Issue No. 9, 2014

VAT Newsletter

Introduction

Welcome to the ninth issue of Ernst & Young LLP's 2014 *VAT Newsletter* for the US. These newsletters cover a variety of topics, as VAT can impact businesses in many ways. Approximately 150 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 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 howard.lambert@ey.com.

If you would like to subscribe to EY's other indirect tax updates, please click here.

Summary

Global

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

EY's *Indirect Tax Briefing: a review of global indirect tax developments and issues,* 10th edition

Americas

Bahamas – General VAT and Industry VAT guides.

Brazil – High court says international leasing contracts not subject to state VAT

Court rejects inclusion of state VAT in calculation of PIS/Cofins tax

Costa Rica – Tax authorities require large taxpayers to update relevant tax information through a new web-based platform

Asia-Pacific

Indonesia – Rules for electronic VAT invoicing issued.

South Korea – Proposal to tax sales of mobile applications made by vendors located outside of South Korea

Europe

CJEU judgment – Whether using a supplier's infrastructure creates a fixed establishment for VAT purposes

EU – CJEU judgment on the VAT liability of books supplied on CD-ROM, memory sticks, etc.

Denmark – Tax authority abolishes collection agency requirement for VAT Debt Refunds

France – E-Filing linked to direct debit – new rules

Germany – New VAT return form as from 1 October 2014

Hungary – New invoicing rules

Lithuania – To adopt the euro

UK – Tax authority issues guidance on VAT recovery position of holding companies

Middle East, India and Africa

Malawi – 2014 budget

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: a review of global indirect tax developments and issues*, 10th edition

You can access the latest briefing here.

Americas

Bahamas — Final VAT law published

On 23 September 2014, the Bahamian House of Assembly has passed the country's first value added tax (VAT) law. The new tax will be introduced with effect from 1 January 2015 at a standard VAT rate of 7.5%.

Companies resident in The Bahamas or are involved in importing/exporting through the country in the financial and insurance, tourism and hospitality, telecommunications and e-Commerce industries, as well as in the transportation, gaming and entertainment sectors, will be especially affected. It is therefore recommended for companies in these industry sectors to analyze the potential implications of the new tax to their business, and, if necessary, take steps to get VAT ready by 1 January 1. How should taxpayers prepare for the VAT introduction?

Taxpayers subject to VAT should consider setting up and implementing a VAT readiness step, which may include:

- Mapping out transactions taking place in The Bahamas and identifying VAT compliance and payment liabilities
- Quantifying the effects of the introduction of VAT, such as cash flow and cost implications and effects on pricing
- Reviewing and, if necessary, adapting current business structures to the new tax, exploring opportunities
- Reviewing and updating contractual structures in place (e.g., to clarify VAT liabilities and responsibilities)
- Introducing VAT policies, procedures and controls
- Performing a tax determination exercise for all relevant transactions (e.g., tax coding, A/R and A/P tax condition logic)
- Enhancing or upgrading ERP systems so that they are configured properly and automated to the fullest possible extent
- Considering the use of a transaction tax engine as a "bolt-on" to the ERP system
- Setting up VAT invoice templates and considering the use of a separate invoicing module
- Setting up document retention protocols (e.g., import and export documents, invoices)
- Training personnel in charge of the new tax

Brazil — High court says international leasing contracts not subject to state VAT

Brazil's state governments can't impose their value-added taxes on international leasing contracts, the nation's highest court ruled. The only exception, the Supreme Federal Court said in an 11 September decision, would be a situation in which the leasing company exercised a purchase option. The case the court ruled on involved Hayes Wheels of Brazil, a Brazilian subsidiary of US-based Maxion Wheels. The company was leasing machinery through a contract that didn't include an option to purchase, but it was still charged the value-added tax (ICMS) by the state of Sao Paulo, Brazil's business center. The court's majority said the tax couldn't be charged because there was no transfer of merchandise. "Since this is a case of leasing without a purchase option, there is no transfer of control," Chief Justice Ricardo Lewandowski said.

Brazil — Court rejects inclusion of state VAT in calculation of PIS/Cofins tax

In a major victory for companies operating in Brazil, the country's Supreme Court ruled that the state value-added tax (ICMS) can't be included in the calculation of the federal PIS and Cofins social welfare taxes. Companies have been challenging this "tax on tax" policy for years, filing thousands of lawsuits claiming that it is unconstitutional. In 1999, one such lawsuit reached the Supreme Court, but the court didn't hear it until 2006 after one of the justices asked for more time to consider his vote. On 8 October, the court ruled 7-2 in favor of a Brazilian auto parts manufacturer. The court's majority said that the ICMS payments don't constitute company revenue on which PIS/Cofins taxes are charged.

Costa Rica — Tax authorities require large taxpayers to update relevant tax information through a new web-based platform

The Costa Rican tax authorities issued Resolution N°DGT-R-30-2014 (the Resolution), published in the Official Gazette on 5 August 2014, and effective as of that date, which requires so-called large national taxpayers to update their relevant tax information using a new web-based platform called AMPO.

The platform is currently not in place, and the tax authorities still have not provided an availability date. The large national taxpayers Directorate will inform each taxpayer via e-mail when the platform is available. Once the platform is made available, taxpayers will have 15 business days to comply and upload the relevant tax information on AMPO. It will be accessible via the Tax Authority's website (http://dgt.hacienda.go.cr) in the "Digital Services" section. The taxpayer's authorized legal representative for matters with the tax authorities is responsible for submitting the relevant tax information.

The following deadlines apply for submitting the relevant tax information:

- Taxpayers that are already classified as large national taxpayers must submit the tax information within 15 business days of the date the platform becomes available.
- Taxpayers that would be classified as large national taxpayers after the publication of the Resolution must submit the tax information within 15 business days of being notified of their large-taxpayer status by the tax authorities.
- Noncompliance with this obligation qualifies as an administrative infraction and exposes taxpayers to the following fines:
  - Two base salaries for noncompliance with a first information request (approximately US$1,465)
  - Five base salaries for noncompliance with a second information request (approximately US$3,664)
  - For noncompliance with a third information request, a fine of 2% of the gross income reported in the previous tax period, with a minimum of 10 base salaries (approximately US$7,328) and a maximum of 100 base salaries (approximately US$73,284)

The relevant tax information to be provided includes:

- Identifying data (e.g., corporate ID number, corporate name, tax period, number of employees)
- Legal representative personal data
- Shareholders of the company
- Tax obligations
- Economic activities
- Agencies, branches or commercial premises
- Mergers
- Accounting information (e.g., accrual of inventory system, inventory valuation method, inventory costing method, costing technics)
- Customs information
- Sales and tax incentives information
- Amortization of losses
- Extraordinary contributions or withdrawals of capital
- Payment of dividends
- Retained earnings
- Leases
- Details of real estate owned by the taxpayer
- Movable assets
- Ownership or sale of intangible assets
- Client or supplier of intangible assets
- Purchase of intangible assets through financing
- Use of intangible assets
- Royalty payments for the use of intangible assets
- Equity participations in other entities
- Participations in economic groups
- Services received from an economic group
- Services provided to an economic group
- Financings to related entities
- Financings with related entities
- Details of clients abroad
- Details of suppliers abroad

Asia-Pacific

Indonesia — Rules for electronic VAT invoicing issued

Following the plan for compulsory electronic VAT invoicing, the Directorate General of Taxation (DGT) issued rules to regulate the procedure for the making and reporting of electronic VAT invoices, pursuant to DGT Regulation No. PER-16/PJ/2014 dated 1 July 2014. The rules, which apply to VAT-registered taxpayers, stipulate the following:

(a) It is compulsory for the taxpayer to prepare electronic VAT invoices for:

- The supply of taxable goods and taxable services within the customs zone
- The supply of taxable goods where the initial purpose is not for trade

(b) There is exemption from the requirement for electronic VAT invoices for the supply of taxable goods or services from:

- A retailer
- A retail shop that sells to foreigners
- Taxpayers who may use other documents instead of VAT invoices, e.g., tax payment receipts for the use of foreign intangible goods or receipt of supply of telecommunication services

(c) The format and information disclosed in the electronic VAT invoice is basically similar to the non-electronic VAT invoice, but with an electronic signature. The invoice must use the Indonesian rupiah as the currency.

(d) In the case of invoice cancellation, the taxpayer issuing the invoice must cancel the electronic invoice by using the application provided by the DGT. If the information in the invoice is incorrect, the taxpayer may create a replacement invoice through the application system.

(e) Reporting of electronic VAT invoices is conducted via uploading to the DGT application and receiving the approval from the DGT for each invoice. Electronic VAT invoices without approval from the DGT are not considered VAT invoices. However, it is not compulsory to print a hard copy of the electronic VAT invoice.

(f) For lost or damaged data in respect of an electronic invoice, the taxpayer can ask for the data from the DGT through the tax office where the taxpayer is registered, provided the data has been uploaded to the DGT application.

(g) The taxpayer may also choose not to use electronic VAT invoices and use hardcopy VAT invoices instead in certain situations, e.g., during war, riots, natural disasters, strikes or fire. Thereafter, the data pertaining to the invoices must be uploaded to the DGT application.

Furthermore, pursuant to DGT Decision No. KEP-136/PJ/2014 dated 20 June 2014, 45 selected taxpayers are required to use electronic VAT invoices from 1 July 2014, and taxpayers within the jurisdiction of the regional office for large taxpayers for foreign investment — Jakarta, Java and Bali — are required to use electronic VAT invoices from 1 July 2015. Lastly, taxpayers, other than the taxpayers who are required to issue electronic VAT invoices from 1 July 2014 and 1 July 2015, are required to issue electronic VAT invoices from 1 July 2016.

South Korea — Proposal to tax sales of mobile applications made by vendors located outside of South Korea

The 2015 Tax Revision Proposal (the Proposal), which was announced in August 2014 by the Ministry of Strategy and Finance (MoSF), was updated and published on 18 September 2014 with some minor changes.

The Proposal aims to stimulate the economy, strengthen welfare programs, achieve fair taxation and set up a taxpayer friendly taxation system. The Proposal with regards to VAT is as follows:

If a resident in Korea purchases a mobile application that was developed overseas, the business person of the e-commerce application store must register with the National Tax Services via their website and pay VAT.

Generally, an entity that does not have an establishment in Korea is not required to register in Korea for VAT. However, according to the Proposal, an overseas open market provider should register in Korea through the simplified business registration system, which is similar to the mini one-stop shop (MOSS) regime in EU.

According to the proposal, the domestic developer and domestic open market provider should file and pay VAT and the overseas open market provider will, if the Proposal is approved by the National Assembly, have an obligation for the simplified business registration and will be required to pay VAT if the overseas open market provider sells an overseas developed application.

It is not clear at this stage whether the proposal relates to business-to-business (B2B) and business-to-consumer (B2C) or just to B2C transactions, nor what is meant by mobile applications, i.e., software, music, movies, data, pictures or all of these.

At this point in time, the above is just a proposal, as the National Assembly has to approve it. If the Proposal is approved by the National Assembly, it will take effect from 1 January 2015. We will update you on any further news on this proposal.

Europe

CJEU judgment — Whether using a supplier's infrastructure creates a fixed establishment for VAT purposes

On 16 October 2014, the Court of Justice of the European Union (CJEU) released its judgment in the case of Welmory sp. z o.o. (C-605/12). The case concerns an intra-EU supply of services and the issue of whether the customer should be treated as having a fixed establishment for VAT purposes in the supplier's Member State, by virtue of using the supplier's infrastructure. This would result in the supplier accounting for local VAT.

The CJEU has followed the opinion by the Advocate General (AG) in holding that where a taxable person established in one Member State receives services supplied by a taxable person established in a second Member State, the first taxable person must be regarded as having a fixed establishment in the second Member State if that establishment has a sufficient degree of permanence and human and technical resources to enable it to receive and use the services for its economic activities.

Although the CJEU was careful not to deviate from the definition of a fixed establishment as set out in Planzer and the Implementing Regulation, the judgment opens the scope for a wider interpretation of fixed establishments. Therefore, the implications are significant and businesses may wish to consider the impact of the judgment without delay.

Background

Welmory sp. z o.o. (Welmory) is a company established in Poland. It supplied goods that were auctioned on a website run by Welmory Limited, a company whose headquarters are located in Cyprus (the Cypriot company). Welmory had a collaboration contract with the Cypriot company that provided for the management of a Polish website, by the Cypriot company, on which auctions were organized and goods were sold/auctioned, on behalf of Welmory. Customers were initially required to buy a right from the Cypriot company in order to place bids in these auctions. The Cypriot company used Welmory's human and technical resources to manage this website.

The Polish tax authorities considered that the services, provided by Welmory to the Cypriot company, should be subject to Polish VAT, on the basis that the Cypriot company had a fixed establishment in Poland.

The judgment

The CJEU followed the AG's opinion and held that it is for the national court to determine whether a company has a fixed establishment in its territory, taking the facts of the case into account. However, for a fixed establishment to exist, the CJEU held that a company must have a sufficient degree of permanence and human and technical resources to allow it to receive and use the services for its economic activities.

Although not explicitly stated, the judgment implies that the resources did not need to belong to the company in order to create a fixed establishment of that company (i.e., a fixed establishment may be created by a third party's resources).

In the current case, there was no clear description of the facts or nature of services provided by Welmory to the Cypriot company. However, the CJEU does provide some guidance as to when a business may be considered to have a fixed establishment.

Welmory argued that the human and technical resources required by the Cypriot company to carry on its business, such as computer servers, software, servicing and the system for concluding contracts with customers, were situated outside Poland. The CJEU confirmed that if this were the case, the Cypriot company would not be considered to have a fixed establishment in Poland, since it would not have the necessary infrastructure to enable it to receive services supplied by Welmory and to use them for its business. Furthermore, the CJEU confirmed that there only needs to be sufficient human and technical resources for the receipt of the specific services in question. As a result, digital businesses may not need people in order to create a fixed establishment.

Implications

The CJEU appears to have significantly broadened the scope according to which a company may be viewed as having a fixed establishment in another Member State under the B2B rule and the B2C general rule. The principle that one legal entity could create a fixed establishment for another entity for VAT purposes was first applied in the case of DFDS A/S, but referred to a relatively unusual situation where a wholly owned subsidiary acted as a wholly dependent agent (or auxiliary organ) of its parent company and, as a consequence, created a distortion in the operation of the VAT system. In the ARO Lease case, it was found that an entity needed to possess its own staff or have a structure with a sufficient degree of permanence in order for a fixed establishment to exist.

Further, it will be interesting to see how different Member States implement the judgment. It is possible that a difference in views across Member States about what constitutes permanent and technical resources could result in double or non-taxation.

Affected businesses

Many multinational organizations may be affected by this judgment in circumstances where they make supplies of services that involve the utilization of the assets, or other resources, of an affiliate, or third party, located in another EU Member State.

Potential examples include:

- Telecoms organizations using local assets and resources to fulfill customer contracts
- Asset leasing organizations using local infrastructure to provide repair and maintenance services
- Processing/packaging service providers using local infrastructure to provide services under a global contract
- Any other global contracting arrangement where the delivery of the service is wholly reliant on infrastructure owned by a local affiliate
- Digital businesses

Businesses may wish to review their position without delay.

EU — CJEU judgment on the VAT liability of books supplied on CD-ROM, memory sticks, etc.

On 11 September 2014, the CJEU released its judgment in the K Oy (C-219/13) case regarding the VAT rate on books supplied on CD-ROM. In summary, the CJEU held that national legislation that applies different VAT rates to printed books and books supplied on other physical media (such as CDs, CD-ROMs or USB sticks) is compatible with EU law, provided that the principle of fiscal neutrality is upheld.

Implications

In many EU countries, the supply of books in printed format is subject to a lower rate of VAT, although for some time now, the supply of books in other formats (CD-ROM, memory sticks, etc.) has been subject to the standard rate of VAT.

Clearly, this case will be of interest to publishers and those that provide printed material by other physical means. If they are supplying what the customer believes is the equivalent of a printed book, they may have an argument that their supply should be subject to a lower rate of VAT (and should have been retrospectively).

The case may also be interesting to those buyers who cannot claim refunds of VAT (for example, data supplied to financial services companies — there may be others). If these buyers believe what they purchased was equivalent to a book, they may wish to discuss the VAT liability with their providers and seek a refund of any VAT incorrectly charged.

The case did not concern itself with books that are delivered in a purely electronic format, but it did consider the supply of books delivered by other physical means.

Background

K Oy is a Finnish case asking whether national legislation that applies different VAT rates to printed books and books supplied on other physical means (e.g., CDs, CD-ROMs, memory sticks, etc.) is compatible with EU law and the principle of fiscal neutrality.

EU VAT legislation permits Member States to apply reduced VAT rates to a limited number of goods and services. The Directive previously referred to the "supply of books" but was amended (with effect from 1 June 2009) to cover "the supply of books on all physical means of support." K Oy therefore contended that its supplies of books (e.g., audiobooks, books supplied on CD-ROM) should also be subject to the reduced rate of VAT in Finland. The referring court asked whether Finland was obliged to extend the application of the reduced rate to paper books to include books supplied on other physical means of support.

CJEU judgment

The CJEU followed the opinion of the Advocate General (AG) in finding that the purpose of the amendment to the Directive was to allow Member States to apply the same treatment to books supplied on physical means other than paper, as they do to printed books, in order to give Member States the flexibility to take account of and adapt to technological developments. Accordingly, Member States had discretion in their application of the reduced rate to books supplied by different physical means.

The AG held that EU law permits Member States to apply the reduced rate of VAT selectively within the same category of goods or services, provided that the supplies subject to the reduced rate of VAT have features that differentiate them and provided that the principle of fiscal neutrality is respected. The CJEU has

held that it should be for the referring national court to determine whether these conditions are met.

Therefore, the key question is whether printed books and books supplied on other physical means are similar from the point of view of the average consumer. The judgment sets out that consideration should be given to the extent to which the purchasing decision of the average consumer is influenced by the differing properties and features of books supplied on physical media other than paper. For example, the AG noted the requirement to possess a technical reading device (computer, tablet, etc.), the cost of such a device, the software applications and additional features (e.g., search functions).

Implications

In the UK, for example, in accordance with VATA 1994 Schedule 8 Group 3, supplies of "books" and "newspapers" are subject to the zero rate (0%) of VAT. The legislation does not define "books" and "newspapers," but HMRC treats the words in Group 3 as being used in their ordinary, everyday sense. It will be interesting to see how the UK implements this judgment. However, it certainly seems that there is an argument that, if the purchaser of the book does so essentially for the content of the book (and does not consider the other factors outlined above — for instance, as a result of the purchaser already possessing the means to read it), then the zero rate should also be applied to books supplied by CD-ROM, memory sticks and other means.

However, the judgment sets out that fiscal neutrality must be considered on a country-by-country basis (using the average consumer in each Member State as a reference). This adds further complexity for businesses when seeking to determine the correct VAT liability across a range of publications or across a number of countries. For example, it seems likely that there will be instances where the book provided on a non-printed media itself has few (if any) distinctive properties compared to the equivalent paper copy, and therefore the availability of the title in electronic form has little or no influence on the purchasing decision of the consumer.

Conversely, given advances in technology and consumer expectations of digital media, an increasing number of titles are likely to have additional features, or linked content, which will distinguish them in function and form from the equivalent paper title. These differences may well be sufficient from the perspective of the customer to justify a different VAT treatment.

Electronically supplied services

Although not addressed in this case, the K Oy judgment might also impact the discussions regarding the VAT treatment applied to e-books and online newspapers. The CJEU differentiated K Oy on the basis that there are additional rules that need to be considered in relation to electronically supplied services. It is these rules that will be tested in the forthcoming infringement proceedings taken against France and Luxembourg and the reduced rate they apply to electronically supplied books.

Denmark — Tax authority abolishes collection agency requirement for VAT debt refunds

The process of applying for value-added tax refunds from the Danish tax authority (SKAT) will be vastly improved by the abolition of a third-party documentation requirement, a Confederation of Danish Industry (DI) official told Bloomberg BNA. In a 25 September statement, the DI Head of VAT, Kristian Koktvedgaard, welcomed the scrapping of a rule that required companies to present documentation from external debt collection agencies before they may receive VAT refunds due to bad debts.

France — E-filing linked to direct debit — new rules

From 1 October 2014, the French tax authorities require all foreign companies to use E-procedures to file French VAT returns (i.e., the VAT return for September to be submitted in October).

In order to comply with this new requirement, foreign companies will need to sign a specific proxy (official template that we have already filled in) by which they authorize their advisors to create a subscriber account in the name of the company on the French tax website and to sign up for online services.

Only VAT returns will have to be filed on the website. VAT payments, if any, will still be made by bank transfer directly by the foreign company to the French tax authorities. VAT refund claims, if any, will still be filed on paper. There will be no requirement to have a French bank account.

France — Reliable audit trail

A new concept of "reliable audit trail" of invoices was introduced in France in 2013.

The new concept of "reliable audit trail" of invoices, which was introduced in the VAT legislation in 2013, increases the requirements for enterprises to put in place business controls on their invoicing process. As far as these enterprises issue invoices that fall under the scope of French law, the French tax authorities will audit whether these controls have been put in place and archived properly. In case of deficiency, the recovery of input VAT may be challenged.

For a copy of a presentation made by the Paris office of Ernst & Young Société d'Avocats SELAS, which sets out the new audit trail process in France, please contact Howard Lambert at howard.lambert@ey.com.

Germany — New VAT return form as from 1 October 2014

The new German VAT return form is valid for the preliminary VAT returns from October 2014 onwards.

There are two important changes, which are as follows:

1) Boxes 68, 78 and 79

In the past the reverse charge mechanism included only supplies of mobile telephones and integrated circuits (§ 13b Abs. 2 Nr. 10 UStG). As of 1 October 2014, supplies of tablet computers and games consoles (e.g., Xbox) also have to be reported in box 68 of the preliminary VAT return. The recipient of these goods has to declare these transactions in boxes 78 and 79 (reverse charge).

2) Boxes 60, 84 and 85

From October 2014, suppliers of precious metals and/or base metals also have to report these goods in box 60 of the VAT return (§ 13b Abs. 2 Nr. 11 UStG). The recipient of these goods should declare these transactions in boxes 84 and 85 (reverse charge).

Hungary — New invoicing rules

The new NGM Decree (No. 23/2014) on the identification of invoices and cash receipts for tax administration purposes and on the tax authority audit of invoices stored in electronic format came into force on 1 July 2014, prescribing new requirements for invoicing programs.

One of the most important changes (effective from 1 October) is that enterprises have an obligation to inform the tax authority of the software they apply for issuing invoices (including such complex administrative systems that are applicable to issuing invoices) and of online invoicing systems. Reporting should be done on the relevant form within 30 days after obtaining or starting using the program. The draft of the form (SZAMLAZO) is already available on the tax authority's website. Those who purchase (purchased) or start (started) using invoicing software before 1 October should have a reporting obligation with a deadline of 15 November. As of 1 October, discarded invoicing programs should also be reported to the tax authority, as well as the termination online invoicing services.

Another important change is that the user of the invoicing software (without regard to whether the software was acquired from others or self-developed) should possess detailed documentation on the software, which should also be retained until the expiration of the limitation period. The documentation should contain a detailed description of the software operation and its functions. The invoicing software should perform only functions that are detailed in the user documentation.

It is expected that, upon the above provisions entering into force, the tax authority will pay more attention to auditing the invoicing software, and it will also review the validity of the documentation. Please note that, with respect to invoices issued under Hungarian tax numbers, the invoicing software should comply with the Hungarian invoicing rules (and the user documentation should contain appropriate descriptions) even if the issuer of the invoice is a foreign enterprise (having a VAT number in Hungary) or uses the company group's invoicing software developed abroad. The issued invoices should (among other criteria) meet the requirements for tax administration identification or else the input VAT included in the given invoices may not be deducted.

A further requirement related to invoicing is that the seller of the software should also indicate the purchasing taxpayer's tax number on the issued invoice.

Lithuania — To adopt the Euro

Lithuania is to adopt the euro as its currency from 1 January 2015.

UK — Tax authority issues guidance on VAT recovery position of holding companies

HM Revenue & Customs (HMRC), has issued *Revenue and Customs Brief 32* (2014), which alerts businesses to its new guidance on the VAT recovery position of holding companies (Holdcos).

Middle East, India and Africa

Malawi — 2014 budget

On 2 September 2014, Malawi's Minister of Finance presented the budget for 2014-15 (the Budget) to the Parliament. Details of the budget, which unless noted will apply from 1 October 2014, are summarized below.

Indirect taxation

The budget includes the following VAT proposals:

- Exempt imported raw materials used in the production of fertilizer and medicine
- Exempt imported minibuses of not older than five years with a seating capacity of 11 to 44 persons, including the driver

The budget also includes changes to excise duties, with immediate effect as follows:

- Removal of import excise duty on minibuses not older than five years
- Reduction of excise duty on cigarettes from US$30 per 1,000 cigarette to US$15 per 1,000 cigarette for both local and imported cigarettes
- Deletion of CPC 440 and removal of duty on buses (not older than five years) with a seating capacity of 45 or more, including the driver

Changes to customs duties with immediate effect include:

- Removal of import duty on minibuses not older than five years
- Abolishing the import duty exemption on ATMs, point-of-sale devices and mobile banking vans imported by banks by deleting CPC 487

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* — September 2014: Ernst & Young LLP (Canada) has recently issued the September 2014 issue of its monthly client newsletter, *Tax Matters,* that includes recent tax news highlights, resources and publications.

Canada: *Tax Matters* — October 2014: Ernst & Young LLP (Canada) has recently issued the October 2014 issue of its monthly client newsletter, *Tax Matters*. From an indirect tax perspective, this issue features the following items:

- Whether settlement amounts are taxable
- Quebec authorities increasing the use of indirect audit methods

Czech Republic: *EY Tax News* — September 2014: Ernst & Young s.r.o. has recently issued the September 2014 edition of its regular client newsletter, *Tax News*.

Croatia: *EY Tax News*: Ernst & Young d.o.o. has recently published the May 2014 edition of its regular client newsletter, *Tax News*. From an indirect tax perspective, the edition includes the following items:

- Extension of the cash accounting scheme
- Standard for the automatic exchange of information in tax matters

Latvia: *Tax Newsletter* September 2014

Netherlands: *Tax Update Weekly*: Weekly client e-newsletter — Issues 32 through 40, all from 2014 — a roundup of VAT news from the Netherlands, EU and other countries.

Netherlands: *Budget plans 2014/15*: Ernst & Young Belastingadviseurs LLP has recently issued a client alert regarding the Dutch Tax Plan for this year. The indirect details can be found on pages 8 and 9 and include the following topics:

- Prolongation of reduced VAT rate for home repairs and renovations
- Payment of VAT refunds
- Restriction of VAT umbrella exemption for jointly supplied services
- Car taxes
- Waste tax
- Wider scope of exemption for energy tax on self-generation to include the rental sector
- Reduced energy tax rate for energy generated locally from sustainable resources extended to
- Businesses
- Increase in energy tax rates

UK: *VAT news:* — weeks ending: 8 September 2014, 15 September 2014, 22 September 2014, 29 September 2014, and 6 October 2014. Weekly client e-newsletter — a roundup of VAT news from the UK, the EU and other countries.

EY | Assurance | Tax | Transactions | Advisory

EYG no. YY3449
BSC no. 1412-1365015 W

ED 0115

Ernst & Young LLP

US VAT practice leaders:

Karen Christie
New York, NY
+1 212 773 5552
karen.christie@ey.com

Ronnie Dassen
New York, NY
+1 212 773 6458
ronnie.dassen@ey.com

Anne Freden
San Francisco, CA
+1 415 894 8732
anne.freden@ey.com

Ela Choina
Chicago, IL
+1 312 879 2935
ela.choina@ey.com

Gino Dossche
New York, NY
+1 212 773 6027
gino.dossche@ey.com

Regional resources:

Alex Cotopoulis
New York, NY
+1 212 773 8216
alex.cotopoulis@ey.com

Maria Hevia Alvarez
New York, NY
+1 648 831 2187
maria.heviaalvarez@ey.com

Deirdre Hogan
San Francisco, CA
+1 415 894 4926
deirdre.hogan@ey.com

Corin Hobbs
San Jose, CA
+1 408 947 6808
corin.hobbs@ey.com

Howard Lambert
Irvine, CA
+1 949 437 0461
howard.lambert@ey.com

Steve Patton
New York, NY
+1 212 773 2827
steve.patton1@ey.com