



To the head of management of the member companies of
the federal association of the German steel trade

**BUNDESVERBAND
DEUTSCHER STAHLHANDEL**

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Reverse VAT charges in steel shipments

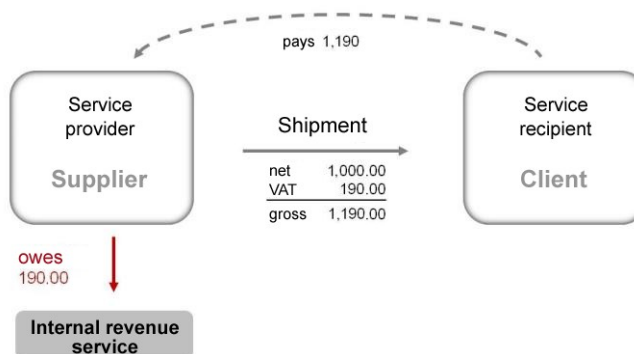
Dear sir or madam,

With this letter, we wish to inform you about a change to VAT law which will have a significant impact on the steel industry.

A few days ago, the German parliament expanded tax liability as defined in §13b Para. 2 No. 11 of the revised version of the VAT law to include metal products, among them steel and aluminum products.

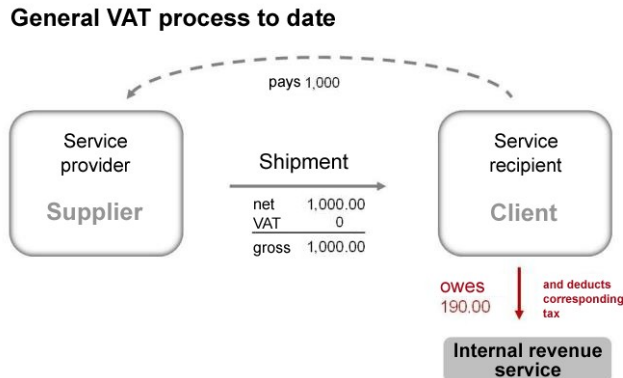
This process, the reverse-charge procedure, goes into effect on October 1, 2014. As a result, suppliers have to issue an invoice with a net sum and inform the client about the reversal of the value-added tax. The recipient of the invoice must include the amount in their interim VAT return and pay tax on it, although he or she can deduct the value. If the company which provides the service incorrectly invoices the VAT, the recipient of the service cannot deduct the sum from this invoice. This means it is extremely important for the recipient of the service to review incoming invoices carefully.

General VAT process to date





Memorandum about reverse VAT charges in steel shipments



Among other things, this affects rolled steel products – unalloyed, with other alloys, and stainless steel. These changes also apply to aluminum and copper products. Tubes and tube accessories are not affected since they are first-stage processing products. Further details are provided in the enclosed overview.

The rationale for these changes is the increase in fraudulent cases in deliveries of metals and precious metals. Even the *Wirtschaftsvereinigung Stahl* (the federation of the German steel industry) leading the charge in vehement protests about maintaining the current VAT procedure for steel products had no impact in Berlin.

Please contact your tax consultant and IT service provider in time to make the necessary changes to your invoices as of October 1st. We are also happy to answer any general questions you may have.

Sincerely,
BUNDESVERBAND DEUTSCHER STAHLHANDEL

Oliver Ellermann
President

Jörg Feger
Head of the research department