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Correction of VAT overcharge only after repayment

The finance ministry has issued a decree following a Supreme Tax Court case to the effect that a VAT overcharge may only be corrected once the amount has been repaid to the customer.

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If a supplier overcharges VAT, he is liable to the tax office for the excess although the customer may not deduct more than the correct amount as input tax. With the agreement of the tax office, the supplier may issue a corrected invoice as a basis for recovery of the overpayment. Recovery is conditional upon there being no danger to tax revenue, which basically means the assurance that the customer has not deducted more than the correct amount of input tax. In 2008, the Supreme Tax Court added the further condition that the supplier must have repaid the excess amount to the customer. The finance ministry has now amended its VAT Implementation Decree accordingly.

Following this amendment, recovery of the excess from the tax office depends upon repayment to the customer. The tax office may give its approval for the issue of the corrected invoice before repayment. If, however, the final invoice amount remains unchanged, i.e. the supplier does not repay the overcharge, the VAT is recalculated at the correct amount based on the invoice total. This recalculation will lead to an increase in the deductible input tax for the customer, though only if a corrected invoice showing the new amount is issued.

Keywords

VAT overcharge, corrected invoice