



Stumbling blocks of the VAT rate increase

As you know, new VAT rates have been in force since January 1, 2024. These are: standard VAT rate 8.1 % (previously 7.7 %), reduced rate 2.6 % (previously 2.5 %) and special rate for accommodation services 3.8 % (previously 3.7 %) as well as various changes under the net tax rate and lump-sum tax rate regime. In many cases, a VAT rate change is unproblematic and is implemented to the extent that the VAT rates on the invoices are adjusted. However, there are also constellations that are not quite so easy to handle and have different accounting and contractual effects depending on the specific case.

The time at which the service is provided is decisive for determining the applicable tax rate. However, the date of invoicing or the date of receipt of payment determines in which VAT return the corresponding turnover is to be declared.

Typical stumbling blocks for sales, reverse charge and input tax

Typical difficulties with VAT rate changes are, for example, periodic services (subscriptions), advance payments for services provided at a later date, partial payments for services

that are provided gradually or service bundles. However, the treatment of cash discounts, sales bonuses and rebates or returns and (partial) cancellations must also be checked for correct booking and declaration from the perspective of the VAT rate change. In addition, the VAT rate change has a particular impact on rental and lease agreements or commission transactions.

Certain difficulties due to the rate change can also arise with regard to reverse charge tax. Even on the sole input tax side,

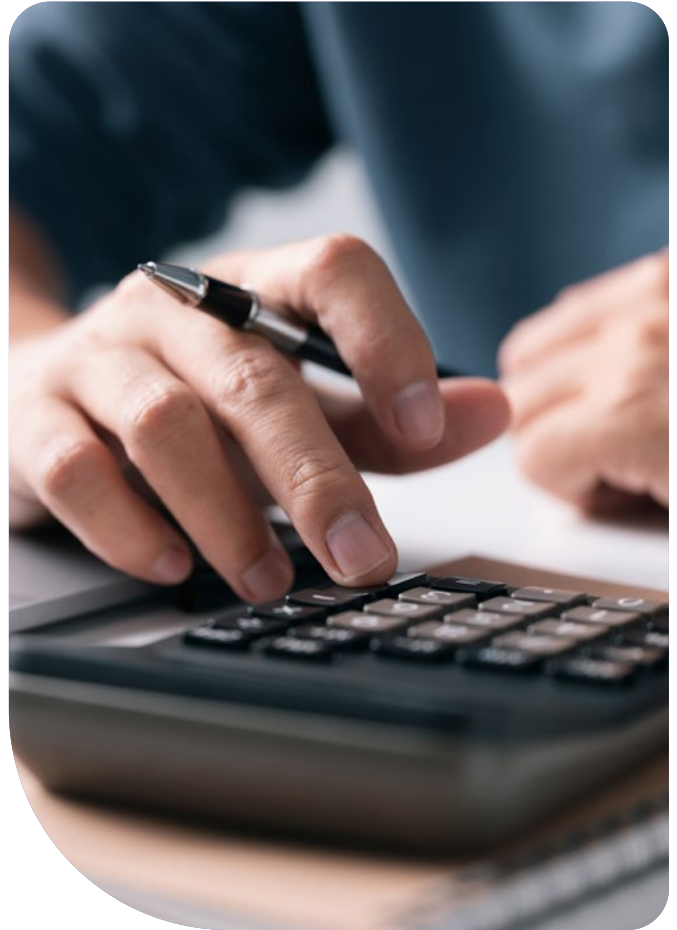
the rate change is not always straightforward, for example if the input tax is automatically calculated by accounting software without checking the VAT actually passed on. Apart from this, input tax deduction is only permitted in any case within the scope of business activities in the taxable area and to the extent that this input tax is ultimately paid.

Possible risks and current need for action

With a view to subsequent VAT audits, it is worth checking and ensuring that the VAT rate increase as of January 1, 2024 has been implemented in a VAT-compliant manner in all relevant accounting and contractual aspects. According to administrative practice, the higher VAT rate is generally owed on the entire proceeds if no VAT-compliant differentiation between the previous and new VAT rate has taken place. In addition to the after payment of initially incorrectly paid taxes, interest on arrears is also regularly due, which since January 1, 2024 is now 4.75 % (previously 4.0 %).

It should also be mentioned that a retrospective shift of retrospectively determined higher VAT is usually associated with difficulties. Therefore, the taxable entity should ensure as soon as possible that the VAT rate change has been correctly implemented for its specific business transactions in terms of accounting, contracts and invoices in order to avoid undesirable later cost consequences. This can be done, for example, when preparing the annual financial statements, during which individual transactions can be examined more closely. Corrections to VAT statements for tax years that are not time-barred or have otherwise become legally binding are possible at any time.

Grant Thornton Switzerland/Liechtenstein will be happy to advise your company on questions regarding the VAT-compliant implementation of the VAT rate change. We look forward to hearing from you.



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