

Self-billing: the client drafts the invoice

In case of self-billing it is not the supplier or the service provider, but the client which drafts the invoice. Besides this the customer will also account for the VAT due. December last year the VAT authorities have published a new administrative circular explaining the system. We herewith explain the most important topics.

What is self-billing?

In case of self-billing the invoice is drafted by the co-contracting party (the buyer or the recipient of the service) and not by the supplier or provider of the service, which normally drafts the invoice. Therefore the system is also called "invoice issued by the recipient". It is also the client who will account for the VAT due towards the Treasury.

Self-billing can only be applied if the recipient is a VAT payer. A private person cannot work under self-billing, except in the exceptional situation where he has to account for the VAT due, e.g. when making an intracommunity acquisition (from another member state) of new means of transport.

First condition: parties should agree in advance to apply the self-billing system

Parties should agree in advance that the co-contracting party will issue the invoice in the name and for the account of the supplier or service provider. They also agree on the modalities. The agreement is not subject to formalities: (a) it should not be submitted to the VAT authorities for approval nor for information, (b) parties can choose the format themselves and are not obliged to have a written agreement. On the other hand you cannot lose sight of the fact that each of the parties, on demand of the VAT authorities, should be able to prove the existence of the prior agreement. Proving an oral agreement is of course more difficult than proving a written agreement. Therefore it is advisable to draft a written agreement. If the parties (each separately) cannot provide sufficient proof, the consequences are highly unpleasant: (a) the recipient cannot deduct the VAT accounted for and (b) the supplier is deemed not to have complied with the invoicing obligation.

Only after the agreement between parties, the recipient can issue the first invoice. When making the agreement parties can choose as from when they will apply the system. This date can however not be prior to the date of the agreement. If parties do not provide for specifically, the agreement enters into force as from the next transaction.

Second condition: the supplier or service provider should accept each settlement explicitly within a predefined period

The supplier should 'accept' each settlement from its client. Parties can decide on how this acceptance should be done. The supplier can accept the invoice explicitly (e.g. acceptance document, signing off on the invoice) or implicitly (e.g. by non-reacting within a pre-defined period, by booking the invoice in the bookkeeping).

If the supplier/service provider does not agree with the full content of the invoice, a corrective document should be drafted.

What the VAT authorities should now

The preliminary agreement should not be communicated to the VAT authorities. However the VAT authorities should be informed about some points, therefore (a) the recipient should inform his competent VAT office of his choice to apply the system and (b) the supplier should communicate the identity of all his customers which have chosen for the system to his competent VAT office.

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