

## Tax News

On the 1<sup>st</sup> of January 2010 new tax rules regarding Value Added Tax come into force. This article will summarize this inquiry. The new rules are a result of an EC Directive.

The Swedish government has proposed new rules for the process of deciding where a company's turnover is to be considered to have taken place. Services are to be taxed in the country where the company has its turnover. If a service is traded in Sweden it shall be taxed in Sweden. Services that are not traded within the EC shall not be taxed within the EC.

From the 1<sup>st</sup> of January 2010 two main rules will determine where a service is to be considered traded. The first rule regards sale to other businesses, the second rule regards sale to private person. The main principle is that a service is to be taxed in the country where it is consumed. This will be applied regardless of if the buyer is within or outside of the EC. However, there are some exceptions from the main rule.

These changes can have great impact for those who buy services from other countries. As a businessman you might be obliged to more often than before calculate and pay Value Added Tax for services that you purchase.

### **Main rule regarding sale to businessmen**

The main rule is that the service is done where the buyer is established when the purchase is made. The company is considered to be established where it has its business activities. If the company does not have business activity the company will be considered to be established where the owner lives or have habitual residence.

### **Main rule regarding sale to private person**

The main rule is that the service is done where the seller is established. That means that a Swedish buyer will take out Swedish Value Added Tax regardless of in what country the buyer is located.

There are some exceptions for the main rules. These exceptions concern real-estate services, personal transport, cultural services and the like.

Summarized by Josefine Bruzelius