Value added tax

Valued Added Tax (VAT) is an indirect tax which is imposed on goods and services at each stage of production, starting from raw materials to final product. Companies that supply goods or provide services pay VAT to the national tax administration after deducting the VAT that they have already paid to their suppliers. Consumers pay VAT in the form of a percentage addition to the final price of goods or services.

A If you are interested in finding out which verbs collocate with the word VAT, do the following exercise. Complete the sentences with one of the following verbs: *add on, refund, deduct, pay, include, exclude, raise, reclaim, charge, levy*.

1. You can only _______ VAT if your business is registered for VAT.
2. Non-European visitors to the EU _______ VAT on most things they buy.
3. Prices advertised to the public in ordinary retail shops _______ VAT.
4. VAT registered sellers are required to _______ VAT on the cost of each sale.
5. Australian companies who do business in the EU may be able to _______ VAT charged on a range of business expenses.
6. If you _______ VAT from the 479 pounds that people are paying, UK price is about 391 pounds.
7. All prices _______ VAT but include UK delivery.
8. Many countries offer to _______ VAT to tourists for private exports.
9. The UK does not _______ VAT on domestic flights and aviation fuel.
10. The Government intends to ______ VAT by 20%.

Key: 1. charge, 2. pay, 3. include, 4. add on, 5. reclaim, 6. deduct, 7. exclude, 8. refund, 9. levy, 10. raise

On 1st July 2013 Croatia became the 28th Member State of the European Union and as of that date Croatia’s VAT system is in line with the EU VAT Directive. Under this directive, Member States must apply a standard VAT rate of at least 15% to the vast majority of goods and services. There is a restricted list of goods and services that are eligible for a lower rate.

B To find out more about how the directive affects cross-border trade, complete the text with one of the following words: *intra-community deliveries, B2B, freight forwarders, taxable, intra-community deliveries, VAT invoice, final consumers, imports, customs duty, exports.*

After Croatia’s accession to the EU, (1) _______ purchases of goods from other EU Member States into Croatia will no longer be (2) _______, but rather (3) _______. As a consequence, (4) _______ will no longer apply, which will result in lower costs for (5) _______. As regards sales made by EU vendors to (6) _______ in Croatia, they will not be considered any longer as (7)_______ of goods outside of the Community. They will only be (8) _______ in Croatia in case of purchases exceeding HRK 270.000. With regard to (9) _______, Croatian suppliers will need to issue a valid (10) _______ within 15 days of the month following the month in which the supply of goods or services takes place.

Key: 1. B2B, 2. imports, 3. intra-community acquisitions, 4. customs duty, 5. freight forwarders, 6. final consumers, 7. exports, 8. taxable, 9. intra-community deliveries, 10. VAT invoice