

APPENDIX C UTILITY-TAX AVOIDANCE PROGRAM

C-1. GENERAL

a. Several military communities in the Army in Europe and USAFE have tax-relief offices (TROs) that provide value-added tax (VAT) relief on utilities to active-duty military and authorized civilian members of the U.S. armed forces who live in private rentals.

b. The procedures in this appendix will be adhered to in Germany and the Netherlands for utilities tax relief. Utilities tax relief in the Netherlands also requires coordination with the Northern Law Center, especially for the adaptation of agreement with the utility vendor. That document must be in compliance with the written guidance of each host nation.

C-2. PROGRAM PROVISIONS

a. The Utility-Tax Avoidance Program (UTAP) provides an opportunity to obtain tax relief on individual utility bills. VAT rates as currently set by the German Government for various utilities are as follows (rates may differ in the Netherlands):

Electricity	19 percent
Natural Gas	19 percent
Water	7 percent

b. Electricity (*Strom*) tax and natural gas tax (tax rates between 8 and 12 percent depending on the price per unit) can be avoided by joining UTAP.

c. The delivery of tax-free utilities in Germany and the Netherlands can be arranged by an IMCOM-Europe Family Morale, Welfare, and Recreation (FMWR) or USAFE Services office subject to the following conditions:

- (1) The utility provider is willing to enter into a delivery agreement with the local TRO.
- (2) Utilities are delivered and billed to authorized members of the U.S. Forces. Tax exemption is not authorized if the bill is made out to a person who does not have privileges (for example, a German or Dutch landlord).
- (3) U.S. Forces members do not order utilities on their own without the participation of the tax-relief and UTAP office. The use of individual tax-relief VAT-relief forms is prohibited.
- (4) Billing adjustments and credits are made no later than the end of the billing year.

NOTE: Security deposits previously made by members of the U.S. Forces to utility companies will be refunded no later than the end of the current billing year. Newly arriving personnel are not required to pay a deposit if they enroll in the UTAP.

d. Customers must establish automatic utility-bill payments through the community bank, a German or Dutch bank, or a credit union. The banking institution will provide an eight-digit bank code to avoid late transfers.

e. Most utility companies will determine an estimated (or prorated) monthly payment amount (*Abschlag* in Germany) for a dwelling.

f. At the end of each annual billing period, utility companies will inform users whether they consumed more or less than the estimated consumption amount. If they have consumed more, an additional payment will be required and added to the next bill. If they have consumed less, they will receive a credit against the next billing period. A reconciliation will also be made when services are terminated.

g. Not later than 4 weeks before vacating privately rented housing, the customer must notify the TRO and the utility company to make an appointment for conducting a final meter reading. Failure to do so may result in fines and penalties being levied against the customer by the utility company, TRO, or both. Customers who change residences or utility providers must inform the TRO to receive continued tax-free support for utilities. Customers who do not provide this information to the TRO will not receive tax exemption.

h. An enrollment fee of \$77 will be charged to cover administrative costs. This fee covers the entire duration of service during an assignment or tour with the same German or Dutch address. This fee is due at each VAT office where U.S. Forces members request UTAP service and when the address of the U.S. Forces member changes (for example, the member moves from one dwelling to another). Military members and DOD employees should include this fee as a part of their housing and move-in expenses on appropriate claims and reimbursement forms.

C-3. REGISTRATION REQUIREMENTS

To be eligible for the UTAP, the following must be presented to the TRO:

- a. Active duty or DOD civilian ID card.
- b. Official orders (active duty only).
- c. Signed rental agreement from the housing referral office or landlord, or proof of home ownership.
- d. Utility company billing information for each utility company used by the Servicemember.
- e. A \$77 registration fee. This may be paid by cash, check, money order, credit card, or travelers check.
- f. Spouse's name and social security number (if applicable).
- g. UTAP registration form filled out by the customer.

C-4. UTAP REQUESTS AND CONTRACTS

a. To participate in the UTAP, personnel should request utility-tax relief. Figure C-1 is a sample request. Local TROs will provide copies of these requests and information on where to send them.

b. When a request is approved, the TRO will coordinate with participating utility companies to provide tax-free utilities. Figures C-2 and C-3 are standard UTAP contracts to be entered into by TROs with utility providers.

c. TROs will help customers by answering utility-related questions, translating documents, determining and explaining bill rates, and handling other utility-related problems.

ORGANIZATIONAL LETTERHEAD

OFFICE SYMBOL _____

date _____

MEMORANDUM FOR Tax-Relief Office _____ (name and address) _____

SUBJECT: Request for Utility-Tax Relief

1. I request that the Community Morale, Welfare, and Recreation Fund (CMWRF) *or* USAFE Services Fund enroll me in the Utility-Tax Avoidance Program (UTAP).

a. I agree to pay a fee of \$77 to the CMWRF *or* USAFE Services Fund to cover administrative costs for enrolling in the UTAP.

b. I understand that the CMWRF *or* USAFE Services Fund will arrange with the servicing utility company to bill me without taxes.

c. I understand that the CMWRF *or* USAFE Services Fund is acting as my agent and is not responsible for paying my bills. I further understand that I am responsible for such bills and agree to make timely payments to the utility company in accordance with its invoicing policy and FMWR SOP 13-98.

d. I understand that I will be held liable for payment of penalty charges or administrative costs to the utility company caused by late payments. In the event of my indebtedness, I voluntarily consent to collection from my basic pay and entitlements any amount owned to the utility company or the CMWRF *or* USAFE Services Fund for enrolling in this program.

e. I certify that I am not currently indebted to any utility company or any other agency providing the services for which I seek tax relief. I also certify the tax-free delivery of services is for my or my Family's use and that such delivery will not benefit any other individual or business. Tax relief on utilities is subject to inspection by U.S. and host-nation tax and customs officials.

f. I understand that it is my responsibility to notify the CMWRF *or* USAFE Services Fund (in other words, the tax-relief office) at least 4 weeks before vacating my privately rented quarters.

2. Data required by the Privacy Act of 1974 (5 USC 5522):

a. **Authority:** 10 USC 3012; Supplementary Agreement to the NATO SOFA, Article 67, paragraph 3a(a)(I); and AE Regulation 215-6/USAFE Instruction 34-102.

b. **Principal Purposes:** For the fund manager to verify eligibility of the applicant, obtain requested tax relief, and to provide utility company with necessary information about a new customer.

c. **Routine Uses:** To provide information needed to process documents for tax relief on utility bills.

d. **Mandatory or Voluntary Disclosure and Effect of Not Providing Information:** Disclosure of information is voluntary. Tax relief, however, cannot be provided without the requested information.

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Figure C-1. Sample UTAP Request



U.S. FORCES FEDERAL REPUBLIC OF GERMANY

Changes to Pricing on VAT Forms and UTAP Services



Summary:

Effective 01 August 2014, all VAT/UTAP Offices in Germany will incur their first price adjustment in over 20 years. VAT Forms for purchases of up to 2499,99€ will change to \$5.00 per form, VAT forms for purchases of 2500€ and higher will change to \$65.00, and UTAP Registration Service will change to \$99.00.

Why are the prices changing?

VAT and UTAP Offices are Non-Appropriated Fund Supplemental Missions. As such, these offices must “pay their own way”. These offices do not receive any type of Appropriated Fund support, but instead all expenses such as labor, computers, printers, blank forms, other supplies, must be paid from the revenue generated through VAT form sales and UTAP registration fees. In addition, every so often VAT and UTAP Offices receive payment demands from vendors for unpaid bills from US Forces members. In such cases, the VAT/UTAP Offices are obligated to resolve these issues, sometimes resulting in VAT/UTAP Offices having to pay these bills initially. Funding for this comes from the fees, followed by collection actions (an additional expense for us) against defaulting US Forces members.

More specifically, why is the price of VAT Forms changing?

MWR did a financial review of VAT operations and determined that the VAT program is losing significant amounts of money. MWR then proceeded to see if there were other ways to reduce expenses, but the savings did not offset the losses completely. MWR then evaluated the pricing of the VAT forms. Pricing for forms has not changed since the late 1980s, yet salaries, prices for blank VAT forms, computer equipment, and other supplies all have increased over the years. All expenses to run the program must be covered by all the VAT Forms sold. In order to achieve this, the price of VAT forms had to be adjusted accordingly.

Why are there no more discounts when I buy 10 VAT Forms?

The true cost of one VAT form is the same, whether you pick up one form or 10 forms at a time. If we were to reduce the price of a “10-pack”, we would have to increase the price of single forms even more to be able to cover our costs. Using a straight “\$5 per form” standard makes it also easier to handle and calculate. We do offer a small incentive for new arrivals just PCSing the first time to Germany. They will be able to buy their first set of 10 VAT forms for \$40, a \$10 initial savings.

\$65 for a VAT Form for Purchases of 2500€ or higher seems very expensive; is that price justified?

The AMSTO/Canadian Forces charge \$110 for VAT forms to buy vehicles and \$75 for VAT forms to purchase non-vehicle items. So at \$65, we are cheaper than the competition. In addition consider the savings: You spend \$65 to save 475€ on a 2500€ purchase. The savings increase exponentially, if buying vehicles which cost 10-, 20-, 30K€ or more. Spending \$65 to save 475€ or more is an excellent return on investment.

So is it still worth it to use a VAT Form?

YES! In the case of VAT forms for purchases of 2500€ or higher the savings are significant (see answer above). In the case of VAT forms for purchases of less than 2500€, it is a personal decision when to use a form. Many purchases fall into the category of less than 500€. Sometimes the additional steps and waiting in line may not be worth the savings to some individuals. Below is a table with example costs vs. savings to help you decide at what purchase amounts to start using a VAT form:

Price (incl. VAT)	Price (excl. 19% VAT)	VAT Amount (savings)
25 €	21.01 €	3.99 €
50 €	42.02 €	7.98 €
75 €	63.03 €	11.97 €
100 €	84.03 €	15.97 €
150 €	126.05 €	23.95 €
200 €	168.07 €	31.93 €
250 €	210.08 €	39.92 €
300 €	252.10 €	47.90 €

Keep in mind that the standard VAT rate is 19%, but there is also a reduced VAT rate of 7% for basic food staple items and some other goods. When purchasing goods in the 7% VAT category, the savings are less.

The UTAP registration fee will be \$99, why?

Our costs to operate the program are higher than the revenue we generate. We cannot continue to operate the program at a loss.

What do I get for my \$99?

- Sign-up with a utility company that bills without the VAT of 19% and the energy tax (percentage varies)
- No requirement to pay a deposit to the utility company
- Assistance when bills or other correspondence in German arrives from the supplier
- Assistance explaining the bills
- Assistance closing out your account when you depart

Why do I have to pay \$99 out of my pocket to help the Gov't save money?

That depends on your status. Uniformed members receive flat amounts for housing and related expenses. Any reduction in bills will be direct in-pocket savings to the service member. That means it is a financial advantage to receive utilities through the UTAP program. In the case of civilian employees receiving LQA, you are doing your part to help save taxpayer dollars. The DODI 1400.25-V1250 (revised Feb 2012) requires LQA recipients to participate in this program, if it is available. This DODI goes on to mention that the UTAP registration fee is reimbursable by way of the Miscellaneous Expense Allowance. This allowance can be requested in conjunction with a PCS move. While it appears to come out of your pocket initially, it is an expense that is reimbursed to you.

In case of further questions, feel free to call us at 0611-143-544-9888 (DSN: 544-9888).