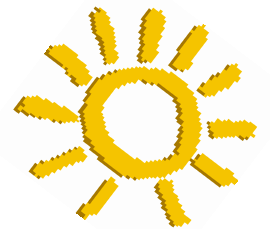


Brussels Tax Forum

An efficient VAT system

Session 3: VAT Compliance – how to reduce compliance costs and at the same time not putting at risk VAT collection?

Chris Needham
GE Global VAT/GST Director



Agenda

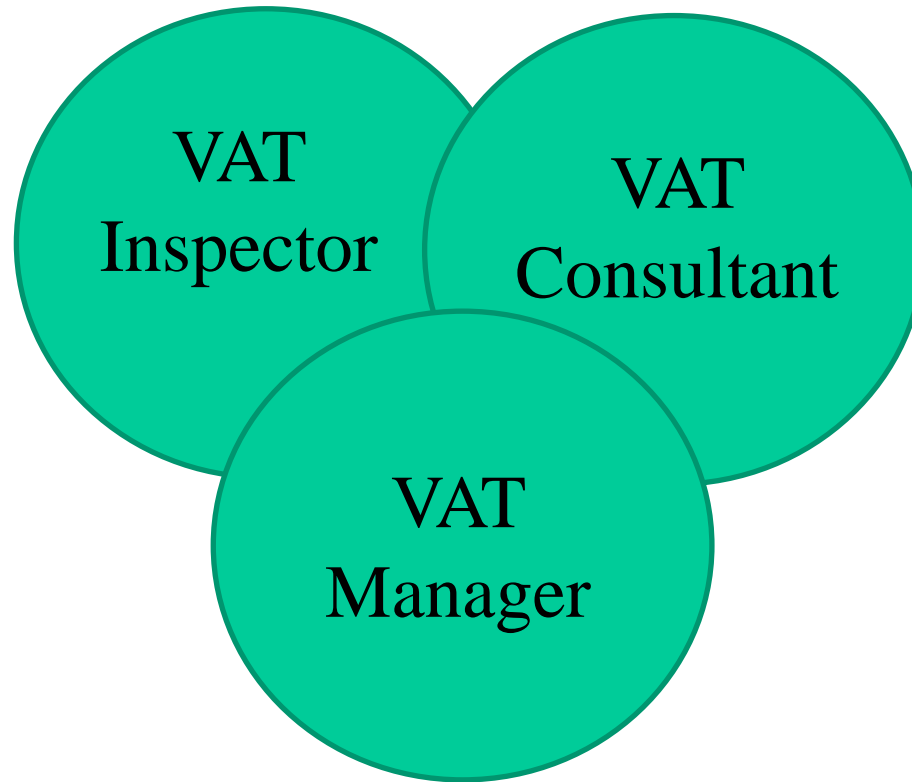
- 1. Business Perspective**
2. Common Goals
3. Best Practices
4. Improved Dialogue & Information
5. New Initiatives
6. Conclusions

General Electric

- 300,000 employees
- Operating in 100+ countries
- 1,300 legal entities in Europe
- Filing 10,500 Europe returns
- >30,000 returns globally
- Diverse businesses



Background



I ❤️ VAT

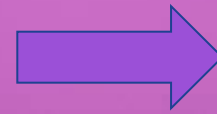
What does business fear the most?



Uncertainty

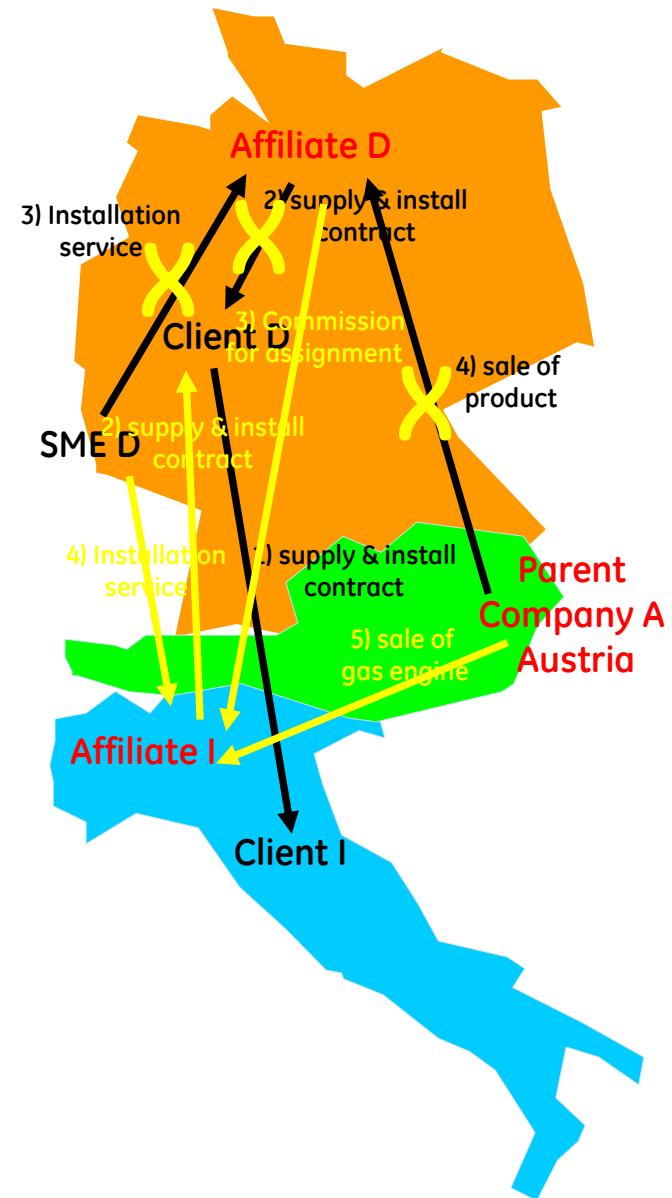


Risk!



Cost!

Cross-Border Compliance Costs



Cost of foreign VAT compliance led to changed commercial set up !!!

Same Transactions, Different Costs!

We provide the same transactions

On the same accounting systems

To the same/similar customers

All around the world

BUT

We incur significantly different costs depending on

Legislative Basis

Administrative Practices

Agenda

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2. **Common Goals**
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Costs Down & Revenue Safe?

... a dream?



or

... a natural conclusion?



Social Contract

Tax Authority

- *“to provide sufficient information as to enable a Tax Payer to be able to comply with the rules – particularly SME’s and Non Resident businesses”*

Tax Payer

- *“to fully comply with rules – particularly timely and accurate VAT filings”*

Common Goals: Business & Gov't

Taxpayer

- Clear and uniform rules, easy to comply
- Adequate systems and processes
- Access to information & rulings
- Sufficient targeted resources
- Risk management processes
- Understand tax administration
- Fighting fraud

Tax administration

- Clear and uniform rules, easy to apply
- Adequate systems and processes
- Access to business data & information
- Sufficient targeted resources
- Risk assessment processes
- Understand taxpayers
- Fighting fraud

Common goals = Shared Responsibilities = Efficiency

VAT GAP and Administration

- Euro 193 billion
- “.. as much as half of the estimated “compliance gap” may sometimes be attributable to factors other than outright tax evasion” - e.g. errors etc.
- “VAT compliance appears to fall when tax rates are increased, at least in countries with weaker tax enforcement”

http://ec.europa.eu/taxation_customs/resources/documents/common/publications/studies/vat-gap.pdf

Better Administration
+ More Transparent Legislation
=> Reduced VAT GAP?

Shared Responsibilities

Improve legal and administrative VAT Framework

- Work together on legislation that is clear and easy to apply – better future regulations
- Work together to gain efficiency for both sides on administrative practices and processes

Look for “Win-Win” Opportunities

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Where Do Compliance Costs Arise?

1. Researching the rules
2. Professional fees for advice if rules not clear
3. Registering/Deregistering for VAT
4. Tracking rate changes
5. Implementing new systems to cope with changes
6. Staff to prepare and review returns
7. Archives to store records
8. Dealing with audits

Global Admin Best Practices

1. Enhanced Relationship – e.g. UK Client Relationship Mgr
2. Risk Based Work Programme (e.g. NL Horizontal Monitoring)
3. Current Audits (not Historic)
4. Binding Rulings
5. Access to Information
6. Simple, Electronic Filing (and Correction) Processes
7. Lack of Formality (Alternative Evidence)
8. Proportionate Penalties
9. Targeted Anti-Fraud Measures
10. Business Dialogue & Realistic Implementation Deadlines

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Very Positive Developments

Actions Taken by the Commission

VAT Expert Group

What : Bilateral forum between Commission and business representatives, tax practitioners and academics

Why : Open dialogue on all new major **future** policy initiatives in field of VAT. Expertise available to Commission during preparatory phases

Topics – Destination Principle
 Chain Transactions and Consignment Stock

EU VAT Forum

What : Platform, facilitated by the Commission, allowing MS and business representatives to build up a dialogue on an EU level and to discuss **current practical** EU cross-border VAT issues

Aims : Improve the relationship between MS tax authorities and business

Identify more efficient administration of VAT for both sides

Topics: Burden of proof
Cross-border ruling requests

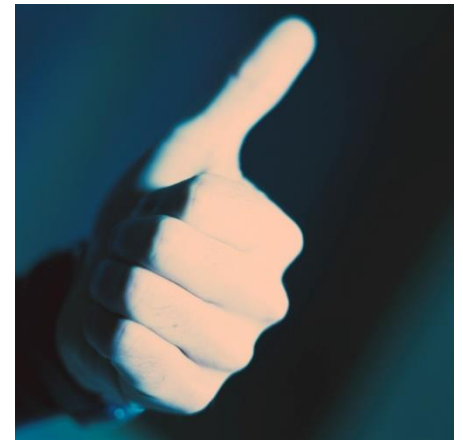
VAT Expert Group & EU VAT Forum

Excellent initiatives on an EU level

Transparency and co-ordination between the two groups is critical

Must try to avoid overlapping and silos

Commission has a key role here



Improving VAT Governance

Involvement of Business in Fiscalis Conferences

- Create awareness of commercial practices
- Share issues and best practices

Publication of Guidelines and Explanatory Notes

- Facilitates transparency, value to taxpayers, MS & courts
- Encourages a more uniform EU implementation

Easier compliance – Business
More efficient audits - Tax Authorities

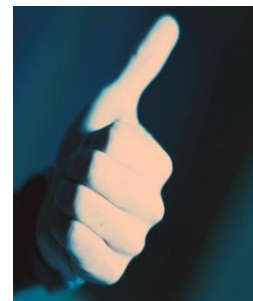


Place of Supply of Services

- Implementing Regulation - 2015 rules
- Immovable property - 2017
- Explanatory Notes very important for a uniform and pragmatic implementation and application across EU 28
- Business involvement is key

Fantastic achievement by the Irish presidency

Excellent stakeholder involvement



SAF-T Discussions – Caution!!!

- Benefits of SAF-T for legitimate business?
- Any value on a stand alone basis without changing the overall approach towards the taxpayer? (Risk management and enhanced relationship)?
- Soon 28 SAF-T concepts across the EU?
- Further research required? Impact assessment – cost/benefit analysis?

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Standard VAT Return



- Of vital importance for business.
- A true Single Market requires “1 EU standard” VAT return
- Proposal opens up debate on burden and cost

Current situation: costly + harms EU trade

Actions required now



Standard VAT Return - Costs

Different formats drive business ERP systems complexity e.g. – condition tables, tax codes, etc.

Lack of information:

- VAT return form not easy available
- Which transactions go in which box?
- Different deadlines

No common electronic filing format across the EU

The Commission Proposal tries to address some of these aspects

Standard VAT Return

- What does the proposal mean?

- Does it:

Standardise?

Simplify?

Reduce cost?

Box No.	Transaction	Category	Description
1	General	Output VAT	Output VAT
2	General	Input VAT	Input VAT
3	General	Output / Input	Net amount to be paid / refunded
4	General	Net	Sales
5	General	Net	Purchases
6	General	Net	Intra-community supplies of goods
7	General	Net	Intra-community acquisitions of goods
8	Sales	Output VAT	Goods/services supplied at each rate
9	Sales	Net	Goods/services supplied at each rate
10	Sales	Net	Intra-community supplies of goods
11	Sales	Net	Services where reverse charge applies
12	Sales	Net	Goods/services where reverse charge applies and not covered by (c)
13	Sales	Net	Goods exported
14	Sales	Net	Exempt supplies not covered by (b) to (e)
15	Sales	Output VAT	Intra-community acquisitions
16	Sales	Output VAT	Goods/services where reverse charge applies
17	Sales	Output VAT	Imported goods where reverse charge applies
18	Purchases	Input VAT	Goods/services not covered by (b) to (g)
19	Purchases	Net	Goods/services not covered by (b) to (g)
20	Purchases	Net	Intra-community acquisition of goods
21	Purchases	Input VAT	Intra-community acquisition of goods
22	Purchases	Input VAT	Goods/services where reverse charge applies according to a specific national measure or derogation
23	Purchases	Net	Goods/services where reverse charge applies according to a specific national measure or derogation
24	Purchases	Input VAT	Services where reverse charge applies
25	Purchases	Net	Services where reverse charge applies
26	Purchases	Input VAT	Goods/services where reverse charge applies and not covered by (c) & (d)
27	Purchases	Net	Goods/services where reverse charge applies and not covered by (c) & (d)
28	Purchases	Input VAT	Imported goods
29	Purchases	Net	Imported goods
30	Purchases	Input VAT	Adjustment of initial deduction
31+	Sales	VAT & Net	Information necessary to calculate the tax that has become chargeable
32+	Purchases	VAT & Net	Information necessary to calculate the deductible VAT

SALES TRANSACTIONS

DOMESTIC SALES

Supplies of goods subject to VAT
Supplies of services subject to VAT

EU DISPATCHES

SERVICES SUPPLIED

Supplies of services outside the scope of VAT

Provision of services relating to goods which belong to VAT registered customers in other EU Member States

Provision of services relating to work on goods, which belong to overseas customers, where the goods are temporarily imported

Sales relating to international transport & international goods traffic

PURCHASES TRANSACTIONS

DOMESTIC PURCHASES

Purchases of goods subject to VAT
Purchases of services subject to VAT
Purchases of domestic goods subject to reverse charge
Purchases of domestic services subject to reverse charge

Box	Transaction	Category	Description
1	General	Output VAT	Output VAT
2	General	Input VAT	Input VAT
3	General	Output / Input	Net amount to be paid / refunded
4	General	Net	Sales
5	General	Net	Purchases
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31+	Sales	VAT & Net	Information necessary to calculate the tax that has become chargeable
32+	Purchases	VAT & Net	Information necessary to calculate the deductible VAT

Purchases of goods outside the scope of VAT

Purchases of services outside the scope of VAT

Purchases of goods which are Exempt from VAT due to the nature of the Product

Purchases of services which are Exempt from VAT due to the nature of the Product

Transaction mapping is critical

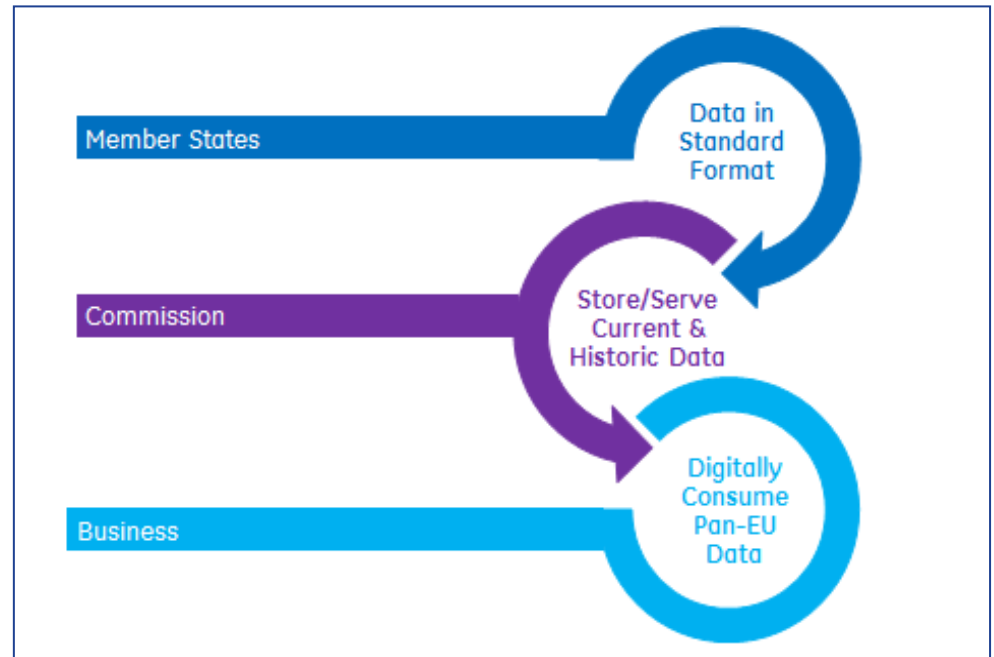
EU Web Portal is Critical

1. Rates
2. Registration Requirements and Forms
3. VAT Filing Procedures and Forms
- 4. Transaction Mapping to VAT Return Boxes**
5. How to Make Adjustments to Returns
6. Documentation Requirements incl. Invoice Formats
7. Deregistration Process and Forms

“Words” on screen are not enough

Key Features – Commission Study

1. Single source of VAT information
2. Content – information critical to compliance
3. Functionality – easy to use and consume
4. Regularly updated
5. Reliable
6. Language



Objectives

Standard VAT return

1. Business - simpler procedures, reduced costs
2. Gov'ts – easier compliance, higher revenues
3. Commitment to business-friendly Single Market

Web Portal

1. Decrease compliance costs
2. Increase tax revenues
3. Foster intra-EU trade

Same Objectives

EU Web Portal – Commission Study

- 3 solutions suggested – preference for Scenario 3
- €3M+ cost
- Development and implementation ~20 months
- Staged development with pilot
- Involve MS and business
- Added value for all parties

Give Web Portal the Highest Priority

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Deliverables – Short Term

- Work on harmonizing electronic filing across EU 28
- MS to contribute to EU Web-Portal, e.g.
 - VAT return formats
 - Transaction mapping
 - Critical Information
- Business to support on the information required
- Commission/MS to involve business - EU VAT Forum or VEG

Rapid Progress Needed

Deliverables – Long Term

- Commission and MS to work on harmonizing different approaches to compliance and audit
- Share best practices on risk management
- Focus on business controls and how they can help to manage risk and ensure efficiency in audits – SAF-T?
- Commission/MS to involve business - EU VAT Forum or VEG in all aspects



*Standard VAT Return then
becomes possible*

Costs Down & Revenue Safe

... a dream?



or

... a natural conclusion?

