

# TRAVELASIA

## Tough times call for a hard look at refunds

By Audrina Gan

THE softening of global economies in the US, Japan and Europe has led consumers to adopt a cautious approach in their spending expenditure. Corporate companies are no exception as they embark on a cost containment mission.

To control costs, most US corporations are already enforcing tighter adherence to T&E policies, shifting to low-cost carriers and shying away from higher-priced hotels, mandating the use of negotiated rates as well as encouraging the use of preferred vendors and interactive travel booking websites.

On the domestic travel front, especially for frequently-used domestic itineraries, corporations are 'forcing' employees to use non-commissionable pre-negotiated corporate airfares, trip templates for basic domestic itineraries and low-cost hotels, says Raj Shah, president of US-based Universal VAT Services.

In the US, airfare, accommodation and meals constitute 81 percent of total T&E expenditure. Based on the per diem analysis of international travellers by Universal VAT Services, US corporate travellers spend US\$350 per day — hotel \$232.75; meals \$85.75; others

\$31.50 per day.

By industry, Shah notes the four giants in terms of T&E spend in the US are the consumer, computer and software, consulting and financial industries. "The computer and software industry experienced a big surge in T&E costs due to Y2K related work in 1999. However, we expect lower international T&E spending in 2001 and 2002 due to the bearish US economy," adds Shah.

With T&E expenditure forming a sizeable chunk in a corporation's total expenditure, taxes levied such as Value Added Tax (VAT) or Goods & Services Tax (GST) present additional financial loads. As a

business and investment incentive, the European Union (EU) began offering VAT refunds to employees of foreign companies who travel to participating EU countries for business purposes in 1987. Depending on the country, VAT rates in the EU range from 3.5 percent to 25 percent although some countries do not refund the full amount levied. Again, depending on the country, VAT may be refunded on hotels, restaurants, conferences, trade shows, training courses and car rentals, just to name a few.

Currently, the UK (17.5 percent VAT) and Germany (16 percent VAT) are the most favourable destinations for VAT

refunds. And thanks to this pro-business approach, the UK clinched top spot in terms of international business destination for US companies with "almost 40 percent of our VAT recovery coming from the UK", says Shah. Other frequently visited VAT refund international destinations for US companies include Germany, France, the Netherlands, Sweden and Canada.

At present, most countries allow up to four claims in one year. "We prefer to make multiple claims for high volume clients. This avoids backlog and allows for a steadier, more frequent flow of refunds," explains Shah.