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German Tax and Legal News

BMF clarifies VAT treatment of split transports

Split transport transactions can be treated as direct supplies to the final destination provided that the customer is already identified at the commencement of the shipment

In a circular dated December 7, 2015, Germany's Ministry of Finance (BMF) clarified the VAT treatment of cross-border supplies where the supplier and the recipient share the risks and costs of the transportation (i.e. split transport). The guidance applies to all open cases.

In the past, direct supplies involving a split transport have been subject to inconsistent treatment by the tax authorities: they either are treated as ending at the final destination of the goods or at the place where the goods are handed over to the purchaser. This can result in unharmonized VAT treatment of such supplies within Germany.

The BMF circular now clarifies that in a two-party transaction, a split transport supply should be treated as a direct supply to the final destination provided the customer can be determined at the commencement of the shipment and that the movement of goods takes place in direct connection with the supply and shows consistency. However, the BMF emphasizes that this treatment will not apply to chain transactions that still require a direct shipment without responsibility for transport being shared between the parties.

Taxpayers should consider reviewing the VAT treatment of similar situations, as well as related ERP system settings.

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