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Relaxation of the timing of issuing VAT invoices

Long awaited guidance from the Director General of Taxes (DGT) regarding VAT invoices was finally issued on 3 August 2011 in the form of Circular Letter No.SE-50/PJ/2011 (SE-50), which provides clarification and certainty on the times at which Value Added Tax (VAT) invoices must be issued, under articles 11 and 13 of Law No.42/2009 (VAT Law).

In general, VAT collection is based on the accrual principle, whereby VAT must be collected at the time of delivery of taxable goods or services. The term delivery, in this case, is defined as the time when risk and ownership of goods have been transferred or when income from a service delivery can be reliably estimated or measured. In the accrual system, income or receivables are acknowledged when a transaction takes place, regardless of whether the transaction has been paid for or not. The recognition of revenue or receivables is indicated by the issue of a commercial invoice, which is a source document for this recognition and a basis for recording it.

SE-50 specifically laid down examples of the time of delivery for each type of taxable goods and services, i.e. the delivery of movable and immovable tangible goods, the delivery of intangible goods and the delivery of taxable services. Examples of the time at which a combined VAT invoice must be issued in relation to deliveries made to the same recipient during one calendar month is also provided in this regulation, as set out below.

No.	Period of usage/ delivery of taxable services	Period of revenue recognition	Timing of revenue recognition	Issue of commercial invoice	Deadline to issue VAT invoice
1a	1 – 30 June 2011	1 – 30 June 2011	June 2011	30 June 2011	30 June 2011
1b	1 – 30 June 2011	1 – 30 June 2011	June 2011	5 July 2011	5 July 2011
1c	1 – 30 June 2011	1 – 30 June 2011	June 2011	31 July 2011	31 July 2011
2	26 May – 25 June 2011	26 May – 25 June 2011	June 2011	6 July 2011	6 July 2011
3	16 May – 15 June 2011	16 May – 15 June 2011	May 2011	20 June 2011	20 June 2011
4	16 May – 15 June 2011	16 May – 15 June 2011	June 2011	20 June 2011	20 June 2011
5	16 May – 15 June 2011	16 – 31 May 2011	May 2011	31 May 2011	31 May 2011
		1 – 15 June 2011	June 2011	15 June 2011	15 June 2011

A VAT invoice does not have to be separate from the commercial invoice. The VAT invoice may be in the form of a commercial invoice or a particular document designated as a VAT invoice by the DGT.

SE-50 also confirms that a VAT invoice shall be issued at the time of:

- the receipt of a term payment of a delivery of partial work, in relation to the delivery of taxable goods or services that are finished within a particular period; and
- when a taxable entrepreneur sends an invoice, in relation to the delivery of taxable goods or services to a government treasury as VAT Collector.

Confirmation of regulations for export of services that attract 0% VAT

On 3 August 2011, the DGT issued a Circular Letter No.SE-49/PJ/2011 (SE-49) which provides guidance to tax officers on the implementation of Minister of Finance (MoF) regulations No.70/PMK.03/2010 (PMK-70) and No.30/PMK.03/2011 (PMK-30) regarding VAT on export of services. Please refer to our TaxFlash No.03/2010 and No.03/2011 for our articles on the MoF regulations.

SE-49 confirms that zero-rated VAT is only applicable to the three types of services stated in PMK-70:

- toll manufacturing services;
- repair and maintenance services which are attached to services or movable goods utilized outside the Customs Area; and
- construction services which are attached to services or immovable goods located outside the Customs Area.

Other than the services listed in PMK-70, services provided to customers outside of the Customs Area are:

- considered as locally delivered, if performed within the Customs Area, and are therefore subject to the regular VAT rate of 10%; and
- considered beyond the scope of the VAT Law, and hence not subject to VAT, if performed outside of the Customs Area.

SE-49 also confirms the contents of PMK-30, which specifically amends the definition of toll manufacturing services and provides that the Input VAT relating to the goods manufacturing can be credited by the exporter of the toll manufacturing services.

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