

# Global VAT Specialist Group Newsletter

For members with clients or businesses trading goods and services globally

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## German VAT rate reduction

As part of an extensive legal package to support its economy in the wake of the COVID-19 pandemic, the governing parties in Germany have announced that the Government will reduce German VAT rates as of 1 July 2020. The reduction is scheduled to be applicable until 31 December 2020.

The standard rate in this period will be reduced from 19% to 16%, the special rate applicable e.g. on various food and medical products will go down from 7% to 5%.

For foreign companies conducting business in Germany the reduction is critical with regard to the actual fulfilment date of a project or an order in Germany, which will define the applicable VAT rate.

Using the wrong rate may not only lead to a liability for the performing company. That may come along as well with a cash impact, as the receiving party could also deny payment of an invoice that shows the wrong tax amount, asking for a correction before paying.

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