

TAX MEASURES CONCERNING VAT

- April 7, 2020 -

To deal with the economic, financial and social consequences of the spread of the COVID-19 epidemic, the government has put in place exceptional measures allowing companies experiencing difficulties to postpone certain tax deadlines.

Although VAT is expressly excluded from these exceptional measures, the Directorate General of Public Finance has temporarily authorised businesses to assess the VAT amounts declared on a flat-rate basis.

NO DEFERRAL OF PAYMENT OR REFERRAL OF TAX CONCERNING VAT

It is reminded that only direct taxes can be the subject of deferred payment or, where appropriate, a request for remission. Also, no deferral of payment or remission of VAT duties can be granted to businesses.

Thus, the monthly VAT return for the month of March must be filed between 19 and 24 April, depending on the region.

We remind you that failure or delay in filing the VAT return may result in automatic taxation for the period corresponding to this return and the application of late payment interest and a 10% increase in duty.

Furthermore, simple delay in payment of the tax due will result in the application of interest for late payment and a 5 % increase in the amount of the sums whose payment has been deferred.

MATERIAL IMPOSSIBILITY OF ESTABLISHING THE VAT DECLARATION IN THE MONTH OF MARCH

Due to current events linked to the COVID-19 epidemic, some companies may find it impossible to draw up their monthly VAT return for the month of March (accounting for all invoices, gathering all the documents, etc.).

In view of this situation, businesses may be able to make use of the tolerance provided for during periods of paid holidays, i.e. the payment of an advance of 80% of the estimated VAT for the month of March.

The administration points out, however, that a limited margin of error is tolerated: the amount of the deposit thus paid may not be more than 20% less than the amount actually due.

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SIGNIFICANT DROP IN ACTIVITY RECORDED IN THE MONTH OF MARCH

For the only companies that have experienced a drop in turnover due to the COVID-19 epidemic, the tax authorities exceptionally authorise the payment of a flat-rate VAT deposit, calculated on the basis of the amount of tax declared for the previous months.

Businesses may make a flat-rate advance payment of 80% of the VAT amount declared for February or, if they have already made a down payment for the previous month, a flat-rate advance payment of 80% of the VAT amount declared for January.

For businesses which have been totally closed since mid-March or whose activity is in sharp decline (justification for a 50% or more drop in turnover), the amount of the flat-rate deposit is 50% of the amount of tax declared for the previous months.

FORMALITIES TO BE CARRIED OUT ON THE VAT DECLARATION OF MARCH

When drawing up the declaration for the month of March, the amount of the deposit should be mentioned on line 5B of the declaration «Sums to be added, including holiday pay» of the gross VAT framework.

Within the framework reserved for «Express mention» correspondence, the Administration should also be informed of the payment of the deposit and the methodology used:

For example: «Down payment Covid-19: Flat rate 80% of month M».

The regularisation must be made on the declaration for the month of April, or if the containment period is extended and makes it impossible to declare a regularisation on that date, on the declaration for the following month.

At the time of the declaration of regularisation, the latter must cumulate the elements relating to the past month with those of the previous month(s) which were the subject of advance payments.

The sum of the down payments paid for the previous months must be charged and mentioned on line 2C «Amounts to be charged, including holiday pay» of the deductible VAT framework.

ORCOM remains in contact with the contacts at the Directorate General of Public Finance and is at your disposal to provide you with the best possible support during this period.

The Tax Department