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- IT SHOULD COME BACK

Travelling overseas for business? Don't miss out on the refund of the value added tax (VAT) that is usually incurred during overseas business travel—it could add up to substantial savings.

By **RAJ SHAH**

In a world that becomes smaller by the day, travel is an integral part of business operations. Like the empire-builders of the past, today's senior business executives move around the world to increase the profitability of companies. Corporate travel involves hotel stays and expenditure in many countries around the world. Such trips are budgeted for in advance; vendors and suppliers are paid without a second glance at the additional taxes that are being paid. If you study a hotel bill, the next time you check out of a hotel, you will see a considerable amount charged as VAT (Value Added Tax). VAT can vary between 6% to even over 25% of the total bill. Companies pay such taxes and accept it as part of the cost of doing business. However, most companies may be able to save by obtaining refunds on the VAT paid simply by submitting refund applications.

Many countries, especially in Western Europe, refund VAT on business travel. Some travelers confuse VAT refunds on business travel, with VAT refunds on goods purchased during a trip. The latter applies to VAT on goods only, which can usually only be recovered at airports, or directly by travelers, with certain refunding VAT Authorities. This article deals with VAT refunds on corporate travel.

VAT may be recovered by business entities and educational institutions. Such recovery results in direct savings to a company's travel and entertainment budget. Still, many companies leave millions of dollars unclaimed each year.

Some countries that refund VAT on business travel are Austria, Canada, Denmark, France, Germany, Japan, Holland, Norway, South Korea, Switzerland and the United Kingdom among others. Expenditure

eligible for refunds include hotels, car rental, transportation, conferences, exhibitions, trade shows, clinical trials, research and development, marketing, and advertising. Several countries require reciprocity from the taxpayer's home country before allowing refunds. Other countries require that local fiscal representatives be used to handle the claim. Some countries refund VAT on transportation, while others don't. Most countries will refund VAT on hotel accommodation; France, however does not refund for hotel rooms for employees' business trips. They will, however, refund on VAT incurred in restaurants. South Korea will only refund VAT if the invoice was paid with a credit card. The point of sale slip has to be attached with the application.

VAT refunds can be applied for with the appropriate VAT authorities or companies may use a recovery company. There are filing deadlines, IT requirements, and rules that vary by jurisdiction, so obtaining refunds requires some research and knowledge. Many countries now offer online portals to make the submission easier.

Due to the above mentioned complexities, companies can consider hiring a VAT recovery company and outsource the process. Most companies provide their services on a contingency fee basis, so you will only need to pay them a percentage on successful recovery of VAT.

There are also some automated recovery processes that are available. Some global accounting firms are offering products with OCR (optical character recognition) that companies can use to input invoices or bills and determine if an expense is VAT eligible.

With the many tools and companies ready to assist global enterprises, there is no reason to leave VAT money on the table. Look into this savings tool today.



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