France: Option to apply VAT reverse charge on imports introduced

Effective 1 January 2015, an optional VAT reverse charge allows certain companies importing goods into France to account for the VAT on the goods on their VAT returns submitted to the French tax authorities, rather than paying the VAT at import. The new regime is available to businesses that are authorized to use a centralized customs clearance system (i.e. holders of a “PDU certificate”). Although the French tax authorities have not published guidance on the application of the new rule, the customs authorities issued a circular on 7 January 2015 that provides the form to elect into the regime.

Both EU and non-EU taxable persons can opt for the reverse charge, provided the importer of record (i.e. the taxable person) is VAT-registered in France (establishment in France is not necessary) and holds an authorization to apply the centralized customs clearance procedure in its own name. An importer of record that does not have a PDU certificate must request one from the customs authorities before opting for the reverse charge. Non-EU companies wishing to use the reverse charge first must obtain a French VAT number (generally via a French VAT representative) if they do not have one, and must appoint a customs broker who will request the PDU certificate in their name.

To obtain a PDU certificate, the importer of record must meet the AEO (Authorized Economic Operator) criteria for customs purposes and carry out import transactions on a regular basis in France. The importer of record also must import goods through at least two different customs offices.

The French customs authorities will examine the PDU application, check the validity of the VAT number and the status of the applicant and conduct an audit before issuing a PDU certificate that will allow the applicant to opt for self-assessing VAT on import. The PDU certificate will be granted within five months of submitting the application.

Once the reverse charge option is elected, it will apply for three years and will be automatically renewed, unless the taxpayer provides notice at least two months before the end of the three-year period.

Comments

In addition to the cash flow benefit available under the reverse charge regime, entities that are not established for VAT purposes in France and that do not file VAT returns should benefit from the regime because it will facilitate the VAT refund process and allow them to recover all VAT incurred in France through the domestic procedure. Obtaining a PDU certificate also may provide an administrative benefit because the certificate will allow taxable persons to pay customs duties to only one customs office.

This article has been prepared by professionals in Taj, French tax and legal firm, member of Deloitte Touche Tohmatsu Limited.
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