electronic invoice would not have to be issued in transactions with end consumers in which the goods or services have not been delivered or provided in the domicile of the vendor (store, etc.) and the paper invoice is issued in a domicile that does not correspond to the vendor (e.g., domicile of the client).

In order to issue the corresponding electronic invoices, taxpayers must request the corresponding electronic authorization code (CAE) through the tax authorities' website.

Finally, invoicing rules in Argentina require following strict procedures and complying with vast requirements (e.g., regarding information to be contained on the invoice). In addition, the issuance of the electronic invoices requires interfacing with the tax authorities' website (among other steps) through the use of appropriate software platforms or other mechanisms. The new rules should be analyzed by each Argentine taxpayer.

Brazil — Senate approves changes on ICMS on interstate online and phone sales

On 15 April 2015, the Senate approved Constitution Amendment Bill 7/2015 (PEC 7/2015, former PEC 197/2012 at the Chamber of Deputies), which aims to adjust the current constitutional rule on the levy of the state tax on the distribution of goods, inter-municipal and interstate transportation, and communication services (*Imposto sobre Circulação de Mercadorias e Serviços de Tranporte Intermunicipal, Interestadual* e de *Comunicação*, or ICMS) ICMS is the Brazilian state VAT on interstate online and phone sales.

The interstate online and phone sale of goods to final consumers is currently subject to ICMS in the state of origin of the goods at the internal rate (i.e., 17%, 18% or 19% depending on the state of origin). However, the recent increase of online and phone sales to final consumers has damaged the revenue of the states where the final consumers are located (i.e., states of destination), which are the less-developed states. These states have been pressuring for adjustments on the distributive rule, so that the tax revenue is equally shared among the states.

Constitution Amendment Bill 7/2015, as approved by the Senate, proposes that the ICMS levied in those cases should be shared between the state of origin of the goods and the state of destination as follows:

- The state of origin charges ICMS at the interstate rate (currently, 7% or 12%)
- ICMS at a rate resulting from the difference between the interstate rate and the internal rate is to be charged and divided as follows:
  - 2015: 20% for the state of destination and 80% for the state of origin
  - 2016: 40% for the state of destination and 60% for the state of origin
  - 2017: 60% for the state of destination and 40% for the state of origin
  - 2018: 80% for the state of destination and 20% for the state of origin
  - As of 2019: 100% for the state of destination

The bill is expected to be enacted soon and published by the National Congress.

Costa Rica — Significant reform of General Sales Tax Law

On 10 March 2015, the Costa Rican tax authorities published on their website a draft reform of the General Sales Tax Law for public comment (the Reform). Comments must be sent to the Ministry of Finance by 17 April 2015. This draft of the proposed bill is expected to face significant discussions and debate. Future newsletters will cover amendments discussed during the approval process.

The main purpose of the Reform is to replace the current General Sales Tax System with a Value-Added Tax (VAT) System in which services generally would be taxable and only a limited number of goods and services would be exempt.

Under the Reform, VAT would generally apply to the sale of goods and the supply of all types of services within Costa Rica, as opposed to a very limited number of services under the current sales tax system. The supply of services rendered abroad would be subject to VAT when the recipient of such services in Costa Rica is a VAT taxpayer. The Reform would define VAT taxpayers as:

- Individuals and legal entities that carry out activities involving the use of production factors (i.e., resources and inputs) with the intent of participating in the production, distribution, or sale of goods or supply of services
- Importers of goods
- Exporters

When the supplier of services is not domiciled in Costa Rica, the user/recipient in Costa Rica would be the taxpayer.

The recovery of input tax (i.e., VAT charged on goods and services supplied to the taxpayer for business purposes) would be regulated by a new set of rules. Generally, taxpayers would be entitled to take a credit for the VAT paid on the purchase of goods and services used to perform taxable and non exempt transactions.

The VAT rate would gradually increase from the current 13% to 14% in 2016 and 15% in 2017 and beyond. A reduced rate of 5% would apply to certain goods and services listed in the Reform. For example, the reduced rate would apply to (i) the purchase of packing materials, as well as raw materials used in the production of packing materials; (ii) non-VAT-exempt equipment and machinery used for the production of goods within the so-called *canasta básica*, i.e., essential goods and services; (iii) raw materials used for the production of medicine; (iv) services used in the production of agricultural or agro-industrial products; and (v) plane tickets for flights initiated in Costa Rica (domestic or international). The reduced rate would not apply to professional services.

The Reform would define a taxable event for VAT purposes as the sale of goods or the supply of services carried out by taxpayers in a habitual way. In other words, transactions would be subject to VAT provided they are derived from the habitual activity of the taxpayer.

The Reform would exempt the following goods and services from VAT:

- Goods within the so-called *canasta básica*, i.e., essential goods and services that would be listed in an Executive Decree of the Ministry of Finance
- Medicines
- Private education services
- Private health services
- Transfers of real estate and registered movable property, which are subject to a specific transfer tax
- Exported goods and services
- Sales of goods and services between companies operating under the Free Trade Zone Regime
- Commissions and interest derived from loans and financings granted by entities regulated or supervised by certain local public authorities, e.g., the regulator of financial entities (SUGEF) or the stock market regulator
- Rental income for real estate exclusively used for housing, provided the monthly rent does not exceed a base salary (in Spanish: *salario base*)

The transfer of all of the taxpayer's assets or one or several lines of its business by means of a corporate reorganization, a stock purchase, an in-kind contribution, a merger or a bulk sale would not be subject to VAT when the transferee continues the activities of the transferor.

Puerto Rico — Proposed introduction of VAT

Puerto Rico's much anticipated value-added tax (VAT), which is part of House Bill 2329 (HB 2329) that was introduced in the Puerto Rico Legislative Assembly on 11 February 2015, has not yet been enacted into law. However, statements made by government officials, coupled with the dire fiscal situation facing the Commonwealth, appear to indicate that consumption tax legislation will be forthcoming. For more information, see these EY Global Indirect Tax Alerts: *Potential for a VAT Regime in Puerto Rico*, dated 21 January 2015, and *Puerto Rico Governor introduces VAT bill to Legislative Assembly*, dated 19 February 2015.

The existing version of HB 2329 calls for a phased implementation of the VAT that was scheduled to begin on 1 April 2015 and1 January 2016. As the 1 April 2015 phase-one implementation date was approaching and the public debate of switching to a VAT continued, it became apparent that Puerto Rico was not going to see a VAT within the timeline envisioned in HB 2329. Many possible iterations of the proposed VAT have been put forward. Some iterations call for reducing the top VAT rate, subjecting certain taxable items to reduced VAT rates and expanding the already broad exemption section of the bill.

Current status

At this point, there is no consensus on what the final VAT provisions will look like, and any in-depth discussion on this front would amount to speculation. There seems, however, to be a certain level of consistency among officials of the Puerto Rico executive branch and the Legislative Assembly on modifying three aspects of the proposed VAT bill. Those aspects are (i) exempting private education from VAT, (ii) not requiring sales invoices issued on retail sales to show the sales price inclusive of VAT, and (iii) including a multiple tax rate system with a general rate of less than 16%. Whether these items and many others discussed during the public hearings held by the Puerto Rico Legislative Assembly will indeed be adopted remains an open question.

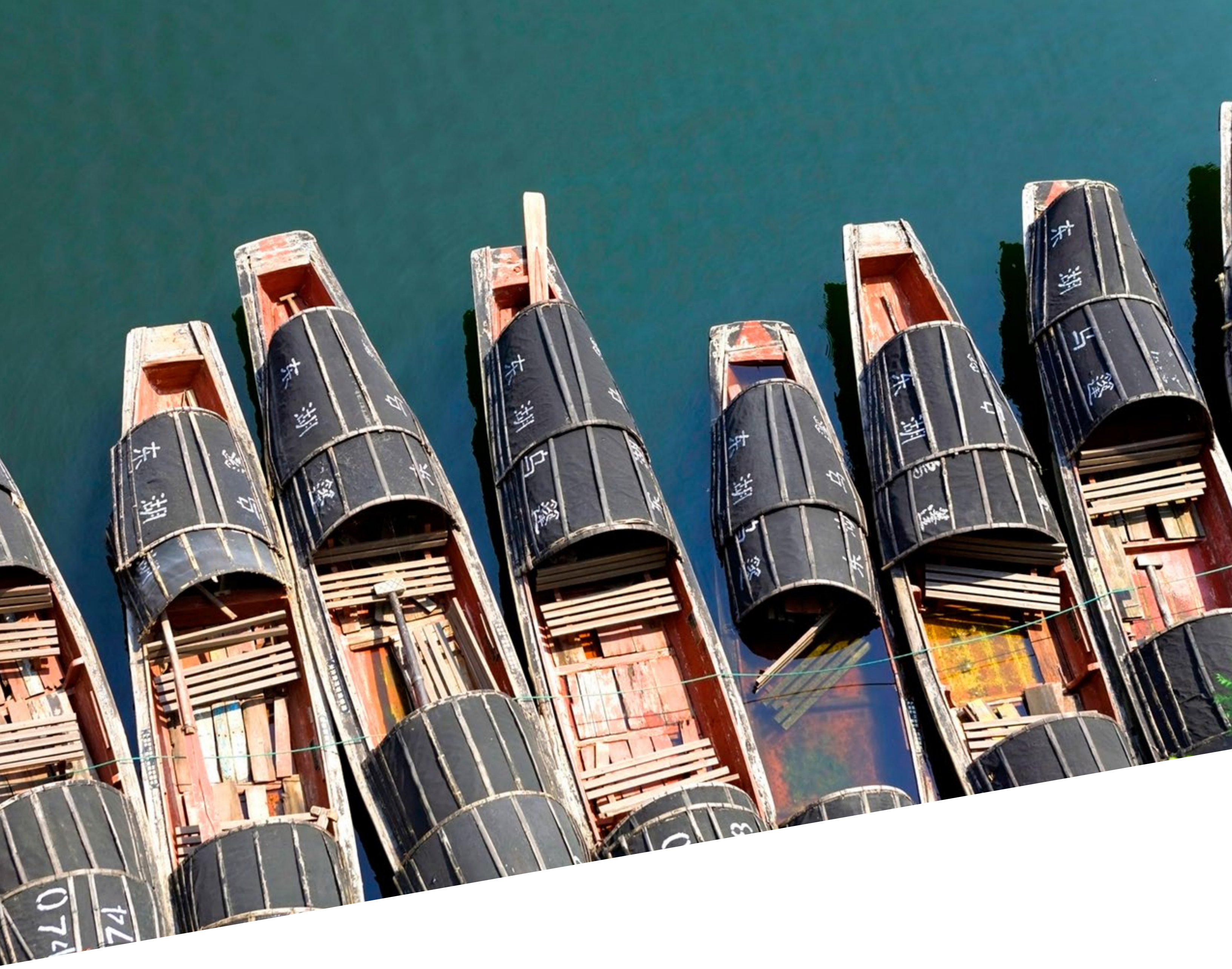
Given the purported importance of the VAT to the Commonwealth's finances and the urgent need to raise additional tax revenues, it is anticipated that a revised version of the bill will call for a phase-one implementation on 1 June 2015. The phase two implementation date, or "go live" date, is crucially important and a high-impact variable. Whether the lead time for a full implementation is six months or one year, VAT readiness becomes a business imperative for all merchants doing business in Puerto Rico.

VAT readiness

Currently, businesses looking to be prepared should consider:

- Mapping out and performing a preliminary tax determination exercise of their transactions taking place in Puerto Rico
- Assessing processes and resources potentially required to meet compliance requirements ranging from properly formatted invoices and VAT filings to internal management, controls and policies
- Assessing if their existing information technology infrastructure can effectively sustain a VAT and protect the business against VAT-related profit leaks

The above are just a sample of the many considerations that businesses should take into account as part of their VAT readiness efforts. Moving from a sales and use tax to a VAT is not just a mere change in tax, but a far more encompassing tax system transformation that will affect every aspect of businesses with VAT nexus to Puerto Rico.



Asia-Pacific

China — Financial services VAT reform policy developments

Whereas it had previously been suggested that the Chinese financial services VAT rules would be announced on 1 May 2015, we now do not expect this to happen until 1 June 2015. Financial services businesses will likely be given a minimum of six months after the announcement to implement the new VAT rules. EY China is working with key stakeholders to ensure that we are informed of any VAT reform policy developments.

Japan — Levying of consumption tax on electronic services purchased from abroad

On 31 March 2015, Japan enacted the 2015 Tax Reform Bill. The bill provides that the supply of electronic services by a foreign business to Japanese customers will be subject to consumption tax from 1 October 2015. For business-to-consumer transactions, the foreign service provider will be required to register and file consumption tax returns in Japan (similar to the EU VAT place-of-supply rule changes that came into force on 1 January 2015). For business-to-business transactions, a reverse-charge mechanism will be introduced.

Europe

European Commission — Study on the differential VAT treatment of physical and electronic publications

The European Commission has published a study assessing the substitutability between physical and electronically supported publications, evaluating the impact of current VAT reduced rates (i.e., the impact their current VAT rate differentiation has on the market) and evaluating the impact of extending either the reduced rate regime (i.e., an "equalizing down" of VAT rates) or the standard rate regime (i.e., an "equalizing up" of VAT rates) to all kinds of publications. In relation to the potential substitutability of print and electronic publications, the study concludes that consumers value print and digital products differently, and this is linked to the different attributes and features of the different means of support. On this basis, consumers are not likely to significantly substitute one product for another as a result of the impact of VAT on prices. In relation to the potential impacts of VAT changes, the study concludes that a large decline in sales of publications in print would result as a consequence of the equalizing up scenario, and a moderate decline in sales of publications in print would result as a consequence of the "equalizing down" scenario. The study can be accessed by clicking **here**.

European Commission — Study on VAT rate structure published

On 20 March 2015, the European Commission published *A study on the economic effects of the current VAT rates structure*.

The study provides an overview of the economic effects of the current and diversified VAT rates structure implemented in each of the 27 EU Member States (excluding Croatia, as the report represents the situation in 2011). It also analyzes how a hypothetical abolition of the zero and reduced rates would affect the VAT paid on acquisitions by private households and non-household entities and provides an estimate of the additional VAT revenues that would be generated for each Member State under this hypothesis. Finally, the study assesses the possible macroeconomic consequences (in terms of GDP, consumption, employment and foreign trade) that would follow the implementation of a uniform VAT rate structure within each Member State. The full study and its appendices can be found **here**.

European Commission – Final report on selected national VAT rules related to TBE services published

On 16 March 2015, the European Commission (EC) published the final report regarding the rules applicable in EU Member States with relevance to supplies of telecommunications, broadcasting and electronic (TBE) services to non-VAT taxable persons located in the European Union and the application of the Mini One-Stop Shop (MOSS) arrangement. The link to the report can be found **here**.

The report is complemented by an **overview** that, among other information, includes definitions and explanations on the scope of the report. In addition, the EC also published a **new web section** with basic information for micro-businesses that supply electronic services.

European Commission – Study on cross-border movements of excise goods released for consumption

The European Commission has published a study that evaluates the current arrangements for cross-border movements of excise goods that have been released for consumption and proposes some careful recommendations in order to improve this type of trade. The study covers intra-EU movements of excisable consignments between traders and distance selling of excise goods to private individuals. Personal purchases by travellers for their own use are excluded from the scope of the study. An executive summary and the final report can be accessed by clicking **here** and **here,** respectively.

European Commission – VAT Committee working paper about VAT grouping following the Skandia America judgment

The European Commission has published a VAT Committee working paper analyzing the consequences of VAT grouping following the CJEU judgment in the case of Skandia America Corporation (C-7/13). The VAT Committee working paper can be accessed by clicking **here**.

European Commission – Cross-border rulings on VAT

A pilot project has been set up to allow taxable persons to obtain advance rulings on the VAT treatment of complex cross-border transactions. This project has started in June 2013 and is now scheduled to continue till 30 September 2018. At present, the following Member States participate in this project: Belgium, Estonia, Spain, France, Cyprus, Lithuania, Latvia, Malta, Hungary, Netherlands, Portugal, Slovenia, Finland, Sweden and the United Kingdom. For the current list of cross-border rulings, see document ***Cross-border rulings (March 2015)***. The European Commission has announced that the EU pilot project of VAT cross-border rulings, set up by the EU VAT Forum in June 2013 and previously scheduled to run until the end of 2014, will now continue to run until 30 September 2018. More detailed information on the pilot project and the current list of cross-border rulings can be accessed by clicking **here** and **here,** respectively.

European Commission – Publication of final guidance on selected national VAT rules under the Mini One Stop Shop

The European Commission has published a final report, prepared by EY, containing guidance on selected national VAT rules under the Mini One Stop Shop (MOSS). The report and user instructions can be accessed by clicking **here** (under the heading 'information on selected national VAT rules').

Germany – Federal Finance Court issues two landmark judgments regarding VAT treatment of intra-Community chain supplies of goods

The Federal Finance Court in Germany recently delivered two landmark judgments on 25 February 2015 regarding the allocation of the movement of goods to the right supply in the context of intra-Community chain supplies of goods. These two groundbreaking judgments in Germany shed light on the administrative practice of which supply should be considered the VAT-exempt intra-Community supply.

Contrary to the traditional rule and current administrative practice in Germany, the Federal Finance Court ruled that the question of which party organizes the transport is not relevant for evaluating which supply should be considered as the "tax-free" supply with regard to chain transactions.

In its first judgment, the court ruled that in cases of intra-Community chain supplies with three parties (A, B and C) by which B (middleman) organizes the transport and where it is necessary to classify one of the two supplies as either an intra-Community dispatch or transport, a comprehensive assessment of all the circumstances surrounding the particular supply chain scenario should be conducted. Furthermore, the court stresses the need to determine whether the first Purchaser (B) transfers the right to dispose of the goods to the second Purchaser (C) before the goods leave the country of origin.

If there is room for doubt in practice as to whether the right to dispose of the goods transferred from the first to the second Buyer (B to C in the above case) took place before the goods left the country of origin, the court sticks with the presumption as currently within the German VAT Act that the supply from A to B should be the VAT-exempt supply.

As part of its judgment, the court presents business undertakings with an existing hedging opportunity against the transfer of risk. Thereafter, the supplier can minimize its risk if it can be certified in writing by the purchaser that he will not transfer the right over the goods to a third party before the goods have left the country of origin.

In its second judgment, the Federal Finance Court furthermore decided that even if the second Buyer (C) commissions a freight forwarder to pick up the goods at the location of A, a VAT exemption for the supply of A to B is possible if C has obtained the right to dispose of the goods only after these have left the country of origin.

These judgments are landmark decisions and most importantly contradict the current practice under the German VAT Guidelines. The reaction of the German financial administration to these judgments and the subsequent impact on VAT practice remains to be seen.

Luxembourg — Application of the standard rate of VAT to the supply of electronic books

In March 2015, the CJEU delivered its judgment in infringement proceedings brought by the European Commission against Luxembourg (C-502/13) for applying a reduced (3%) rate of VAT to the supply of electronic (or digital) books. The CJEU upheld the Commission's action, holding that the application of a reduced rate of VAT to the supply of electronic books was contrary to EU law. In response, I understand that the Luxembourg tax authorities have announced that supplies of electronic books will be subject to the standard (17%) rate of VAT with effect from 1 May 2015.

Romania — VAT rate reduction for food products and potential decrease in standard VAT rate

The Romanian Prime Minister, Victor Ponta, has stated that the VAT rate would be reduced from 24% to 9% for all food products, non-alcoholic beverages and food services, with effect from 1 June 2015. The Prime Minister added that expanding this measure to the other products and services will have to wait until 1 January 2016. There has been widespread speculation that VAT rate in Romania could be reduced from 24% to 20% on 1 June 2015.

Russia — VAT reductions

President Vladimir Putin signed into law Federal Law No. 83-FZ to amend Subsection 7, Section 2, Article 149 of the Tax Code. The law allows a zero VAT rate for passenger services provided by railway businesses until 31 December 2016.
The law also allows the preferential VAT rate of 10% to passenger services provided by airlines until 31 December 2017. Putin also signed Federal Law No. 84-FZ to allow taxpayers using the simplified system of taxation and some agricultural businesses to deduct input VAT.

Slovakia — Proposed changes (from 1 January 2016) to the Slovak VAT legislation

The following VAT changes have been proposed:

- Introduction of a cash accounting regime
- Withdrawal of the obligation to pay a VAT guarantee for certain new taxpayers
- Extension of the reverse-charge mechanism
- Introduction of a de minimis threshold for certain tax underpayments

Sweden — Tax authorities issue guidance on new VAT importation rules

On 15 April 2015, the tax authorities issued two statements regarding the VAT treatment of imports (Statements 131 182344-15/11 and 131 173754-15/11). Details of the statements are summarized below.

- The tax authorities decide independently on whether import VAT is due. This decision is not affected by a possible previous decision reached by the customs officials.
- The importer is liable for the VAT if the agent acting on his behalf can present a valid proxy at the time of the importation and the importer is registered for VAT at the moment the customs duty assessment is made.
- The tax authorities take the view that service expenses in connection with the importation of goods qualify for the VAT exemption for imports until the goods arrive at the final location as indicated in the international freight document.

Note. Sweden introduced new VAT importation rules for companies registered in Sweden for VAT purposes with effect from 1 January 2015.

Middle East, India and Africa

Gulf Cooperation Council (GCC) — Introduction of VAT

It is understood that the GCC countries (namely Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates) have reached agreement on the formulation of a general framework for the introduction of VAT in the respective countries. A legal team has been tasked with formulating and finalizing the general framework. It will be submitted at the GCC Finance Ministers meeting in May 2015 in Qatar.

Israel — Tax authorities publish draft circular regarding internet activity of foreign companies in Israel

The Israeli tax authorities (ITA) have published an important draft circular on the subject of services provided by foreign corporations to Israeli clients via the internet addressing the related income tax and value-added tax (VAT) implications.

Regarding income tax, it is stipulated in the circular that the rules existing in the "old" economy regarding permanent establishment apply also to internet transactions. It should be noted, however, that the interpretation given in the circular is very broad, and its implications may be far reaching as to create permanent establishments outside the internet market as well.

Regarding VAT, the ITA categorically states that in a case where the advertiser and the consumer are both in Israel, there is an obligation to register for Israeli VAT, and related transactions should be subject to Israeli VAT. Here as well, the ITA's approach seems to touch upon issues which are much broader than the internet economy aspect.

Companies providing services to Israeli residents, and especially those with Israeli subsidiaries, should examine the circular's implications on their activity in Israel.

Detailed discussion

Background

The ITA has recognized that, in recent years, the global economy has undergone changes as a result of the ever-expanding use of the internet. The internet "platform" has developed with increasing momentum in all areas of commerce and service provision and has come to provide the basis for what is known as the "digital economy." Transactions executed via the internet are conducted by multinational companies for Israeli clients, while the services or goods being provided are actually provided, directly or indirectly, by related Israeli companies and/or certain Israeli sub contractors.

According to Israeli tax law, the business income of a foreign corporation is subject to tax in Israel if it is generated in Israel.

If the relevant corporation is resident in a treaty country, Israeli tax should be levied on that corporation's activity in Israel, only if said activity is considered to constitute a permanent establishment (PE) for that corporation, in accordance with its definition in double tax avoidance treaties. The ITA sensed that the reality of the digital economy provides a challenge in the application of traditional taxation methods, which causes the need for the re-evaluated interpretation of said methods.

As such, the ITA issued a draft circular in which they lay out their view regarding the proper application of existing tax principles in order to expand and adapt these to fit the digital economy.

Income tax

In referencing the Organisation for Economic Co-operation and Development (OECD) Model Convention, the ITA states that a corporation may be deemed to have a PE in another country if it maintains a fixed place of business or a dependent agent in that other country.

Fixed place of business

While traditionally, a fixed place of business may be determined via the placement of servers, in the digital economy, a PE may be established in Israel even in the absence of local servers.

In this respect, the ITA has given its opinion that in cases where a foreign corporation's core activity is conducted through the internet and some or all of certain terms (such as the internet site's connection with the Israeli market) are found to exist, that the corporation's activity should constitute a PE for the corporation.

The ITA goes further to state that, in accordance with the Base Erosion and Profit Shifting (BEPS) report regarding the digital economy, it may be adopted that corporations that have a "significant digital presence" in Israel may be subject to tax in Israel on said activity. The ITA understands this term to generally mean that while a given corporation may have no physical presence in a certain location, it may be considered as having a PE if it has the digital presence necessary to maintain client relations and a close relationship with clients.

Dependent agent

In the digital economy, if the activity of foreign corporation service providers is carried out through related Israeli companies and/or other Israeli subcontractors, these may be considered a dependent agent of the foreign corporation.

The ITA circular directs ITA officials to consider certain terms in this respect, such as the dependent agent's authority in different situations and in respect to certain transactions.

Profit allocation to the PE

Once the conclusion has been reached that a PE exists, the ITA stipulates in its circular that the approach of the 2010 OECD Report on the Attribution of Profits to Permanent Establishments should be adopted.

Issues to be implemented: separate reporting

In those cases where it may be decided that a foreign corporation's activity is managed via a PE, both the PE and the Israeli company (assuming one exists) should be required to file tax returns in Israel. Said tax returns should be considered separately and as pertaining to separate entities in every regard.

VAT

Israeli VAT law views any service as provided in Israel if it is provided by one whose business is in Israel, one who has an agent or branch in Israel or if the service was provided to an Israeli resident or with respect to an asset located in Israel. Additionally, the Israeli VAT law requires such a business to register for VAT and, in the case of a foreign corporation, the appointment of an Israeli representative.

Additionally, if it has been established that a foreign corporation's services are provided in substantial part via the internet to Israeli clients and are connected to Israel, it may be claimed that that foreign corporation should be subject to the provisions of the Israeli VAT law. Such a claim may be established via certain parameters, such as the fact that the services are directed and aimed at Israeli consumers. The ITA also provides examples to this effect.

The ITA also notes that a foreign corporation that provides internet services to Israeli clients, and if the corporation should register for Israeli VAT in accordance with this circular, this foreign corporation will not be considered a foreign resident for certain VAT issues. As such, an Israeli business conductor that sells an intangible asset or provides services to the foreign corporation, in relation to the foreign corporation's transactions that are liable to tax in Israel, will be subject to full VAT.

EY newsletters and Alerts

If you would like a copy of a green paper, newsletter or alerts covering some of the topics mentioned below, please click on the link or contact Howard Lambert at **howard.lambert@ey.com**.

Canada: *Tax Matters* – April 2015: The April issue of Canada's *TaxMatters@EY* is now available. This monthly bulletin includes recent tax news highlights, resources and publication and features an item on four trends that are shaping the global indirect tax landscape.

Czech Republic: *EY Tax News* – March 2015

Czech Republic: EY Czech Republic has issued *EY Tax News* – April 2015, which includes the following items that may be of interest from an indirect tax perspective:

- Investment incentives
- Changes to taxpayer information systems
- Expansion of the domestic reverse-charge procedure
- CJEU judgment on the VAT treatment of e-books
- Nature of tax penalties

Latvia: EY Latvia has published the March 2015 edition of its regular client newsletter. From a VAT perspective, this newsletter contains an item regarding the adoption of amendments to the Value-Added Tax Law, which entered into force on 1 March 2015. The amendments introduce various changes regarding the functioning of fiscal representatives.

Namibia: A global tax alert about Namibia's budget proposals for 2015–16 was published on 7 April 2015. From a VAT perspective, this alert includes proposals to increase the VAT registration threshold, the introduction of criteria for voluntary VAT registration and VAT import accounts, and the introduction of mandatory security requirements for the deferral of import VAT on goods. Further indirect tax proposals include increases in excise duty rates for certain alcohol and tobacco products, the introduction of the first phase of the environmental taxes, and the introduction of an export levy on the export of unprocessed minerals and other natural resources.

Netherlands: *Tax Update Weekly* – edition 9, 10, 11, 12, 13 , 14 ,15 and 16, 2015. Weekly e-newsletter regarding latest update of the most recent and relevant tax news from the Netherlands and the rest of the world.

Turkey: *Fund applicable to certain methods of payment for import transactions:* There is a new development in Turkey regarding a government fund that applies to methods of payment for import transactions. The fund is called the Resource Utilization Support Fund (RUSF) deduction.

UK: Budget Alert 2015 – Following the UK Budget on 18 March 2015, EY UK has issued a budget alert.

UK: *VAT News* – weeks ending 18 March 2015, 23 March 2015, 30 March 2015, 6 April 2015, 13 April 2015 and 20 April 2015. Weekly client e-newsletter – round-up of VAT news from UK, EU and other countries.

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