

VAT FINALIZATION

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Most companies have in the meantime submitted their 4th quarter 2017 VAT declaration to the Swiss Federal Tax Administration (SFTA), but the 2017 value added tax reporting obligation is not yet completed with this. The taxable person still has to reconcile the value added tax for the entire year as part of the so-called finalization.

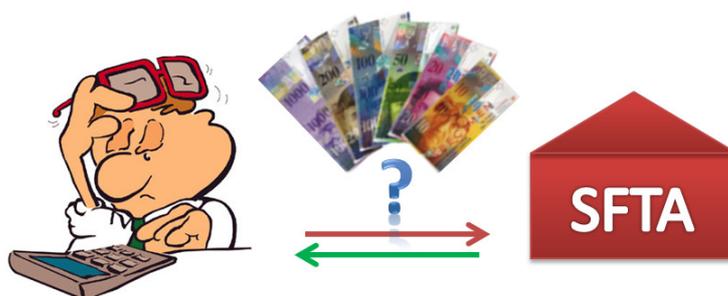
Correction of errors in the declarations

Article 72 paragraph 1 of the Value Added Tax Act requires that the taxable person must correct any errors in the submitted VAT declarations that are ascertained in the course of drawing up the annual accounts at the latest in the return for the reporting period, in which the 180th day after the end of the relevant financial year falls.

What does this mean for my company?

The following obligations arise from the above article in slightly simpler terms:

- X** Taxable persons must reconcile their VAT declarations with the annual financial statement (so-called finalization).
- X** Companies whose year end is December 31, 2017 must correct any ascertained differences with the corrective declaration (form 550 "year-end reconciliation") by August 31, 2018. Differences in favor of the SFTA must be submitted directly to its bank account. Credits in favor of the taxable person will be refunded.
- X** If no errors are ascertained in the reconciliation, no additional declaration has to be submitted.



Turnover and input tax reconciliation

The SFTA can request additional documentation from the taxable person, in particular within a VAT audit. This could among other things include the two reconciliations of the finalization:

- X** The **turnover reconciliation** must show how the VAT declarations were reconciled with the annual financial statement. In particular, it must show how all income is divided into taxable turnover, turnover from supplies exempt from the tax with and without credit as well as turnover from supplies provided abroad. The taxable turnover must also be allocated to the various tax rates.
- X** From the **input tax reconciliation** it must be apparent that the booked input tax was reconciled with the declared input tax. This can be documented with the help of input tax accounts or other records. In addition, it is recommended that a plausibility test of the claimed input tax is carried out with the bookkeeping. Any input tax corrections must also be checked within the input tax reconciliation.

What do I have to think about?

If the company has not submitted a corrective declaration within 240 days after the end of the financial year, the SFTA assumes that the submitted VAT declarations are complete and correct and that the tax period has been finalized. It is in principle possible from that date on that the company will be penalized due to tax evasion because of incorrect declarations at the expense of the SFTA.

If the taxable company ascertains any errors in the VAT declarations at a later point of time, it must of course make corrections despite the expiry of the mentioned deadline, as long as the tax claims for the respective tax period have not become legally valid yet or are time limited. The correction of prior tax periods qualifies as self-indictment. If the SFTA has not had any knowledge of the errors yet, even in case of a recurrence, the company will not be prosecuted if it supports the SFTA in establishing the tax payable or refundable and if it makes a serious effort in the payment of the tax payable.

We would be happy to help you with any questions you may have about VAT finalization. We look forward to your e-mail.

Best regards

