



VAT Communicator

— a UVS Quarterly Newsletter

Do you know?

- * Germany has moved its 13th Directive refund mechanism to a partial online electronic system?

It is not yet a completely automated system and mainly involves a process by which a client fills up relevant details on an online portal prior to the filing of a refund claim. The application will then need to be printed and attached to the invoices, and be sent to the VAT refund authority. UVS will be pleased provide more information to interested clients.

- * That HMRC in the United Kingdom has moved Overseas Repayment Unit from Londonderry to Newcastle. All VAT refund claims are now processed through the Newcastle Office.



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VAT Recovery - automation of processes

VAT Recovery has for most of its life, been an involved and paper intensive process. Of course, it is understood we deal with Governments; and they have known to be notoriously bureaucratic. Even today, many of them are steeped in cumbersome paper-work. Fortunately, we are beginning to see a little light, at the end of the tunnel. European nations see the need to cut across the processes of the past, and rapidly move into the 21st century, and the age of modern technology.

It however appears that complete automation of VAT refunds is still some years away: simply because refunds are not a top priority for VAT Authorities in most countries. VAT continues to be the main fiscal instrument of income for several governments including some advanced EU countries. Obviously they would rather keep the VAT, than refund it. Automation of refund therefore, is not priority number one.

In the European Union there has been talk of unification of VAT processes. It makes good fiscal policy sense, even though BREXIT, and similar undercurrents in a few other countries, make any unification process more challenging. Given the various issues, unification of VAT in the EU is not going to happen in the very near future.

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VAT in the United Arab Emirates

It was fairly widely known that the United Arab Emirates would implement a VAT Scheme during the course of 2017; it is now expected to come into force in January 2018. The Country will probably be the first Gulf Cooperation Council (GCC) country to implement such a scheme.

Taxation, considered 'haram' in Islam, was always a bad word in the GCC countries. Whenever the word tax was mentioned, an Arab would look the other way. However, to enable the individual Emirates to fund their schemes we saw the emergence of various taxes in the form of 'fees' or 'service charges', being introduced from the late 1980s.

The intended VAT scheme in the UAE is a major fiscal policy change for a GCC Country. One can probably expect the UAE VAT to be given a name that does not have the word, 'Tax' in it.

It may well happen, that once the UAE implements their VAT scheme, other member states of the GCC may also follow suit.

At this stage it is not yet known, whether there will be any refund schemes for non resident business travellers.

VAT Refunds - automation of processes (continued)

It is common knowledge that many multinational companies are moving towards paperless environments. It will not only save trees and the environment, but work towards more efficient intra-company processes. Many corporates commenced work on the task of going paperless, in the early nineties and are today well into their projects to do so. Governments in the Persian Gulf had also taken the opportunity to learn from others' inefficiencies and launched their own e-Government schemes in the nineties. They did not want to make the mistakes of bureaucracies the world over. With these paperless efforts in view, there will be pressure on governments to minimise paper involved processes as well. It is a matter of time before governments fall in line, and automate their several processes.

Leadership for the automation of VAT process will come from the EU countries. Scandinavian countries are moving towards more online processes, and it is foreseen that they may indeed be ahead of the curve. Germany has also moved the 13th directive (VAT refund involving EU countries to non EU countries), refund mechanism to an online electronic system. It makes for partial automation of the refund process. More countries are expected to follow.



Where does all of this leave companies in paperless environments, wanting to file for, and obtain VAT refunds? Their own internal processes, have allowed for original invoices to be destroyed. They are the very documents that several governments need, to process VAT refunds. In some cases like the Scandinavian countries, all is not lost. VAT recovery companies will hopefully be able to talk to them and get them to accept scanned copies of the original invoices.

In conclusion, the move to automation of VAT processes, including refunds, will eventually have to happen. It will help both governments and companies the world over. It may take a few years, but governments will implement the required changes within their own convenient timeframes.

Mano Chandra Dhas

Reminder to clients

The next big deadline for filing of VAT returns is 30th June 2017, when most European Union countries will expect the refund applications for the Calendar year 2016 to be filed.

We at UVS, look forward to receiving your VAT invoice at least 8 weeks before the deadline, to help us vet your invoices, and also work on any corrections that may be required.

HMRC Guidelines on Online Sales to UK Customers

HMRC continues to increase control over online businesses. New Guidance published on 16th Sep 2016, states that tax liabilities of foreign taxpayers shall include online market places - for example Amazon, eBay etc. These shall include Fiscal Representatives of foreign businesses in the UK. Both representatives and online platforms, shall be jointly and severally liable for VAT obligations of the seller.

Of late, there has been an increasing awareness of various European VAT Authorities about online sales within their own territories. Please do contact UVS if you need any further clarification on the subject.

The United Kingdom and VAT Refunds

Change in VAT and related processes, in the wake of UK's BREXIT, will be inevitable. There may not be much change in VAT rates; but there will certainly be changes in the reporting and refund of VAT. The writing on the wall is, that for UK companies wanting to file for VAT refunds, the



process will change from the 8th Directive (an EU member country refunding to another EU country) to the 13th Directive (an EU member country refunding to a non EU member country). The change will undoubtedly become part of the trade negotiations that will take place between the UK and individual EU member states. It is difficult to tell at the moment, when all these changes will come into effect. It may even take years for the changes to become effective, in the case of some countries.

Obviously VAT will become applicable for EU based companies buying from the UK. Again refunds for such transactions will be handled under the 13th Directive. Processes will only become clear when all the dust of BREXIT settles down.

In the meanwhile in a targeted attempt to eradicate fraud, UK VAT Authorities have become more strict with their review of VAT refund claims. HMRC have started auditing claims in more detail, especially in the case of companies with more than 5000 invoices in a claim. The process has led to additional questions and requirement of supporting documents. For those involved in the VAT recovery business, the HMRC questions are sometime even irrelevant and often long winded. HMRC have also advised that they may issue penalties if inaccuracies are present in claims. In the opinion of UVS, this may not affect the bulk of our clients. We will handle queries if any, from HMRC. We request as always, that our clients' invoices are sent to us well ahead of the filing deadline. At UVS, we will audit all the submitted invoices before we file, and advise our clients as appropriate. There occasionally may be need for our clients to provide clarification. We will handle such issues on a case by case basis.