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By PwC Deutschland | 14 August 2025

# Consequences of an unjustified VAT disclosure according to Section 14c German VAT Act

**In a recent judgment the Supreme Tax Court decided that the requirements for an invoice within the meaning of Section 14c (2) Value Added Tax Act (VAT Act) are fulfilled if the document contains the issuer of the invoice, the (presumed) recipient of the service, a description of the service, the remuneration, and information on the VAT shown.**

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## Applicable statutory regulation in the case of dispute:

**Section 14c VAT Act** deals with the incorrect or unauthorized VAT statement and, in paragraph 2, provides that any person who separately states a VAT amount on an invoice although he is not entitled to shall be liable for the amount stated. The same shall apply if someone

- issues invoices like a taxable person and separately states a VAT amount, or

- does not immediately object to a document created according to a previous agreement and issued as self-billing invoice that states separately VAT,

even though he is not a taxable person or does not carry out a supply of goods or services. The VAT amount owed according to sentences 1 and 2 may be corrected provided that **the risk of tax loss** has been eliminated.

## Background:

The case of dispute concerned the question of whether so called “letters of demand” with the VAT shown separately were to be regarded as invoices within the meaning of Section 14c VAT Act. The documents themselves did not contain any description of services but referred to offers made by the plaintiff or orders placed by the clients from which a connection to services provided by third parties (here: doctors) to the clients was apparent.

**In detail:** From 2014 to 2016 (the years in dispute), the plaintiff (a limited liability company - GmbH) conducted observational studies for pharmaceutical companies and worked for two clients (both limited liability companies). The plaintiff, who himself had not concluded any contracts with the doctors who participated in the studies, paid the doctors' fees on behalf of and in the name of the clients as agreed with the clients. For this reason, the plaintiff issued corresponding **credit notes to the doctors** separately stating the VAT amount.

The plaintiff submitted so-called “letters for demand” (for payment of outstanding fees) to its clients, each of which contained a serial “demand number,” a “quotation number” (offer) of the plaintiff, an “order reference” of the respective client, a brief description of the ‘project’ and a “delivery date,” as well as the separate VAT amount and asking for the money transfer to a separate “fee account”.

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The tax office took the view that the tax shown in the “letters for demand” was not justified and that the plaintiff owed the VAT in accordance with Section 14c (2) sentence 2 VAT Act.

In its appeal, the plaintiff alleged a violation of substantive law. Although its clients are not entitled to deduct input VAT from the “letters for demand” they should rather be entitled to a deduction from the credit notes issued to the doctors on their behalf and based on their instructions for the services rendered.

The Cologne Tax Court held the appeal to be unfounded.

**Decision:**

The Supreme Tax Court confirmed the decision of the Cologne Tax Court and dismissed the plaintiff’s appeal.

The requirements for an invoice within the meaning of Section 14c (2) Value VAT Act are fulfilled if the document contains the issuer of the invoice, the (**presumed**) recipient of the service, a description of the service, the remuneration, and information of the VAT shown.

Within the scope of Section 14c (2) VAT Act, references to other documents and additional information provided by the taxpayer must also be taken into account by the tax office.

**More to the point:** A document qualifies as an invoice within the meaning of Section 14c (2) VAT despite its redundant and conflicting information conveyed to the recipient that taxable services are being invoiced. Otherwise, it bears the risk of an incorrect and unjustified VAT disclosure.

According to established case law of the European Court of Justice (ECJ), Article 203 of the VAT Directive is intended to counteract the risk to tax revenue that could arise, among other things, from the right to deduct VAT. A supposed (abstract) risk - i.e., irrespective of any fault - is sufficient (ECJ, decision *Dyrektor Izby Administracii Skarbowei w Lublinie* v. of 30 January 2024 - C-442/22, para. 25). In this case, it was apparent that the invoices in question were issued for fraudulent purposes. The VAT amounts were indeed falsely invoiced to enable the recipients of those invoices fraudulently to obtain the right to deduct that VAT. Therefore, Article 203 of the VAT Directive in principle applies if VAT was wrongfully invoiced and there is a

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risk of a loss in tax revenue because the recipient of the invoice can assert his right for input VAT deduction.

## Source:

Supreme Tax Court decision of 19 March 2025 XI R 4/22 - published on 14 August 2025.

**Keywords**

incomplete invoice, incorrect VAT