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SUBJECT **Temporary reduction in the general and reduced VAT rate effective July 1**

2020;

Draft of an accompanying BMF letter

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(please specify GZ and DOK when answering)

Referring to the outcome of the discussions with the country's top financial authorities:

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EXAMPLE

Lower VAT rate**1.1 Temporary reduction in sales tax rates from 19 percent to 16 percent and from 7 percent to 5 percent**

- 1 Through Art. X of the Second Law on the Implementation of Tax Aid Measures to Overcome the Corona Crisis of XX. June 2020 - Second Corona Tax Assistance Act - (BGBl. I S. XXX), from July 1st 2020 to December 31st 2020 the general sales tax rate will increase from 19 percent to 16 percent (Section 12 Paragraph 1 UStG) and the Reduced VAT rate reduced from 7 percent to 5 percent (section 12 (2) UStG). The changes will come into force on July 1, 2020 (see Art. X Second Corona Tax Assistance Act, loc. Cit.).

1.2 Application regulation for changes of the sales tax law (§ 27 Abs. 1 UStG)

- 2nd Unless otherwise stipulated, changes to the sales tax law apply to deliveries, other services and intra-community acquisitions that are carried out as soon as the respective amendment comes into force (section 27 (1) sentence 1 UStG). If partial services are provided instead of a total service (section 13 (1) no. 1 letter a sentence 2 and 3 UStG), the application of a change provision (e.g. the reduction and increase in sales tax rates) does not occur at the time of the Overall performance, but based on when the individual partial services are carried out. 3rd

Changes to the sales tax law are to be applied in accordance with § 27 Para. 1 Clause 2 UStG to the deliveries and other services carried out from the entry into force of the respective change regulation as well as the sales tax for them

- e.g. B. in the case of down payments, installments, advance payments, advances - in the cases of actual taxation according to § 13 paragraph 1 No. 1 letter a sentence 4, letter b or § 13b paragraph 4 sentence 2 UStG even before the entry into force of the relevant change regulation has arisen. In these cases, the tax calculation must only be corrected in the pre-registration period in which the service is carried out (section 27 (1) sentence 3 UStG).

2nd Effects of the temporary reduction in VAT rates**2.1 Start of application**

- 4th The new sales tax rates of 16 percent and 5 percent apply to deliveries, other services and intra-Community acquisitions that will be effected between July 1, 2020 and December 31, 2020 (see margin nos. 2 and 3). The decisive factor for the application of these sales tax rates is always the time in

which the respective sales are carried out. The point in time of the contractual agreement is of no importance, nor is the point in time when the remuneration is received or the invoice is issued (see section 12.1 (3) UStAE). The same applies to partial services (see margin no. 2) for which margin no. 19 to 25 contain special transitional regulations. 5

The sales tax rates of 16 percent and 5 percent are also to be applied when calculating the import sales tax (Section 1 Paragraph 1 No. 4 UStG), and for a limited time on imports that are made between July 1, 2020 and December 31, 2020 .

2.2 Treatment for actual taxation

6 In the cases of actual taxation (section 13 (1) no. 1 letter a sentence 4, letter b or section 13b (4) sentence 2 UStG), does the entrepreneur have any fees or partial fees (down payments, etc.) for deliveries before July 1, 2020 and other services or partial services received, which are carried out after June 30, 2020 and are subject to taxation, the sales tax rate of 16 percent or 5 percent applicable from July 1, 2020 must also be applied retrospectively to these amounts (§ 27 para. 1 sentence 2 UStG). 7

If fees or partial fees for services or partial services received by the entrepreneur before July 1, 2020 are received after June 30, 2020, the sales tax applicable to these amounts is based on the sales tax rate applicable until June 30, 2020 of 19 percent and 7 percent, respectively.

2.3 Turnover taxation and input tax deduction for the settlement of partial fees received before July 1, 2020 for services performed after June 30, 2020

8th If the entrepreneur issues invoices with separate tax identification for partial fees that he receives before July 1, 2020 for taxable services or part services that are carried out after June 30, 2020, these invoices include those between July 1 2020 and December 31, 2020 applicable sales tax rate of 16 percent or 5 percent calculated sales tax. Provided that the other requirements of § 15 UStG are met, the recipient of the service is entitled to deduct the sales tax shown in the respective invoice as input tax when he has received the invoice and insofar as he has made the requested payment. A correction of the tax statement in these (down payment) invoices is not necessary if in a final invoice the sales tax for the entire service or partial service with the from 1. July 2020 applicable sales tax rate of 16 percent or 5 percent. The sales at the tax rates of 16 percent and 5 percent as well as the tax amount attributable to them are to be entered in total in line 28 of the advance sales tax return for the relevant pre-registration period in 2020 and line 45 of the sales tax return for the calendar year 2020 . This also applies to sales for which a deposit was received before July 1, 2020. Advance payments already taxed with 19 percent or 7 percent on sales executed after June 30, 2020 must be corrected by in The total amount of the tax that has been calculated must be entered in line 28 of the advance sales tax return for the relevant pre-registration period in 2020 and line 45 of the sales tax return for the calendar year 2020. This also applies to sales for which a deposit was received before July 1, 2020. Advance payments already taxed with 19 percent or 7 percent on sales executed after June 30, 2020 must be corrected by in The total amount of the tax that has been calculated must be entered in line 28 of the advance sales tax return for the relevant pre-registration period in 2020 and line 45 of the sales tax return for the calendar year 2020. This also applies to sales for which a deposit was received before July 1, 2020. Advance payments already taxed with 19 percent or 7 percent on sales executed after June 30, 2020 must be corrected by in

Line 26 or 27 of the advance sales tax return for the relevant pre-registration period in 2020 or line 38 or 41 of the sales tax return for the calendar year 2020, a negative assessment basis is taken into account. 9

There are no objections to the fact that invoices issued before July 1, 2020 for the partial fees received before that date for services or part services rendered after June 30, 2020 include the sales tax after July 1, 2020 and December 31, 2020 applicable sales tax rate of 16 percent or 5 percent. The sales tax shown is owed by the entrepreneur. The recipient of the service can deduct the specified VAT amount as input tax under the other conditions of § 15 UStG after the invoice has been received and insofar as the invoice amount has been paid. A correction of the calculation of the sales tax incurred before July 1, 2020 (Section 27 Paragraph 1 Sentence 3 UStG) is ruled out in these cases.

2.4 Sales taxation and input tax deduction when issuing advance invoices for services performed after July 1, 2020

2.4.1 No remuneration received before July 1, 2020

10th The entrepreneur who gives advance calculations of taxable services or partial services, which he performs after June 30, 2020, before July 1, 2020, is entitled and, if necessary, obliged to include the sales tax in accordance with Section 14 Paragraphs 2 and 4 UStG VAT rates of 16 percent and 5 percent applicable from July 1, 2020. In this case, the stated sales tax arises from taxation based on agreed fees at the end of the pre-registration period in which the service or partial service is performed (cf. § 13 Para. 1 No. 1 Letter a UStG). If the other requirements of § 15 UStG are met, the recipient of the service can deduct the stated sales tax as input tax for the pre-registration period in which the service or partial service is performed on him. In case of a delivery,

2.4.2 Payment received before July 1, 2020

11 If the entrepreneur has given an advance calculation for a taxable service or partial service that he performs after June 30, 2020, before July 1, 2020, in which the sales tax will apply after July 1, 2020 to December 31, 2020 VAT rate of 16 percent or 5 percent is shown, and if he receives all or part of the remuneration before July 1, 2020, the sales tax for these fees will be in the amount shown (see section 14.8 (6) UStAE). Provided the other requirements of Section 15 UStG are met, the recipient of the benefits can do so between 1 July 2020 and 31 December 2020

Deduct VAT, calculated on the prepaid fees, for the pre-registration period of the payment as input tax, taking into account the temporary VAT rate. A correction of the tax calculation according to § 27 paragraph 1 sentence 3 UStG does not apply.

2.5 Billing of services and partial services as part of the actual taxation of down payments

- 12 Pursuant to Section 14 Paragraph 5 Clause 2 of the UStG, the entrepreneur who, within the framework of the actual taxation of down payments (Section 13 Paragraph 1 No. 1 Letter a Clause 4 of the UStG), gives a final invoice for a service or partial service performed by him to deduct the partial fees (down payments) received before the performance of the service or partial service and the sales tax amounts due on them, if invoices with a separate tax ID have been issued for these partial fees. If the entrepreneur has received partial payments for a service or partial service performed after June 30, 2020 before July 1, 2020, it must be taken into account when issuing the final invoice that the taxation after July 1, 2020 and

December 31, 2020, a temporary sales tax rate of 16 percent or 5 percent must be applied. For the rest, Section 14.8 Paragraphs 7 to 11 UStAE applies analogously to the issuing of final invoices in these cases. Advance payments already taxed at 19 percent or 7 percent on sales executed after June 30, 2020 must be corrected by line 26 or 27 of the VAT pre-registration for the relevant pre-registration period in 2020 or line 38 or 41 of the VAT return for the calendar year 2020 a negative assessment basis is taken into account. A entry in line 62 of the advance sales tax return for the relevant advance registration period in 2020 or line 58 of the sales tax return for the calendar year 2020 (as negative after-tax) is not required.

2.6 Tax identification and consideration of the lower sales tax burden for long-term contracts (old contracts)

2.6.1 Basics

- 13 The entrepreneur is entitled in accordance with Section 14 Paragraph 2 and Section 14a UStG and may be obliged to issue invoices for services (deliveries, other services and partial services, if any) that are carried out after June 30, 2020, in which the sales tax is shown according to the sales tax rate of 16 percent and 5 percent applicable between July 1, 2020 and December 31, 2020. This also applies if the contracts for these services were concluded before July 1, 2020 and based on the previously applicable sales tax rates (19 percent and 7 percent). However, it does not follow from the regulation on the tax identification that the entrepreneurs are obliged to settle before the

Services agreed on July 1, 2020 to reduce the prices in accordance with the reduced sales tax burden that occurred temporarily between July 1, 2020 and December 31, 2020. Rather, it is a special civil law law

2.6.2 Calculation of sales tax towards the recipient of the service for statutory fees

- 14 For certain service areas, fees (remuneration, fees, fees, etc.) are prescribed, which do not include the sales tax for the services in accordance with the sales tax law. Such fee regulations include, in particular, the Lawyers' Fees Act (RVG), the Tax Consultant Fee Ordinance (StBGebV), the Cost Regulations for Notaries (KostO) and the Fee Regulations for Architects and Engineers (HOAI). Insofar as the entrepreneurs are entitled in these cases to calculate the sales tax owed for the respective service in addition to the prescribed fee, they have to pay for their according to

Services performed June 30, 2020 regardless of the date of the contractual agreement, the sales tax after between July 1, 2020 and
Add the applicable VAT rate of 16 percent to the fee on December 31, 2020 (see section 29.1 (5) UStAE).

2.6.3 Claims for compensation of the lower VAT burden (Section 29 Paragraph 2 UStG)

- 15 According to Section 29 (2) UStG, one part of the contract can request compensation from the other part of the contract if it performs a service after June 30, 2020. One of the requirements for the compensation claim is that the benefit is based on a contract that was concluded before March 1, 2020. The contractual partners must also not have agreed otherwise (e.g. that compensation claims in the event of an increase or decrease in the VAT rate are excluded).

2.7 Value added tax calculation and calculation of the assessment bases and fee reductions

- 16 In the case of invoices within the meaning of Sections 33 and 34 UStDV (invoices for small amounts, tickets and receipts in luggage travel) for services that are based on the
June 30, 2020 to December 31, 2020, sales tax can be calculated using the slightly rounded percentage of

13.79 (standard tax rate) or
4.76 (reduced tax rate)

can be calculated from the invoice amounts.

- 17th For sales generated after June 30, 2020 and before December 31, 2020, which are subject to sales tax at the general sales tax rate of 16 percent, the total amounts of the fees and other assessment bases as well as the fee reductions with the

Divisor 1.16

to be calculated from the sums of the recorded gross amounts (e.g. prices and price reductions). When applying the reduced VAT rate of 5 percent, the divisor 1.05 applies to the calculation of the fees and fee reductions from the gross amounts.

3rd Transitional arrangements

3.1 General

18th In order to make the transition to the application of the new VAT rates applicable between July 1, 2020 and December 31, 2020 easier in practice, special transitional arrangements are made in the following paragraphs 3.2 to 3.10 (margin no. 19 to 43). The facilitations and procedures permitted by this can be applied by all entrepreneurs for whom they apply. Approval from the responsible tax office is not required.

3.2 Deliveries and services

3.2.1 Fundamentals

19 deliveries or services are subject to taxation the 16 percent or 5 percent sales tax rates if executed between July 1, 2020 and December 31, 2020. A different VAT treatment is only considered if the deliveries and services are economically divisible and are performed in partial services (see margin nos. 20 and 21).

3.2.2 Execution and billing of partial services

20th Partial services are economically delimitable parts of uniform services (e.g. work deliveries and work services) for which the remuneration is agreed separately and which are therefore owed instead of the uniform overall service. For the recognition and delimitation of partial services cf. Section 13.4 UStAE. The partial sales tax rates up to June 30, 2020 of 19 percent and 7 percent, respectively, must be applied to partial services rendered before July 1, 2020. Partial services performed later are subject to the temporary sales tax rates of 16 percent and 5 percent, respectively. 21st

Partial services rendered before July 1, 2020 will be recognized if the following requirements are met:

1. It must be an economically delimitable part of a work delivery or work performance.
2. If the power part is part of a delivery, it must have been accepted before July 1, 2020; if it is part of a work, it must have been completed or completed before July 1, 2020.
3. Before July 1, 2020, it must be agreed that the corresponding partial fees must be paid for parts of a work delivery or work performance. If no partial charges have been agreed separately for parts of a work delivery or work performance, the contractual agreement must be changed accordingly before July 1, 2020.
4. The partial fee must be billed separately.

3.3 Permanent benefits

3.3.1 Basics

- 22 The reduction in VAT rates has an impact, in particular for services that extend over a longer period of time (continuous services), provided the time when the change in VAT rate comes into force within the period agreed for the service. The permanent services can be both other services (e.g. rentals, leasing, maintenance, monitoring, ongoing financial and payroll accounting) as well as the entirety of several deliveries (e.g. of building materials). Different periods (eg ½ year, 1 year, 1 calendar year, 5 years) or no time limit are agreed for permanent services. 23

Permanent services are carried out:

1. in the case of another service on the day on which the agreed service period ends (section 13.1 (3) UStAE),
2. in the case of recurring deliveries - with the exception of deliveries of electrical power, gas, heat (see margin no. 34) and water - on the day of each individual delivery (section 13.1 (2) UStAE).

The permanent sales tax rate of 19 percent or 7 percent applicable until June 30, 2020 applies to long-term services that are rendered before July 1, 2020 and that are subject to sales tax. Continuous services executed later are subject to taxation at the sales tax rates of 16 percent or 5 percent. When billing ancillary services for which a billing period other than the main service has been agreed, the application of the applicable sales tax rate depends on the time at which the respective main service is carried out (e.g. monthly interest for a taxable rental with monthly payment Reduction for fringe benefits and annual settlement of fringe benefits).

Contracts for permanent services that are to be regarded as an invoice (Section 14.1 Paragraph 2 UStAE) are to be adjusted to the VAT rate applicable between July 1, 2020 and December 31, 2020. Attention is drawn to the regulation of § 31 Abs. 1 UStDV. A contract changed as a result of the lowering of the sales tax rate must contain all the mandatory information required by Section 14 (4) UStG for the purposes of the recipient's input tax deduction in accordance with Section 15 (1) Sentence 1 No. 1 UStG.

3.3.2 Execution and billing of partial services

24 If a permanent performance is not total for the agreed performance period, but billed for shorter periods (e.g. quarterly, calendar month), partial services are available in the sense of § 13 Paragraph 1 No. 1 Letter a Sentence 3 UStG. This also applies to permanent, unlimited benefits insofar as these are billed for certain periods. Partial services are also to be recognized if the invoice also specifies the partial amount due for a shorter section of the service and if the recipient of the service is free to pay the total fee or partial fees. The application of the applicable sales tax rate depends on the time of execution of the respective partial service, for which the same principles apply as for the time of the continuous service itself (see margin no.23).

25 Is with a continuous output z. B. for the period from January 1, 2020 to
If a shorter billing period (e.g. calendar quarter) was agreed before December 1, 2020 before July 1, 2020, partial services corresponding to VAT law must be recognized. It is also to be regarded as an agreement for a shorter billing period if, in an invoice issued before July 1, 2020, the fee or the price for this billing period is given - possibly in addition to the total fee or price. Are about continuous benefits before

If you have started on 1 July 2020 and end after this date, invoices have already been issued in which the total remuneration or the total price and the total sales tax rate to be applied after 1 July 2020 have been specified, you can do so before 1 July 2020 be corrected.

3.4 Changes to the assessment bases

3.4.1 Reductions and increases in pay (general)

26 If after 30 June 2020 there is a reduction or increase in the assessment basis for taxable turnover executed before 1 July 2020 within the meaning of section 1 (1) no.1 UStG, taxable intra-community acquisition within the meaning of section 1 (1) No. 5 UStG or taxable turnover within the meaning of § 13b UStG (e.g. through cash discount, discount or other price reduction or through subsequent calculation), the entrepreneur who carried out this turnover has according to § 17 paragraph 1 sentence 1 VATG to correct the tax amount owed for it. This applies both in the case of taxation according to agreed fees and in the case of

Taxation based on received fees apply the sales tax rate of 19 percent or 7 percent applicable until June 30, 2020. The same applies to the correction of the input tax deduction. 27th

A tax correction in accordance with § 17 Paragraph 1 UStG is ruled out if the fees for non-taxable and tax-free sales change subsequently. If the entrepreneur carries out sales that are subject to different tax rates, the sales tax is to be corrected according to the sales tax rate that was to be applied to the respective underlying sales in the event of a subsequent change in the assessment basis. In practice, this may require undue work. For the sake of simplicity, it is therefore permitted to split subsequent changes in the assessment basis for the sales executed before July 1, 2020 according to the ratio between the sales subject to the various tax rates and the tax-free and non-taxable sales of the pre-registration period, in which the changes in the assessment basis actually occurred (see also Section 22.6 Paragraphs 20 and 21 UStAE). The same applies to the correction of input tax deduction.

3.4.2 Redeeming vouchers

28 If an entrepreneur reimburses vouchers issued by him, which enable an end user to purchase services at a reduced price for the nominal value of the vouchers, this can in principle lead to a reduction in the assessment basis for the entrepreneur (see section 17.2 (6) UStAE). If there is a reduction in the fee for a taxable service, the entrepreneur must correct the sales tax owed for it in accordance with Section 17 (1) UStG. The sales tax rate results from the delivery for which the voucher has been redeemed (section 17.2 (6) UStAE). Experience has shown that the distribution of the redemption amounts between sales carried out before July 1, 2020 and sales after June 30, 2020 is difficult in practice. Therefore, it is allowed

If the entrepreneur reimburses the vouchers issued by him in the period from
From July 1, 2020 to August 31, 2020, the sales tax - insofar as the underlying sales are subject to the general tax rate - after the
June 30, 2020 to correct applicable tax rate of 19 percent. If vouchers are reimbursed after
August 31, 2020, sales tax must be adjusted in accordance with the general tax rate of 16 percent that will apply from July 1, 2020. If, in these cases, another entrepreneur benefits economically from the change in the assessment basis, this entrepreneur must correct his input tax deduction (section 17 (1) sentence 4 UStG). In this respect, the aforementioned simplification rule does not apply.

This does not affect the regulations in Section 22.6 Paragraphs 20 and 21 UStAE (cf. also margin no. 27) to make it easier to separate subsequent reductions in remuneration.

In the case of single-use vouchers, the decisive point in time for the taxation of the performance fiction is the issue of the issued entrepreneur to the customer. The later redemption of vouchers, ie the actual delivery or service provision, is no longer relevant for VAT assessment, as this is not considered to be independent sales.

3.4.3 Refund of deposit amounts

- 29 If an entrepreneur takes back empties and reimburses a deposit paid for this, the fee is reduced. The entrepreneur has to correct the sales tax owed in accordance with Section 17 (1) UStG. To avoid difficulties, the tax adjustment is permitted to be carried out using the following simplified procedure:

The entrepreneur reimburses deposit amounts in the period from July 1, 2020 to September 30, 2020, the value added tax is to be corrected if the underlying sales are subject to the general tax rate according to the general tax rate of 19 percent applicable until June 30, 2020. When refunding deposit amounts after September 30, 2020, the sales tax must be adjusted according to the general tax rate of 16 percent that will apply from July 1, 2020. In the three-month period, it is assumed that the inventory of goods enclosures changes four times a year. In the case of shorter or longer handling periods, the period at the beginning of the year in which the fee reductions are still to be taken into account at the tax rate of 19 percent must be reduced or extended accordingly, whereby the average handling period must be determined in the manner between the entrepreneur and the tax office.

3.4.4 Granting annual bonuses, annual reimbursements and the like

- 30th The increase in the general sales tax rate as of July 1, 2020 must also be taken into account when correcting the tax and input tax amounts in accordance with Section 17 (1) UStG if the fees for the services performed in one year are combined (e.g. through annual reimbursements, Annual bonuses, loyalty discounts and the like) are reduced and this period started before July 1, 2020 and ends after June 30, 2020 (eg from January 1, 2020 to December 31)

2020). Insofar as the joint fee reductions are granted for the sales executed up to June 30, 2020, the sales tax rates of 19 percent and 7 percent are to be used as a basis when applying Section 17 (1) UStG. On the share of the common fee reductions that affect the sales after

June 30, 2020 (e.g. from July 1 to December 31, 2020), the sales tax rates of 16 percent and 5 percent must also be applied for tax and input tax adjustments. According to Section 17 (4) UStG, the entrepreneur has to provide the relevant beneficiaries with a document showing how the joint fee reductions are distributed over the sales in the two periods in accordance with the applicable tax rates.

To simplify matters, the following can be used to distribute the common fee reductions:

1. The entrepreneur determines the relationship between his taxable persons

Turnover of the pro rata season periods before and after the cut-off date of July 1, 2020. According to this ratio, he divides the joint fee reductions that he grants to the individual beneficiaries for the year beyond July 1, 2020.

2nd Are the sales of the entrepreneur partly subject to the general, partly to the

tax rate, the ratio between the non-beneficiary and the beneficiary sales is determined either for the total annual period extending beyond July 1, 2020 or for the two prorated periods separately. The entrepreneur distributes the joint price reductions granted to the individual beneficiaries according to this sales ratio among the various tax rates.

3rd Annual reimbursement for the entire calendar year 2020 can be 50% (January

until June) with 7% or 19% and 50% (July to December) with 5% or 16%, regardless of when the underlying sales were carried out.

When correcting the input tax deduction, the recipient of the service must assume the distribution of the joint fee reductions based on the various tax rates that the entrepreneur has undertaken and specified in the document to be issued pursuant to Section 17 (4) UStG. 31

There is also no objection if an entrepreneur refrains from dividing the joint fee reductions and uses the tax correction pursuant to Section 17 (1) sentence 1 UStG without exception at the general tax rate of 19 percent. The beneficiary must then proceed accordingly when correcting the input tax deduction in accordance with section 17 (1) sentence 2 UStG.

3.5 Taxation of telecommunications services

- 32 Telecommunication services (e.g. telephone services) are to be included in the permanent services if they are based on contracts that are concluded for an indefinite period or for a minimum period (usually between six and 24 months) and provide for periodic billing periods. According to margin no. In these cases, 24 partial services are to be recognized that are considered to have been rendered at the end of the agreed billing period. If July 1, 2020 falls within the agreed billing period, there is no objection to setting up an additional billing period that ends on June 30, 2020.

33 The supply of electricity, gas and heat by utilities to tariff buyers is billed according to meter reading periods (e.g. quarterly). If the meter reading periods do not end on June 30, 2020, but between a time between July 1, 2020 and December 31, 2020, deliveries for the entire meter reading period are basically the general sales tax rate of 16 percent applicable from July 1, 2020 to subjugate. This does not apply if the deliveries made within the reading periods before July 1, 2020 are billed separately in accordance with the underlying delivery and contract conditions. In this case, deliveries made before July 1, 2020 are subject to the general sales tax rate of 19 percent regardless of the expiry of the - otherwise usual - metering period. In terms of VAT, there are no objections to making these settlements for tariff customers in such a way that the results of the meter reading periods in which the key date July 1, 2020 falls are divided between the days before and from the key date. If the reading period is longer than three months, the utility company must always carry out a weighting when dividing up so that the consumption differences in the periods before and from the cut-off date are taken into account accordingly. If there are no significant differences in consumption, the weighting can be dispensed with with the approval of the tax office. 34 July 2020 falls between the days before and from the reporting date. If the reading period is longer than three months, the utility company must always carry out a weighting when dividing up so that the consumption differences in the periods before and from the cut-off date are taken into account accordingly. If there are no significant differences in consumption, the weighting can be dispensed with with the approval of the tax office. 34 July 2020 falls between the days before and from the reporting date. If the reading period is longer than three months, the utility company must always carry out a weighting when dividing up so that the consumption differences in the periods before and from the cut-off date are taken into account accordingly. If there are no significant differences in consumption, the weighting can be dispensed with with the approval of the tax office. 34 If there are no significant differences in consumption, the weighting can be dispensed with with the approval of the tax office. 34 If there are no significant differences in consumption, the weighting can be dispensed with with the approval of the tax office. 34 To avoid transition difficulties, the tax offices can, on request, allow a simplified accounting procedure for those utilities that use a manual, direct collection procedure for their tariff customers. Insofar as this collection procedure reads off tariff customers with the same meter reading periods at different times and the meter reading periods are distributed differently around July 1, 2020, a medium meter reading time can be used to compensate for the different meter reading times for the last meter reading before July 1, 2020 be formed. 35

The invoices to the tariff customers are to be issued according to the results determined in accordance with the above principles. Subsequent remuneration adjustments and changes in the distribution of deliveries made in accordance with the above principles are to be taken into account for sales tax purposes.

3.7 Taxation on passenger transport

3.7.1 Passenger transport in rail traffic, in regular traffic with motor vehicles and in traffic with trolleybuses

36 Revenue from the sale of single tickets and season tickets that are valid until the end of the last operating day of June 2020 (the operating day June 30, 2020 often ends after midnight), provided that the transport services are subject to the general sales tax rate, the sales tax rate of 19 percent applicable until June 30, 2020 can still be applied.

Income earned from sales of tickets for transport services before July 1, 2020 can be provided that the tickets are valid for longer than June 30, 2020 is sufficient to divide the estimates into those performed before July 1, 2020 and after June 30, 2020. 38

The regulations of the BMF letter of January 21, 2020 (BStBl. I p. 197) apply accordingly.

3.7.2 Passenger transport by taxi and in rental car traffic

39 Taxi and rental car companies can use the earnings from the night shift of June 30, 2020 to July 1, 2020 for promotions subject to the sales tax rate applicable from July 1, 2020. This does not apply if invoices are issued that show the sales tax in the amount of the sales tax rates applicable until June 30, 2020.

3.8 Taxation of sales of sales representatives

40 The service of the commercial agent is subject to the general sales tax rate of 16 percent applicable from July 1, 2020, if the fee agreement is based on §§ 87 ff HGB, if the represented entrepreneur (client) delivers the delivery or other service to the Customers after June 30, 2020.

3.9 Taxation of sales by brokers

41 The service of the broker is carried out at the time the final grade is given (§ 94 HGB). If the final grade is given after June 30, 2020, the general sales tax rate of 16 percent applicable from July 1, 2020 must be applied to the placement service.

3.10 Taxation of sales in the hospitality industry when changing to the lower general sales tax rate

42 To avoid transitional difficulties, it is permitted that catering services (e.g. delivery of food and beverages for consumption on the spot, tobacco goods deliveries, etc.) in the night from June 30, 2020 to July 1, 2020 in restaurants, hotels, Clubhouses, sausage stands and similar establishments, the sales tax rate of 16 or 5 percent applicable from July 1, 2020 will be applied. This does not apply to accommodation and the related services.

3.11 Exchange of items

When an item is exchanged, the original delivery is canceled. A new delivery takes its place. If an item delivered before July 1, 2020 is exchanged after that date, the delivery of the replacement item, if subject to the general sales tax rate, is subject to the sales tax rate of 16 percent applicable from July 1, 2020.

4th **VAT rate increased as of January 1, 2021**

44 Unless otherwise agreed below, the aforementioned regulations apply accordingly for the increase in sales tax rates from 16 percent to 19 percent and from 5 percent to 7 percent as of January 1, 2021. 45

Treatment for actual taxation

According to Section 27 Paragraph 1 Sentence 3 UStG, the additional sales tax owed for the fees and partial fees received before January 1, 2021 must be calculated and paid for the pre-registration period in which the service or partial service is carried out. In addition, to simplify matters, the additional sales tax owed for the partial payment received before January 1, 2021 is calculated and paid for the pre-registration period in which the remaining payment is collected. The entrepreneur collects the remainder after the

December 31, 2020 in several installments, he can calculate and pay the sales tax, insofar as it still applies to the installments received before January 1, 2021, for the pre-registration period in which the last installment is received. 46

Sales tax and input tax deduction for the settlement of partial fees received before January 1, 2021 for services performed after December 31, 2020

Für steuerpflichtige Leistungen oder Teilleistungen, die nach dem 31. Dezember 2020 ausgeführt werden und für die nach dem 30. Juni 2020 und vor dem 1. Januar 2021 Rechnungen mit gesondertem Steuerausweis erteilt werden, ist die Umsatzsteuer nach dem Umsatzsteuersatz von 16 Prozent bzw. 5 Prozent zu berechnen. Unter den oben genannten Voraussetzungen kann in einer Restrechnung die für die vor dem 1. Januar 2021 vereinnahmten Teilentgelte geschuldete weitere Umsatzsteuer (zwei Prozentpunkte beim ermäßigten Steuersatz, drei Prozentpunkte beim regulären Steuersatz) zusätzlich angegeben werden (vgl. Rz. 12). Die weitere Umsatzsteuer, die auf die im Voraus vereinnahmten Teilentgelte entfällt, ist grundsätzlich für den Voranmeldungszeitraum anzumelden und zu entrichten, in dem die Leistung oder Teilleistung erbracht wird (vgl. Rz. 6). Der Vorsteuerabzug kann insoweit vom Leistungsempfänger beansprucht werden, sobald die Leistung ausgeführt ist und die Endrechnung oder Restrechnung vorliegt. Wird der Steuerausweis in den Rechnungen, die über die vor dem

Partial fees received on July 1, 2020, corrected after June 30, 2020 due to the reduction in sales tax, the adjustments to the sales tax owed for the partial payments and, if applicable, the input tax deduction must be made for the pre-registration period in which the entrepreneur corrects the tax ID. In principle, this also applies if the entrepreneur makes a claim for compensation in accordance with Section 29 (2) UStG at the same time as the tax ID is corrected and recalculates the additional VAT amount. In this case needs

It is a further correction of the VAT calculation and input tax deduction if the retroactive amount is paid later, rather than in the pre-registration period for the tax ID correction. 47

Sales taxation and input tax deduction for the provision of advance invoices for services performed after January 1, 2021 No payment received before January 1, 2021

The explanations under margin no. 10 apply accordingly to advance calculations which are issued before January 1, 2021 and for which the service is rendered after December 31, 2020. In these cases, the sales tax must be stated according to the sales tax rates of 19 percent and 7 percent, respectively.

Sales tax calculation and calculation of the assessment bases and fee reductions

As of January 1, 2021, the standard tax rate of 19 percent will be increased by 1.19 for the increase in sales tax rates and the divisor 1.07 will apply to the reduced tax rate. 48

Changes in the assessment bases

For a reduction or increase in the tax base for a before January 1, 2021 taxable turnover executed within the meaning of section 1 (1) no.1 UStG, taxable intra-Community acquisition within the meaning of section 1 (1) no.5 UStG or taxable turnover within the meaning of section 13b UStG (e.g. by discount, discount or other price reduction or by subsequent calculation) the margin no. 26 and 27 apply accordingly to the increase in sales tax rates effective January 1, 2021.

This letter will be published in the Federal Tax Bulletin Part I and is now available for download for a transition period on the website of the Federal Ministry of Finance (<http://www.bundesfinanzministerium.de>) under the heading Taxes - Publications on Tax Types - Sales Tax. On behalf