

Rounding to 5 cent: the VAT implications

Since 1 October 2014 retailer and service providers can round the amounts charged to their customers to 5 eurocent (to the closest multiple). Such rounding also has tax implications. How should the VAT due be calculated? The tax authorities have given some explanation in an administrative decision.

Reminder: when is rounding possible?

When an entrepreneur wants to apply the rounding, he should clearly communicate this to the consumer (e.g. by using a pictogram which was specially designed for this purpose).

Additionally he has to - once the option is taken - round every payment: for all clients and for all payment methods.

Rounding can only be applied in case of physical presence of the client. On the receipt the amount due and the rounding used should be mentioned.

In the end it is logical that the rounding can only be applied in case the total amount is higher than 5 cent.

The rounding rules are the following:

- in case the total amount ends on 1, 2, 6 or 7 cent, the amount is rounded down to the lower multiple of 5 cent;
- in case the total amount ends on 3, 4, 8 or 9 cent, the amount is rounded up to the higher multiple of 5 cent.

How about VAT when rounding?

The entrepreneur should charge VAT on the price of the goods or services he supplies. If the price increases or decreases due to the application of the rounding, VAT also has to be charged on this higher/lower rounded price.

This seems logical and not so difficult.

It becomes more complicated when the rounded amount included goods and services which are subject to different VAT rates. In such case the rounding should be divided between the different VAT rates. If an entrepreneur should do this for after all very small rounding amounts, the administrative burden would become enormous.

Therefore the VAT authorities came up with an alternative: the VAT can be calculated per VAT rate before application of the rounding. Also in the VAT return the entrepreneur can report the amounts before the rounding and therefore also the VAT due on these amounts without rounding. In other words: the entrepreneur should not take the rounding into consideration.

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