

**vat's important**

## Caution advised for cross-border deliveries

**Anita Machin** [anita.machin@primetax.ch](mailto:anita.machin@primetax.ch)

**Florian Hanslik** [florian.hanslik@primetax.ch](mailto:florian.hanslik@primetax.ch)

In this newsletter, we would like to address the constantly-recurring issues of specific VAT risks, of which both Swiss and foreign companies are generally unaware. One has to do with formalities in connection with imports, while the other deals with VAT implications for services under an installation agreement.

### Import tax and its recoverability

Import tax applies to all cross-border deliveries (except for transactions between the EU Member States). In general, this can be claimed back as input VAT within the filing of the VAT return. However, it is essential that the following conditions are met in order to guarantee the recoverability:

- ✗ the corresponding import documents must be available in the original format or, respectively, as electronic tax assessments notices correctly archived in XML format; and
- ✗ the correct company must be stated on the documents as the importer of record.

These conditions do not relate solely to those entities that have to comply with Swiss VAT. On the contrary, the appropriate requirements must be met in each individual country, or otherwise the import taxes cannot be reclaimed.

### Services under an installation agreement

In familiar terms, these involve services for installations, repairs and the like according to Swiss VAT law (and, in principle, in contrast to the EU). The place of supply is the one at which the finished installed or repaired final product is handed over to the purchaser. If a machine is delivered to Switzerland and installed here (i.e. becomes functional), a supply is deemed to exist implicating Swiss VAT. Swiss VAT must be charged for such an event. In the case of imports – upon availability of the final price and the purchaser at the border – not only the value of the imported goods, but also all (work) supplies associated with the installation must be used as the value for the calculation of the import tax.



### What does this mean for my company?

Incorrect VAT assessments can lead to material risks and financial burdens for the company. In particular, diverging definitions between the EU and Switzerland can lead to misunderstandings, and thus to an incorrect VAT classification of the transaction.

### What do I have to think about?

Despite all the simplifications, VAT remains a fairly formalistic tax. Certain documents must be available as evidence in order to be able to claim input tax. This should be complied with as a matter of urgency, particularly for imports and the related import VAT. We therefore recommend to always check all import documents for the correct importer information. Only the importer of record is entitled to claim the import tax. A timely review is all the more necessary because, in Switzerland, the import documents are alterable for only 30 days.

In addition, caution is advised when importing items into Switzerland and installing them. On the one hand, the registration obligation of the installing company must be verified; on the other hand, the base value must be declared correctly so that the import tax is properly calculated and assessed.

In our experience, many companies continue to be unaware that the assertion of the import tax depends on certain formalities. This can result in material costs for the companies. It is always surprising how often (foreign) companies accept installation orders in Switzerland without knowing the VAT-related implications. We are happy to assist you with your planning before the corresponding contracts are signed.

With kind regards from your VAT team,

