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# VAT IN NL & EU

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VAT simply explained



2020/2021  
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## Preface

Thank you. Thank you for taking time to educate yourself on and delve into an important as well as a complicated topic.

After graduating for my accounting degree, I had zero knowledge about taxes. Upon starting to work in the international environment, I had to acquaint myself with taxes a lot since the main business was around taxes. A lot of accounting work was automated, so no much attention needed to be given to that part.

Since my work during the day was so saturated, I had to gain extra knowledge outside of working hours. Hence, at home and everywhere else besides work, I did the most exciting thing in the world: reading tax related articles!

I read tax news, tax blogs, tax jurisprudence, tax law, tax related decree's and recaps of tax discussions in the parliament. I listened very carefully to tax advisors in business meetings and read their tax advices for my clients diligently.

The worst thing was (at that moment) the fact that I had to write everything down to read afterwards for my understanding. Eventually it resulted in a big pack of info. Yes, in hard copy. So, when I had to look back to find something, I had to read everything again to find it. Then it thought, let's do something more exciting. So, I rewrote everything in soft copy. It took years. Hence, in the meantime, a lot of regulation changed, since the tax environment is going in a fast pace (EU Directive, jurisprudence, new decrees, addition to law and so on). Thus, I had to rewrite a lot of stuff. Next to that, I wrote all in Dutch.

Since I noticed that English speaking people needed this info too, I decided to rewrite (!) again, this time in English. If you knew that (before starting in the international environment) the only English words I knew were 'I love you' and 'goodbye', you should know that I had to educate myself English too, next to taxes.

Well eventually, I ended up being the tax 'expert' at my work and within my community, followed tax programs on a higher level and enjoyed several tax sessions by respected tax advisors. Next to this, I gave tax session by myself and headed tax meetings. This is not to praise myself into heaven, I just want you to know that the information in this book is a big collection of relevant info. After my wife pursuing me to make other people also aware of this relevant information, I thought '*what the heck*', let's just publish a book (like it is an everyday thing). Special thanks go to my wife for her assistance (I presume this is how it feels on stage of the Oscar Awards).

So, please, enjoy yourself the following regulations (before the law changes again).

Burak

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## Preamble

Here it is, a broad scope of VAT topics, touching all kind of different subjects from one world, the world of VAT.

Some wordings in this book are referring to the same meaning, used in different terminology. When talking about taxes, I mean VAT. When talking about a company, I mean a VAT entrepreneur (unless stated otherwise). The Dutch words included in the text are obviously leading since some translation can lack the original definition.

The law and relevant decrees are used as a basis in order to compile this book. Since some regulations are not clear or because some practical issues are not reflected in law, jurisprudence gives guidance. Jurisprudence is used as a source too since jurisprudence is leading in many cases.

Tax law described and elaborated on the website of Tax Authorities give some insight and shed some light, but many people still stay in dark. This book is explaining, assisting, helping, guiding through this difficult world of tax and regulation. After reading, if you still stay in dark, please consult a certified tax advisor. They have a lot of light bulbs.

Special regimes and temporary tax regulation because of COVID-19 is not handled in this book, there can be different rules applicable (VAT treatment for importing medical equipment for example) since we live in unprecedented times in 2020 and we trust that these new rules will not stay.

This book is only meant for information purposes and guidance in where to look for your answer on VAT queries. No decisions should be based upon the information containing in this book. Consulting a tax advisor is of utmost importance in order to apply the rules accordingly since each fact and circumstance can be different. The fast-changing tax environment is making some laws and jurisprudence irrelevant too after a certain period. Hence the time of reading of this book is also crucial in order to be able to apply the guidance herein.

Remains nothing else to say then: bookish!

Enjoy!

## VAT law

The Dutch VAT law is imbedded in the '*Wet op de omzetbelasting 1968*' which came into force on 1 January 1969. The intention was that the 'burden' of the VAT would eventually be borne by the end customer. The initial idea was also to adopt to the changing environment of the countries around the Netherlands in the field of VAT.

VAT (in Dutch) means 'tax added over added value'.

In 2006 the Council of the European Union concluded a common system of value added tax. This meant that every member state (like the Netherlands) should implement these directives in their own national law. The EU Directives are the base, national law of member states should not conflict this.

Next to national law, where all Dutch companies are subject to, there is also some jurisprudence in VAT related cases which explains the law in more detail where necessary or shed some light on a certain subject (from a different perspective). This jurisprudence (if needed in accordance after consulting the Court of Justice of the European Union) is superseding the law. This is the case when a specific article of the law is written very broad and does not cover the facts and circumstances of the respective case. The Secretary of State (of the Netherlands) can agree or publish his perspective with a Decree (*uitvoeringsbesluit of -regeling*).

### **The base**

VAT is called an *indirect tax*. This means that (for a simple random transaction) VAT is paid by the customer, collected by the seller and subsequently paid to the tax authorities (after deducting the VAT the seller paid to his supplier). Hence the seller is acting as an intermediary here for the tax authorities for collecting the VAT. In contrast to direct tax, which is a tax based on the eventual income of the respective company. Hence, where the company does not have to on-charge this to its customer.

When a limited company (*besloten vennootschap*) is in process of being established (it is called a 'B.V. i.o. '), the establisher is the VAT entrepreneur till the deed of incorporation is completed and effective. After incorporation, the 'entity' is the VAT taxable person.

VAT is a taxation which is based on the tax return filed by (or on behalf of) the company (called a '*aangiftebelasting*'). A company is in this case a VAT entrepreneur, also called a tax payer for ease reference. Hence, the tax authorities rely upon the correctness and completeness of the filed return. Myself once had a client whom filed the VAT returns by himself in order to save costs on expensive tax advisors. The returns were apparently, after our review a couple of years later, incorrect filings. When we explained this to him in our conference call, his defense was 'but the Tax Authorities are accepting what I am filing'. The interpretation of this client, whom was based overseas and was managing a Dutch entity, is understandable, however not justified and thus an incorrect assumption.

There are reviews and inspection by the inspector too, hence there is not a total reliance on the tax payer. In case of information which is known afterwards or a correction to be made for previous periods, a tax payer (the one whom is obligated to pay the taxes they are subject to) should file a 'supplementary VAT return', this means a correction of the initial