

THE VAT EXEMPTION, REVERSE CHARGE AND A12



WHAT IS VAT?

The Value Added Tax or VAT is an indirect tax on consumption. It is a tax instituted in principle in France by the law of April 10, 1954.

VAT is not collected directly by the state. It is a tax which is added to the price of all the products which are subject to it, that is to say almost all.

It is therefore the seller of the product or service who collects the VAT from his customers and who is then responsible for paying it back to the State.

In order to prevent the same product from being taxed several times during successive purchase and resale operations, such as between a wholesaler and a retailer, a system of deduction of VAT paid by companies is put in place. It thus allows businesses to deduct from the sums to be returned to the State the amount of VAT they have paid on their purchases.

Only the final consumer bears the VAT.

AT WHICH PRICE ?

Standard rate: 20%, it concerns the majority of products and services.

Intermediate rate: 10%, it concerns catering, the sale of prepared food products or transport.

Reduced rate: 5.5%, it concerns basic necessities.

Special rate: 2.1%, it concerns the press, drugs reimbursed by Social Security, certain shows and television license fees.

In the French overseas departments and territories, the rate applied to services is 8.5%.

EXPORT EXEMPTION

Article 262 of the CGI exempts the deliveries of goods shipped or transported by the seller or on behalf of outside the European Union as well as the provision of services directly related to export.

This exemption also concerns the pre-routing of goods to the main international transport. This exemption is justified by the customs declaration in JS status, the commercial invoice, the waybill which can be used to justify the exit from the territory to the General Management taxes.

IMPORT EXEMPTION

Calculation of the tax base

The value to which the tax rate will be applied is called Statistical Value. The Statistical value corresponds to the value of the goods at the entry of the French tax territory.

In order to simplify the calculation method, this is the value of the goods at their first known destination in the tax territory for example Roissy Charles de Gaulle, Le Havre, etc ...

Statistical value = Value of goods + Value of transport to the first point of entry into the fiscal territory. Any transaction prior to the arrival of the goods in the tax territory is exempt from VAT. The customs service collects the tax payable upon importation.

EXEMPTION SUSPENSIVE CUSTOMS PROCEDURE

Services directly linked to the placement of the property under a customs procedure are exempt in application of 2° of III of article 291 of the CGI. This exemption is justified by the customs declaration, the commercial invoice, the waybill which makes it possible to justify the placement in suspensive regime with the General Directorate of taxes.

EXEMPTION INTERNATIONAL REMOVALS

Removal operations to third countries or territories are exempt in accordance with the provisions of I of article 262 of the CGI. This exemption is justified by the customs declaration, the transfer order, the waybill which makes it possible to justify the placement in suspensive regime with the General Directorate of Taxes.

EXEMPTION EUROPEAN UNION

The place of taxation of services between professionals subject to VAT is the one where the lessee (the buyer) is located. When the service provider is not established in the same State as the policyholder, it must invoice its service exclusive of tax. The lessee, for his part, pays VAT to his tax administration. When selling a service in the European Union, it is mandatory to file a European service declaration (DES) on the pro-customs site. When selling goods in the European Union, it is mandatory to file a declaration of exchange of goods (DEB) on the pro-customs site.

EXONERATION EUROPEAN UNION

The buyer is located outside the European Union and is subject to VAT invoicing of the service is then established exclusive of tax with the mention "reverse charge"

ACCOUNTING PRESENTATION

A12:

In order to avoid cash advances for exporters, article 275 of the General Tax Code authorizes them to acquire (on the domestic market) or to import free of VAT the goods they are intended for export. Within the limit of the amount of export deliveries made during the previous year. To benefit from the provisions of article 275 of the CGI on importation, the interested parties must produce in support of each declaration of release for consumption an import notice A12 in duplicate previously approved by the tax service.

Reverse charge:

For the importation into France of goods from countries outside the European Union, VAT is collected by the customs service during customs clearance. A business may not pay VAT immediately thanks to the reverse charge of the VAT due on importation (VATI). Subject to prior authorization, the reverse charge of the VATI makes it possible to no longer pay the VAT in support of the import customs declaration, but to carry the amount of the tax on its periodic CA3 declaration.