



Procedures for Purchases of Net €2500 or More in Germany



Failure to follow these procedures below will cause the transaction to be taxed – there are no provisions from the German side for exceptions to policy. In case your transaction comes to less than €2500 (without tax) you must have a standard (so-called NF1) VAT form with you when placing an order to purchase a product or service. Using multiple NF1 VAT forms to make a €2500 or higher purchase is prohibited. Purchases must be within the date range (“Valid from” and “Valid until”) printed on the VAT forms. Committing to a purchase of products or services and then attempting to obtain/use VAT forms afterwards is not authorized. See AER 215-6 or contact your VAT Office in case of questions. A purchase happens when the order is placed and **NOT** when the item is paid for, delivered or picked up. When an order is placed a valid Vat Form must be given to the vendor.

CAUTION: Many restrictions apply with respect to renovations and repairs to real estate. Ask your VAT Office prior to ordering or buying renovation/home repair related items/services to ensure your purchase is authorized tax-relief.

For all €2500 and higher transactions:

Individual brings a properly addressed cost estimate to a VAT office. That means the cost estimate must be addressed to **CMWRF or USAFE Services** (depends on which VAT office you will use) with the name of the customer and his or her address following below. An invoice, bill of sale, order, order confirmation, etc. may absolutely not have been generated yet – it **must** be a cost estimate, cost proposal or **proforma** invoice. Customers are **not** authorized to commit to services, sign leases, place orders, sign bills of sale, or other ordering documents until they have the specific VAT form in hand. Customers are not authorized to make payment directly to a vendor for purchases of €2500 (without VAT tax) or more (no cash, bank transfer, credit card, EC card, personal check, etc). The money must be “run” through a VAT office. For such purchases the following procedures are available:

Payment in Full:

Needed is/are one or more cashier’s checks made payable to “Vendor Name” **and** “CMWRF” (or USAFE Services). In case there are multiple checks, the total of all checks must match the cost estimate amount. In case the bank insists on a 3-party check (CMWRF, Vendor, Customer Name) that is OK as well.

Full Financing:

Individual brings a loan approval letter from the bank stating that a loan in a specific amount has been approved. This letter must be dated and cannot be older than 4 weeks. The VAT office prepares a “dual-letter of assignment”, then prints the NF2 form, gives the dual-letter of assignment and the VAT form to the customer and files a copy of the bank letter and dual letter of assignment. In this case there will normally NOT be a check. Some banks in the US will not provide a letter but a check instead. In that case a dual letter of assignment is needed, if CMWRF is not on the “payable to” line.

Partial Financing:

If the customer finances only a portion of the total cost and has the remainder in cash, the customer will have to obtain a cashier’s check (payable to Vendor Name and CMWRF) for the portion he is paying for. In addition the customer must provide a loan approval letter from the bank for the amount to be financed (or the bank check, see above). Both items (letter and/or check(s) will have to match

the total on the cost estimate. A “dual-letter of assignment” is needed for the financed amount (see above). Reminder: Checks (for money that you have – not loans) must always be cashier’s checks and made payable to “CMWRF and the Vendor’s Name” (adding the customer as a third party is also OK) or, in the case of loan checks a dual letter of assignment is needed. Multiple checks are permitted.

Trade-in’s:

A trade-in usually happens with vehicles and can be handled in one of two ways.

- The customer sells the vehicle to the vendor and receives the money, which is then turned into a cashier’s check for the purchase of another vehicle. No mention of the old vehicle is made on the cost estimate.
- The vendor lists the trade-in value of the old vehicle on the cost estimate for the new vehicle. This will reduce the balance due by the customer. In this case all payment instruments combined (trade-in value, loan amount, checks) will have to match the purchase price of the car. Note: a tax-free trade-in must be cleared through MP Customs before the sale.

Down-Payments:

Customers are not authorized to make down-payments without having a VAT form for the purchase in their hands. In such cases the customer must obtain a VAT form by submitting a cost-estimate together with multiple cashier’s checks. One of the checks may be used as a down-payment as long as the vendor is provided with the VAT form at the same time. In case a small payment was used to “hold” an item, it cannot be applied towards the total cost. Such funds must be returned by the vendor to the customer after the transaction was properly completed. The customer must always provide full payment to the VAT office (in form of cashier’s checks or loan approval letters).

Terminology describing cost estimates are: Kostenvoranschlag (cost proposal/estimate), Angebot (offer), Proforma-Rechnung (proforma invoice). After-the-fact transactions are prohibited. Terminology that indicate after-the-fact transactions are: Rechnung (invoice), Bestellung (order), Auftrag (order), Auftragsbestaetigung (order confirmation), Kaufvertrag (bill of sale), Quittung (receipt).

Vehicle Accidents and payment by Insurance Companies:

In case a US Forces member receives damage repair to his vehicle that is paid by an insurance company or a US Forces member’s insurance has to pay for damages of someone else’s vehicle tax-relief can be used. In both cases the insurance has to request that the US Forces member obtain a VAT form prior to the repair taking place. The US Forces member has to provide the VAT office with both of the following:

1. a proper cost estimate from the repair shop
2. Copy of the coverage statement of the insurance company (Kostenübernahmeerklärung)

Once both documents are provided to the Tax-relief office we can issue the appropriate VAT form. The VAT office will also fill out one additional document together with you that must be signed (dual letter of assignment).

If there are any questions with any of this information, please check with the nearest US Army Garrison or USAFE Services Tax Relief Office before making a VAT-free purchase.

Further details are available from your local Tax Relief Office, the AE Regulation 215-6, or https://public.euromwr.army.mil/MWR_tax.htm

POC: Rafael Wunsch, IMCOM-Europe, Tax Relief Program Manager, DSN 544-9888, Com: 0611-143-544-9888, Email: rafael.s.wunsch@army.mil.