

First international workshop on "E-tax & FinanzOnline: An international view on e-taxation"

Special Features of the New VAT Scheme in Electronic Commerce

Prof. Dr. R.Petrauskas, Assoc. prof. Dr. D.Šttilis, Dr. I.Rotomskis
(Mykolas Romeris University, Lithuania)

EU competence

- n **direct taxation** doesn't belong to EU competence.
- n **indirect taxation** belongs to EU competence and most of its legal regulation is based on imperative legal principles.
 - n Sixth Council Directive of VAT (77/388/EEC)
 - n the scheme of levying VAT on electronically-provided services.

The basic models of electronic commerce

- n business to business** – provision of services to taxables entitled to a VAT statement (approx. 80% of market)
- n business to consumer** – the provision of services to an end-user (approx. 20% of market)

Electronic service provision - business to business (B2B)

Services supplier place	Buyer place	Taxation place
<i>Lithuania</i>	<i>Lithuania</i>	<i>Lithuania</i>
<i>Lithuania</i>	Other EU member state	Other EU member state
<i>Lithuania</i>	Non EU member state	No obligation
Other EU member state	<i>Lithuania</i>	<i>Lithuania</i>
Non EU member state	<i>Lithuania</i>	<i>Lithuania</i>

Electronic service provision - business to consumer (B2C)

Services supplier place	Buyer place	Taxation place
<i>Lithuania</i>	<i>Lithuania</i>	<i>Lithuania</i>
<i>Lithuania</i>	Other EU member state	<i>Lithuania</i>
<i>Lithuania</i>	Non EU member state	No obligation
Other EU member state	<i>Lithuania</i>	Other EU member state
Non EU member state	<i>Lithuania</i>	<i>Lithuania</i>

Special Scheme for Tax Arrangements Applicable for Electronically Supplied Services

It shall be applied only to those services which are electronically supplied by the non-established taxable person within the Community to non-taxable persons of different Member States. Therefore this scheme could be used by the suppliers of electronic services in USA, Japan, Russia, Australia, etc.

Electronic service provision - business to consumer (B2C)

Services supplier place	Buyer place	Taxation place
Non EU member state	<i>Lithuania</i>	<i>Lithuania</i>



VAT on E-Services



Home page

[Register](#)
[Information](#)
[Logon](#)
[Help](#)

Welcome to the Special Scheme

This is the home page for Value Added Tax on Electronic Services (VAT on e-Services), the Lithuanian web-site that focuses on VAT "Special Scheme" for all non-EU suppliers who carry out commercial transactions by means electronic equipments to consumers resident in the EU member countries.

Choose "[Register](#)" if you want to register to the Special Scheme.

Choose "[Log on](#)" if you already are registered and want to perform activities like update your registration data, submit a VAT declaration, change data in VAT declaration or cancel your registration.

Choose "[Information](#)" if you want more information about the the Special Scheme.

State Tax Inspectorate under the Ministry of Finance of the Republic of Lithuania

E - Mail: info@vmi.lt
Telephone: +37052687800
Fax: +37052125604
Address: Vasario 16-osios str. 15, Vilnius, Lithuania
URL: <http://www.vmi.lt>

© State Tax Inspectorate, 2003-2004



VAT on E-Services



- [Home page](#)
- [Register](#)
- [Information](#)
- [Logon](#)
- [Help](#)

VAT registration form



Below you can register for the VAT special scheme

Valid from *	<input type="text" value="(2006-02-13)"/>
Company name *	<input type="text"/>
Company address *	<input type="text"/>
Country *	<input type="text"/>
E-Mail *	<input type="text"/>
Company site address (URL) *	<input type="text"/>
Tax Number	<input type="text"/>
Contact person *	<input type="text"/>
Telephone *	<input type="text"/>

I confirm that I am not registered for VAT purposes in any Member State *

User Information



User name *	<input type="text"/>
Password *	<input type="text"/>
Repeat password *	<input type="text"/>
Language *	<input type="text"/>

* Required field

Reset

Submit

© State Tax Inspectorate, 2003-2004

Way to identify the buyer

business to business

(databases recording all EU legal entities registered as VAT payers)

- n visiting the internet site of European Commission (http://europa.eu.int/comm/taxation_customs/vies/en/vieshome.htm) or site of national State Tax Inspectorate;
- n telephoning national State Tax Inspectorate;
- n filing a written query at national State Tax Inspectorate (by classical mail, e-mail, fax).

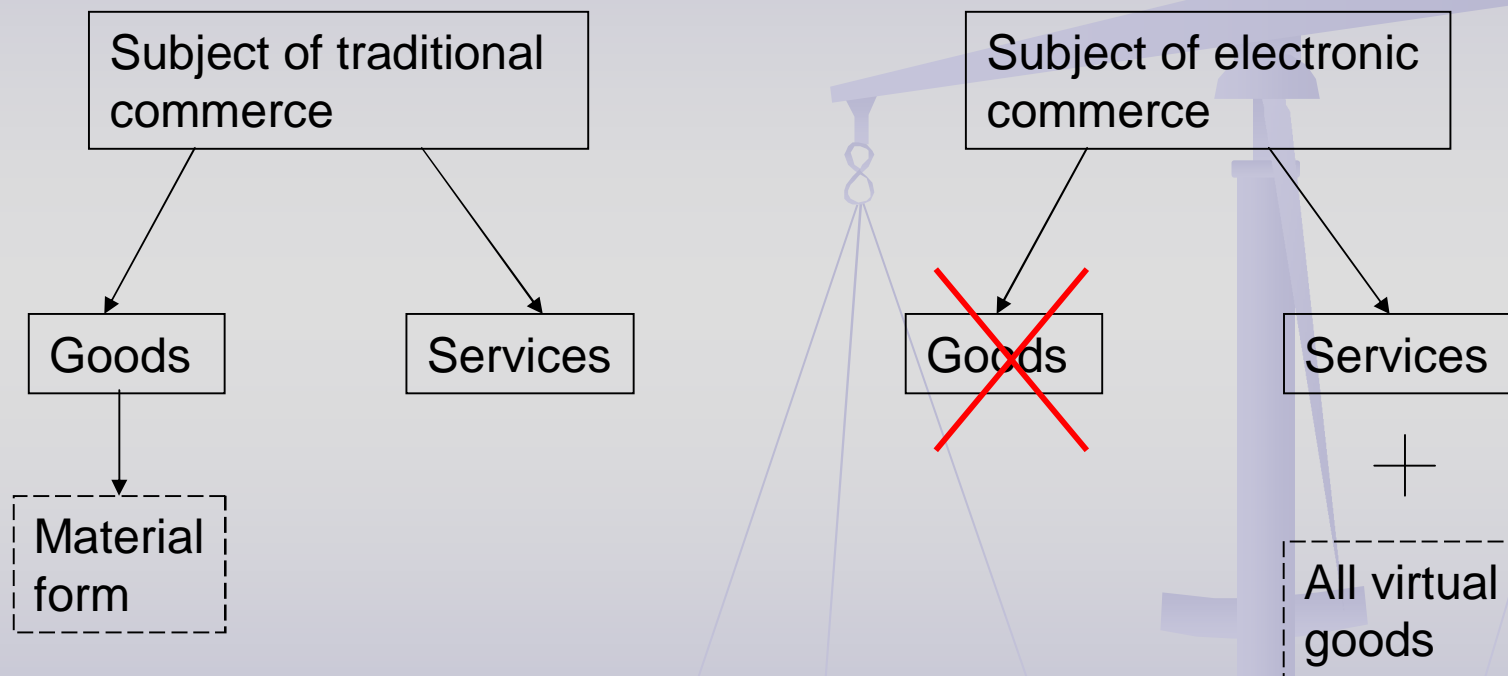
Way to identify the buyer

business to consumer

A vendor trading in the EU (as well as in Lithuania) shall proceed under the information provided by the natural person.

Therefore there is a possibility for a natural person to provide inaccurate information by giving a wrong country of residence.

Goods and services in electronic commerce taxation



Criteria to the electronically supplied services

- n services shall be provided by the internet or through another electronic network;
- n the character of services shall directly depend on information technologies (i.e. services are automated, there is only minimal dependence on human interference, they won't be able to be delivered without information technologies).

Conclusions

- n Modifications in the legal acts are necessary in order to create equal conditions to entities dealing in goods that are identical in terms of their contents, even if the form of expression of such goods differs
- n Legal acts should provide exactly the measures and the criteria on the grounds of which the provider of electronic services might judge what data and what ways of their acquisition are sufficient to secure the application of a definite value added tax rate used in one or other national state
- n Digital goods have to be attributable, in terms of value added tax, to the category of goods