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

VAT Inspector

VAT Consultant

VAT Manager

I ❤ VAT
What does business fear the most?
Uncertainty \rightarrow Risk! \rightarrow Cost!
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

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


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
Agenda

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

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

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?
Agenda

1. Business Perspective
2. Common Goals
3. Best Practices
4. Improved Dialogue & Information
5. New Initiatives
6. Conclusions
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.
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
What does the proposal mean?

Does it:

Standardise?

Simplify?

Reduce cost?
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

https://circabc.europa.eu/faces/jsp/extension/wai/navigation/container.jsp?FormPrincipal:_idcl=FormPrincipal:_id3&FormPrincipal_SUBMIT=1&id=d4ea963c-9d29-4b2c-86bd-cae4be7d90ab&javax.faces.ViewState=r00ABXVyABNbtGphdmEubFuZy5PYPmpIY3Q7kM5Ynx8zKWwCAAB4cAAA
## Objectives

<table>
<thead>
<tr>
<th>Standard VAT return</th>
<th>Web Portal</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1.</strong> Business - simpler procedures, reduced costs</td>
<td><strong>1.</strong> Decrease compliance costs</td>
</tr>
<tr>
<td><strong>2.</strong> Gov’ts – easier compliance, higher revenues</td>
<td><strong>2.</strong> Increase tax revenues</td>
</tr>
<tr>
<td><strong>3.</strong> Commitment to business-friendly Single Market</td>
<td><strong>3.</strong> Foster intra-EU trade</td>
</tr>
</tbody>
</table>

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
Agenda

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