

IVA CONSULTA: Special services related to VAT obligations in intra-Community operations



Agenda

- ▣ About us
- ▣ Problems resulting from the managing of VAT in intra-Community operations
- ▣ How can we help you:
 - ❖ Out-sourcing of global VAT Compliance
 - ❖ Support services
 - Customizing of the ERP system
 - Compliance in control

About us

- ▣ **IVA Consulta** is a professional bureau located in Barcelona that provides specialized VAT advice since 2006 under the direction of **Manuel Pérez de Algaba Cuenca**, a Spanish lawyer and tax advisor with a long experience acquired in different multinational audit firms
- ▣ **IVA Consulta** appertains to a European network of specialists forming part of VAT-Forum, a Belgian entity where it is founder member and which engages in specialized training activities
- ▣ **IVA Consulta** collaborates with a company leader in the provision of outsourcing services regarding Customs and indirect tax obligations which has developed an on-line platform that supports the processes required for the completion, filing and follow-up of VAT returns and other formal obligations, based in the use of “*iVAT reporting*”, engine developed by **VAT-Applications** for the automation of the VAT obligations in all the European Union and certain third countries



Problems resulting from the managing of VAT in intra-Community operations

- ▣ It is a fact that the internalization of the economic activity, especially within the European Union, has generalized to a point that it is difficult to find a company that, regardless of its size, is not affected by the VAT problems resulting from such a circumstance
- ▣ Depending of the operative followed by the company, such VAT problems can involve a great complexity given the important number of variables involved and their implications on the applicable VAT regulations in the different member States that are involved and which may not always be fully harmonized
- ▣ The capacity to be able to carry-out an accurate and up-dated analysis of such implications constitutes a critical factor so to avoid the risks and cost resulting from an inadequate VAT treatment of the transactions incurred by the company (i.e. penalties, loss of the right of deduction, inability of the charging of the VAT quota to clients, rejection of VAT refunds applications in other EU member States, etc.)

Problems resulting from the managing of VAT in intra-Community operations

- ❑ To this end, the company must be in a position to be able to ascertain that, at every moment, it is capable of:
 - ❖ Knowing the VAT regulations applicable to its intra-Community operations
 - ❖ Evaluating the implications for the company of such VAT regulations in order to be able to set-up the administrative and control routines which allow the same to:
 - Give the adequate VAT treatment to its transactions
 - Provide the adequate documentary support to such transactions so that the VAT treatment given to the same can be properly justified if so required (eligibility for the exemptions, determination of the taxable base, VAT rates applied, VAT location place considered, etc.)
 - Properly evaluate the invoices received from suppliers from a formal and legal point of view (i.e. correctness of the VAT treatment given by the supplier, formal correctness of the invoice, obligation to apply the reverse charge rule to the invoiced transaction, eligibility for deduction of the VAT quota, etc.)



Problems resulting from the managing of VAT in intra-Community operations

- It is clear the difficulty of this task given the diversity of national regulations applicable, the existence of very different implementing regulations and peculiarities affecting formal obligations at the different member States

How can we help you: Out-sourcing of global VAT Compliance

- It may happen that multinational groups or companies with a centralized structure for the managing of taxes (i.e. internal tax or administrative departments acting as coordination centre) may contemplate the alternative of outsourcing when, because of the complexity of the intra-Community operative, the managing of the resulting VAT obligations in the different member States is too demanding in terms of technical and human resources and exceeds the internal capabilities
- For this case, given the risks involved from a failure in the correct management of VAT making, the use of the services of a third party who can take over the VAT obligations for the intra-Community transactions either fully or partially, should the internal department desire to maintain the task of extracting the data out of the ERP system, can be more efficient in terms of cost/benefit



How can we help you: Out-sourcing of global VAT Compliance

- **IVA Consulta**, can provide such an outsourcing service with the following scope:
 - **Diagnostic review:** As a previous step, a VAT review would be carried-out in order to conclude about the compliance level and control routines that are followed by the company for the management of its VAT obligations
 - **Implementation:** Based on the conclusions of the review, actions would be proposed as regards the correction of any deficiencies detected, the accessibility to the relevant data or the necessary internal routines for an adequate implementation of the outsourcing service.
It is not to be dismissed that, so to facilitate a fluent migration, an interim period where we work in parallel with the internal department of the company is required
 - **Outsourced tasks:** The tasks to be assumed by **IVA Consulta** as a result of the outsourcing service would be as follows:
 - Assignment of a local person that would supervise the provision of the service with the following role:

How can we help you: Out-sourcing of global VAT Compliance

- ✓ Coordination of the reception/introduction of data through our platform
- ✓ Periodical visits to the company for the carrying-out of control routines and periodical test samples
- ✓ Clarification of doubts related to technical issues or to the provision of the service
- Carrying-out of all the required formal and material VAT obligations as may be required in the different member States where the companies of the group operate, namely:
 - ✓ VAT registration/deregistration or modification of the census status when required by the changes in the company legal situation or operative
 - ✓ Compliance and filing of the periodical VAT returns and taking care of the payment if so required
 - ✓ Compliance and filing of the sales listings of intra-Community transactions and intrastate
 - ✓ Compliance and filing of the informative returns and yearly summary returns
 - ✓ Keeping of the VAT registers as required by the relevant internal regulations of the corresponding member State



How can we help you: Out-sourcing of global VAT Compliance

- ▣ Although it would be up to the company to provide duly on time to **IVA Consulta** the data and information required for the completion of its tasks, such an obligation would be facilitated by the use of our platform, where, additionally, the client would have on-line updated information as to its VAT situation in the different member States where it operates and to its historical return files
- Furthermore, given the flexibility allowed by the use of such a platform, **IVA Consulta** could also assume the task of retrieving all the data and information it would require for the completion of its work out of the ERP system of the company, for the case that the client desires a full outsourcing of its intra-Community VAT obligations

How can we help you: Support services. Customizing of the ERP system

- ▣ The company must be aware that, due to the significant number of factors involved, the correct managing of the VAT obligations related to its intra-Community operations is not possible unless its ERP system allows a fluent access to:
 - ❖ All the data that is required so to be able to identify and comply on time with the VAT obligations incurred in all the affected member States (filing of returns, keeping of VAT registers, informative returns, etc.)
 - ❖ The information that is needed so to establish and maintain the control routines that are required to minimize risks involved by the intra-Community operative (i.e. compliance with the formal requisites to benefit from exemptions, correct application of the invoicing rules, checking of VAT numbers provided by clients, etc.)
- ▣ In practice, depending on the complexity of the intra-Community operative of the company, it is not clear that the standard configuration of its ERP system allows

How can we help you: Support services. Customizing of the ERP system

for such requirements. This could be the case of companies incurring in any of the following situations:

- ❖ Triangulations (purchases to other intra-Community operators to be delivered in a member State where the company is not registered so to do subsequent local supplies)
 - ❖ Chain transaction between different companies of the group previous to the final supply to end customers
 - ❖ Imports followed by intra-Community deliveries
 - ❖ Transfer of products to other members States so to maintain a stock to serve future supplies (“consignment stock” or “call-off stock” situations)
 - ❖ Purchases or supplies of goods within a VAT or Customs warehouse, etc.
- ❖ Should this be the case, the correct management of the VAT would require a customization of the ERP system, task that not always would be easy as, besides an IT specialist, expert advice about the VAT problems related to the

How can we help you: Support services. Customizing of the ERP system

intra-Community operative would also be needed in order to identify the parameters that are required for such a management and control of the VAT obligations

- ▣ For those companies with a complex intra-Community operative, **IVA Consulta** can provide such a specialized advice, working together as a team with the IT Department of the client or its external IT service provider, in the customization of the ERP system of the company so the same allows the adequate managing of the intra-Community VAT obligations
- ▣ To this end and so be able to identify the parameters required for achieving such an objective, we would carry-out a review of the compliance level and routines followed by the company for the management of its intra-Community VAT obligations with the aim of:

How can we help you: Support services. Customizing of the ERP system

- ❖ Identifying the type transactions that are incurred by the company on the occasion of its intra-Community operations and concluding as to the VAT implications of the same at the different member States involved
- ❖ Concluding as to the procedures and control routines followed by the company being adequate to guarantee that:
 - ✓ The system can provide all the data which are required for the compliance with the VAT obligations and that the same are easily accessible and accurate
 - ✓ The supporting documents are enough for the purposes of justifying the VAT treatment given to the underlying transaction (exemption applied, taxable base, VAT rate, location place, etc.)
 - ✓ The data declared is consistent from the point of view of all the parties and jurisdictions involved.
- ❖ Concluding as to the sufficiency of such procedures and routines and about the required data, accessibility and consistency
- Based in the information so obtained, **IVA Consulta** will be in a position to integrate in the work team that is to carry-out the customization of the ERP system of the company and provide the required feed-back on those VAT issues as required for a successful completion of such this task



How can we help you: Support services. Compliance in control

- ❑ There may be situations where, notwithstanding the existence of an internal tax department, the company cannot ascertain that the same is fully compliant with its intra-Community VAT obligations either because of the complexity of its operative, the limitations of the ERP system of the company, or because of both reasons
- ❑ For such cases, a limited outsourcing that consist in the externalization of the supervision and control routines can be a very efficient alternative in terms of costs/benefit, since the company will retain most of the tasks related to the managing of its VAT obligations
- ❑ As mentioned before, due to the flexibility that allows the use of our platform, should the company be interested in this alternative we could provide such a service, where **IVA Consulta** would provide a limited outsourcing service consisting of:

How can we help you: Support services. Compliance in control

- ❖ Identification of those data and information which would be required to properly manage the VAT related to the intra-Community operations and establishment of the procedures for their extraction from the ERP system of the company
- ❖ Supervision of the extraction of data and subsequent treatment by the internal tax department of the company through our platform
- ❖ Completion and filing of the VAT returns and formal obligations related to the intra-Community operations
- ❖ Implementation and follow-up of control routines to be maintained by the internal tax department of the company