

Value added tax

The sales tax is also called value added tax. It taxes the turnover of entrepreneurs who export within the country. The tax debtor is the entrepreneur. There are exceptions to this rule.

Competent Department

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Basic information

The turnover tax is economically to be classified as an excise duty. It is designed to be borne economically by the consumer (end user). However, the obligation to calculate and pay the sales tax to the tax office is not the responsibility of the individual consumer, but of the entrepreneur. On the other hand, entrepreneurs have the possibility to reclaim the VAT invoiced to them by other entrepreneurs as input tax from the tax office when they receive services for their business, so that the entrepreneurs are not economically burdened with VAT. This possibility of input tax deduction depends on the type of economic activity.

The turnover is taxed if no tax exemption applies. Turnover includes

- Deliveries (e.g. sales of goods) and
- other services (e.g. consultancy services, repair work, renting and leasing),
- intra-Community acquisitions (e.g. purchases of goods from other EU Member States),
- free of charge.
- import of goods (handling of taxation by customs)

Tax exemptions are only possible under certain strict conditions, and in some cases separate certificates are required.

The general VAT rate (= standard tax rate) is 19 % and the reduced tax rate is 7 %. The VAT is calculated by applying the respective tax rate to the so-called assessment basis.

The debtor of the turnover tax is always the entrepreneur. However, VAT is only levied if the entrepreneur is not a so-called small business.

Procedure

As a rule, traders must submit VAT return forms electronically for a monthly or quarterly return period during which they must calculate the VAT themselves. The calculated tax is to be declared and paid to the tax office as an advance payment by the 10th day after expiry of the advance return period (due date). After the end of each calendar year, an annual VAT return must always be submitted by 31 May of the following year. From the 2011 taxation period onwards, the annual VAT return must also be submitted electronically.

Legal bases

- [Umsatzsteuergesetz \(UStG\)](#)

More information

The federal and state tax administrations have developed a procedure for the electronic transmission of tax return data (ELSTER) to the tax offices. The free software ElsterFormular is available for the sales tax return and the advance sales tax return.

You also have the option of submitting the advance VAT return in the ElsterOnline portal.

What deadlines must be paid attention to?

The advance return for VAT must be submitted electronically by the 10th day after the end of the advance return period (calendar month or calendar quarter). The advance payment is due on the 10th day after the end of the advance return period.

The annual VAT return must be submitted in paper form by 31 May of the following year or electronically as of the 2011 taxation period.

The entrepreneur is obliged to submit a VAT return for each calendar year. In doing so, it must be calculated itself whether and how much turnover tax is to be paid or whether a surplus of input tax arises. With this declaration of the annual tax, the advance VAT returns already submitted are summarised and, if necessary, corrected. In principle, the entrepreneur is legally obliged to transmit the advance return for VAT to the tax administration electronically.

Frequently asked Questions

- **What are the tax rates?**

The general tax rate, to which most sales are subject, is 19 percent, and the reduced tax rate is 7 percent. The two tax rates are specified in § 12 UStG (http://www.gesetze-im-internet.de/ustg_1980/_12.html).

- **To which services is the reduced tax rate applied?**

The reduced tax rate applies in particular to the supply, import and intra-Community acquisition (purchase from other EU countries) of many foodstuffs. Almost all beverages, as well as numerous restaurant sales, are exempt. Ready-to-eat meals can be supplied both as part of a supply taxed at a reduced rate, if applicable, and as part of another service not taxed at a reduced rate.

In particular, the following products and services are taxed at 7 percent:

- many agricultural products
- many books, newspapers and magazines
- some medical and nursing goods (e.g., wheelchairs, prostheses, and other "body substitutes")
- self-created works of art (e.g., personal drawings, paintings, and sculptures).
- dental services
- entrance fees for cultural events
- services provided by charitable, benevolent and church institutions
- local public transport for journeys of up to 50 km
- short-term overnight stays
- entrance fees for swimming pools
- the granting, transfer and exercise of rights arising from copyright law
- film screenings

A detailed list of all goods that are taxed at a reduced rate can be found in Annex 2 to Section 12 (2) of the VAT Act (http://www.gesetze-im-internet.de/ustg_1980/anlage_2.html).

The above list can only provide a rough overview of the goods and services concerned. Since the distinction between reduced and general tax rates is very detailed in detail, the legal basis should be checked again in any case before invoicing at the reduced tax rate (if necessary, please consult a tax advisor).