



Utilities Tax Avoidance Program (UTAP) in Germany for Off-Post Housing



What is UTAP?

The NATO SOFA SA permits purchases by the US Forces to be free of certain taxes (usually VAT). EUCOM designated the US Army in Europe to be the proponent for tax-relief in Germany. The Army in turn developed a program around guidelines from the German Ministry of Finance to enable US Forces members to enjoy this tax-free purchase benefit for personal consumption – see Army in Europe Regulation **AE Reg 215-6**. This can also extend to utilities for personal use in economy housing (off-post), since they are taxed. We are able to assist in avoiding these taxes on utilities for eligible US Forces members in many (but not all) areas in Germany. The program that legally prevents this taxation is called Utilities Tax Avoidance Program (UTAP). It is usually co-located with your local Tax-Relief Office or VAT Office. For this to function, your local Garrison/Base UTAP Office signs a master delivery contract with the utility supplier. You in turn will become a customer of the UTAP Office and the UTAP Office will tell the utility supplier which address to deliver the utilities to (tax-free).

When going to the UTAP Office you **MUST** bring the following with you:

- copy of orders (or other document showing assignment to Germany)
- valid ID Card
- Copy of lease or home-ownership document
- any housing documents you may have received that pertain to this dwelling
- Serial Numbers of meters and meter readings (recommend to take pictures with your smartphone)
- Your local banking details (Bank Name and IBAN Number - CONUS only banks do not work)
- US Government Email address
- in case you are not the sponsor: power of attorney
- unit/place of work information
- name & phone number of your supervisor
- payment of US\$99 in form of cash, check, or credit/debit card
- letters from utility suppliers, if you already have received any communication at all (maybe you lived there for a while already or your landlord "signed" you up)

If you do not have ALL the above items, we can only provide general information but we cannot sign you up for any tax-free utilities.

Automatic payment withdrawal (Bankeinzugsverfahren) is mandatory - no exceptions. You are required to sign a document authorizing the utility company to withdraw the monthly pro-rated amount from your local bank account automatically. Failure to, discontinuation of, or refusal to participate in automatic payment withdrawal will disqualify you from UTAP. This results in being billed with taxes and any sign-up fees you may have paid are forfeited and are non-refundable. Additionally non-participation in UTAP can have adverse effects on LQA entitlements in the case of civilian employees.

It is your responsibility to ensure sufficient funds are available every month for these utility withdrawals

- they happen on the same date plus/minus 1 or 2 days. In case a withdrawal bounces, the utility supplier will assess a fee similar to a bounced check fee that you will be required to pay. In addition, upon 2 unsuccessful withdrawal attempts, you will incur additional fees and have to sign a new payment withdrawal authorization (UTAP Office visit).

The automatic payment withdrawal mechanism is an approved, legal, and absolutely safe mechanism. They cannot see your account balances or any other account information or transactions. They do not have "access" to your account. By law they can only withdraw the monthly amount due and at the end of a billing year any potential amounts due on your annual reconciliation bill.



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The annual reconciliation bill will show any balances/credits due and the date the withdrawal/deposit will happen from your account. Again it is your responsibility to ensure sufficient funds are in the account. In case the bill is much larger than expected and you do not have enough money available you should visit your UTAP Office ASAP for assistance.

Once signed up for UTAP, the utility supplier will:

- provide you with a customer number and information on the monthly payment amount(s) they will withdraw from your account (keep in mind these amounts are estimates only, they will not know how much power you use until you provide the next meter reading)
- send you notifications once a year (postcard or letter) asking to provide meter readings – to avoid problems you must submit annual meter readings (in some areas they may send someone to read the meters for you, in most areas you will have to send in meter readings)
- provide an annual bill and expect settlement within 30 days
- If all monthly payments made are less than the total cost of utility used, they will withdraw the amount owed within 30 days and adjust (increase) future monthly payments to ensure better coverage for the next year
- If all monthly payments made equal the total cost of the utility used no change will take place.
- If all monthly payments made are higher than the total cost of utility used you will receive a refund to your bank account within 30 days and they will adjust the monthly payment amount (lower) to better match your lower consumption

The utility supplier will **NOT** send monthly bills

What types of utilities are included; what types of utilities are not included?

Included in UTAP can be Electricity, Natural Gas, and Water that would be or are billed to you (not landlord). Not included in UTAP are sewage, garbage, cable/satellite TV, telephone, Internet, heating oil or propane gas deliveries (see VAT Office for exceptions). For propane gas deliveries no UTAP office currently has a contract for tax-free deliveries. The reason is that the tanks are generally subsidized in conjunction with long-term contracts (5 or 10 years) and the US Forces cannot assume these contracts. For heating oil you are authorized to use standard VAT forms but be cautious of the maximum purchase limitation of €2499.99 and the prohibition to split a purchase across multiple forms. In other words you can buy oil up to €2499.99 without tax. For anything larger you will have to obtain a cost estimate and a different VAT form **prior** to placing the order for the oil.

Failure to do so will:

- void the tax-free status of the transaction and you will be required to pay the taxes
 - cause suspension of your VAT privileges and notification of your commander and MP Customs
- Sometimes landlords may ask for one or multiple VAT forms to fill your tank. **This is not authorized!** You must give the VAT forms only to vendors for purchases that you personally are ordering – no intermediaries! If a landlord were to buy a flat-screen TV instead with your form, **you** will be held accountable.

Use of standard VAT forms for any long-term contracts with monthly payments (e.g. utilities, cellular phone contracts, health clubs, etc) is not authorized. This is valid regardless of what any vendor or landlord will tell you. Just because a vendor accepts a form doesn't make the transaction legal. Our offices as well as MP Customs are reviewing (spot-checking) purchase transactions.



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If unauthorized transactions are discovered your privileges will be suspended and law enforcement of both the US and German side may become active. Abuse of the tax-relief privilege is considered (German) tax-evasion.

In case of questions or uncertainties ask first before ordering anything. Host Nation directives do not permit fixing transactions afterwards.

What are the taxes on utilities?

Electricity: 19% Value-Added Tax plus 11% Energy Tax (both can be waived)

Natural Gas: 19% Value-Added Tax and 7% Energy Tax (both can be waived)

Water: 7% Value-Added Tax

Is UTAP available everywhere?

Unfortunately the answer is No. Some smaller Garrisons do not offer UTAP on-site. In such cases the local VAT office will provide information on where the closest UTAP office is located. Generally we are able to provide for tax-free electricity Germany-wide through various companies. Other utilities depend on the willingness of the local supplier to sign a master-contract with the US Forces.

Is UTAP Mandatory?

For LQA recipients that PCS inside or to Germany beginning with February 2012 UTAP has become mandatory (if available). This change was published with the revision of DODI1400.25 V1250. The appropriate statement of availability/non-availability for your LQA cell will be issued upon request by your UTAP Office. For all other DOD personnel UTAP is optional. In the case of US Soldiers and non-LQA recipients UTAP will lower your out of pocket expenditures.

How does UTAP work?

You come to the VAT/UTAP office and register by providing a copy of your rental agreement (or ownership document), utility meter numbers and readings (photographs are best), copy of orders (orders, SF50, NAF 3434), ID card, and your bank account information. The VAT/UTAP office will then determine which utility companies provide service for your house/apartment and sign you up. By going through UTAP you will not be required to pay a utilities deposit. Once you are signed up, the utility company will automatically deduct the pro-rated monthly payment amount from your bank account. At the end of either the calendar year or the billing year you will have to provide meter readings again. The utility company will calculate your actual usage and compare that against the monthly pro-rated payments you have made. If you paid more than you used you will receive a refund, if you used more than what your payments cover, you will have to pay the balance in full. Adjustments to the monthly pro-rated amounts will generally be made at that time. An average annual electricity bill (without electric heat, without a pool/sauna, no transformers) will range from 800 to 1600 Euros. This will vary of course depending on your personal needs and family size. Your housing office can provide additional information.

What are the Program Charges?

Joining the UTAP program costs \$99. This fee covers your entire tour at one apartment/house and the same utility companies. Should you move to a new apartment/house or want to change your utility providers the fee becomes due again. Keep in mind with the 19% VAT and 11% Energy Tax being waived you will have recovered the \$99 within 2-3 months. During a PCS move you should include the \$99 in the miscellaneous expense category when filing for reimbursement for your moving expenses.



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What else can the UTAP office assist with?

We stand ready to answer utility related questions and to explain utility bills or letters sent by utility companies. We also talk with the utility company for/with you in case of questions or problems.

What does the UTAP office not do?

We are not there to pay your bills for you and we also do not provide assistance for LQA reconciliations. If you fail to pay your utility bills or you are late, the VAT office will be required to pay the bill. In such a case, the VAT office will notify your commander, suspend VAT privileges, start collection proceedings and garnish your pay. In addition we will notify the respective LQA cell. Keep in mind that LQA generally includes a certain portion of money earmarked for utilities. Not using this money for paying your utilities may be considered misappropriation. We also do not get involved in landlord/tenant disputes such as when landlords used power coming through your meter that you think you shouldn't have to pay for.

What do I need to watch out for?

- a. You need to understand that European utility companies work differently than US utility companies.
- b. You need to ensure that your bank account always has enough money in it so the utility companies can take out the monthly amounts.
- c. You also need to make sure that you do NOT sign any utility contracts with any utility company outside of the VAT office. If you do, you will lose the tax-free status. If your landlord or realtor already signed you up for power come to the VAT office as soon as you can, so we can get you switched to tax-free utilities (must happen in first 6 weeks).
- d. Watch out for the annual meter reading request. If you fail to provide a reading they can use an estimated reading. That is something you absolutely do not want because if that estimate happens to be low and this happens 3 years in a row you will be hit with a rather large close-out bill because upon a move-out a true meter reading will be required.
- e. Make sure you clear with the UTAP Office early when you are getting ready to PCS again so the final bill can be requested.

What is different about European utility companies?

- a. The electricity market in Germany is similar to the long-distance telephone market in the US. There is always a local primary provider but you are able to sign-up for power with other companies as well. Unfortunately the UTAP Offices do not have master contracts with all utility providers, so your choice is limited but we do obtain contracts that have fairly competitive market rates.
- b. Checks are not used to pay utility bills – everything is done by automatic payment withdrawal from your account (to pay) and direct deposit (to get refunds).
- c. Many utility companies try to get you to sign one or multi-year contracts by offering rate guarantees and other marketing gimmicks (no rate hike for 12 months, a 100 Euro cash bonus, etc). If you sign one of these contracts you will be locked-in with that utility company for the length of the contract with taxes. There is nothing we can do to help at that point. We recommend you do not sign any utility documents without talking to the VAT/UTAP office.
- d. Utility companies generally charge a deposit, if you sign-up with them directly. By going through UTAP you will not be required to pay a utilities deposit.
- e. You will have to do meter readings when asked to do so.
- f. German utility companies will NOT send monthly bills. They will look at the average past use of your dwelling and estimate the monthly usage. Based on that estimate they calculate an estimated monthly amount to be paid. This monthly amount is deducted automatically from your bank account every month. At the end of a billing year they will ask for the meter reading and calculate your actual usage.



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If your payments were higher than the total bill for the year, you get a refund. If you used more energy than what you paid for the utility company will withdraw the amount due from your bank account.

g. Some companies use their own fiscal year for the billing year instead of the actual 12 months of providing service to you. That means it is for example possible that you get a year-end bill even though you have not been with that utility company for a full year yet.

h. At the end of your tour you must provide the meter reading to the VAT/UTAP office and leave your bank account open with enough money in it so the utility company can do the final billing and withdraw money you might owe or provide for a refund in case you overpaid.

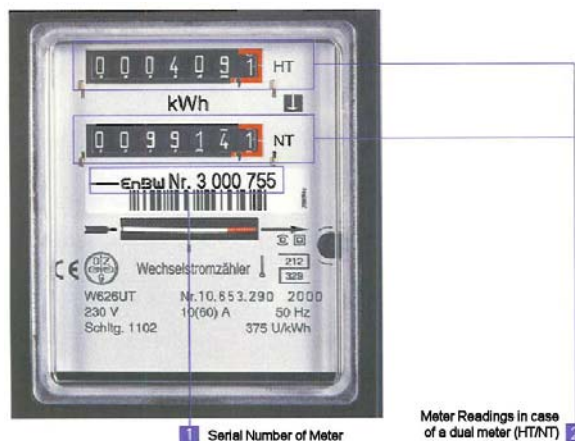
Meter Readings:

If you are living in economy housing you will have to provide electricity meter readings to your electricity supplier whenever they ask for it. Generally that happens once a year. These readings should be done regardless of whether or not you are a UTAP customer (tax-free) or a regular direct customer (taxed) with the electricity company. It works similarly with gas and water meters. Check with your housing office to see what is included in the rent and what isn't. Water for example may be a landlord responsibility that is billed to you via an add-on to the rent (Nebenkosten). The actual reading can be provided to your electricity supplier via Internet (in some cases), telephone, returning the filled out meter reading post card, or by giving the meter reading to your UTAP office for forwarding.

Each electricity meter has its own unique serial number. Make sure you are reading your meter and not your neighbors', in case you live in a multi-family home. Electricity meters are generally located in the basement or hallways, sometimes inside of grey metal cabinets.

Some meters only have one row of numbers to be read (single meter), other meters have two rows of numbers to be read (dual meter). The difference is that the single meter simply reads the power you consume. The dual meter reads the power consumed during the day (HT) on one line and the power consumed during the night (NT) on the second line. Power at night time is generally cheaper. For a single meter you provide only one read number to the supplier, for a dual meter you provide both readings to the supplier.

A standard electricity meter generally looks like this:



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