

# Indirect Tax Services

## Newsletter



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This newsletter refers to the new rules which will come into force from 01 January 2019 and relate to the VAT treatment of vouchers issued after 31 December 2018.

On 27 June 2016, the Council of the EU adopted a directive in relation to the VAT treatment of vouchers which aims to clarify and harmonise the EU rules on the VAT treatment of vouchers throughout the EU. The new directive amends the VAT Directive (Directive 2006/112/EC) and needs to be implemented in the Members States' national legislation. The Member States will have until 31 December 2018 to transpose the provisions of the new directive into national laws and regulations.

### ***Who will be affected from the new rules?***

The changes will affect retailers, telecom providers and any businesses which buy and sell vouchers.

### ***The current VAT treatment of vouchers under the Cypriot VAT legislation***

Under the current rules of the Cypriot VAT legislation, generally, a taxable supply occurs when a voucher is redeemed to acquire goods or services. Therefore the VAT is due when the voucher is redeemed rather than when the voucher is issued.

### ***New rules as from 01 January 2019***

The new rules are applicable only to vouchers which can be used for redemption against goods or services and are issued after 31 December 2018. According to the new rules, different VAT treatment applies for "Single Purpose" vouchers and "Multi-Purpose" vouchers.

### ***"Single-Purpose" vouchers***

A "**single-purpose**" voucher means "*a voucher where the place of supply of the goods or services to which the voucher relates, and the VAT due on those goods or services, are known at the time of issue of the voucher*".

This could simply mean that "single-purpose" vouchers can be redeemed for a particular good or service, of which the VAT due on that good or services is known in advance.

According to the new rules of the Directive, in respect to "single-purpose" vouchers, the **VAT must be accounted for at the point of issue/consideration received by seller.**

## "Multi-Purpose" vouchers

A "multi-purpose" voucher means "a voucher, other than a single-purpose voucher".

This could simply mean that "multi-purpose" vouchers can be redeemed for different type of goods or services for which the applicable VAT treatment is not known at the time of the issue.

The new rules of the Directive state that for "multi-purpose" vouchers, the VAT is accounted by the supplier at the time of redemption of the goods or services.

## Summary of New Rules

The new rules of the Directive, which will come into effect from 01 January 2019 are summarised as follows:

Transaction	Current Rules	New Rules with effect from 01 January 2019
Single-Purpose Voucher "SPV"	No differentiation between "SPV" and "MPV" - VAT is accounted for when the voucher is redeemed	VAT is accounted for at the point of issue
Multi-Purpose Voucher "MPV"		VAT is accounted for on redemption of voucher

## How can PwC assist:

The dedicated team of VAT specialists at PwC is ready to review the impact these rules will have on your business and to assist you to implement proper mechanisms to correctly account for VAT depending on the type of voucher your business will issue.

## Your contacts for Indirect Tax matters in PwC Cyprus:

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