

THE POWER OF BEING UNDERSTOOD

GLOBAL INDIRECT TAX STRATEGY AND STRUCTURE

Effective management of value added tax has positive business impact

If your company is internationally active, you likely have value-added tax (VAT) obligations. Approximately 160 countries employ a VAT system; the only notable exception is the United States. Although the tax is common it is often mismanaged or not optimized to provide the maximum benefit to a business. Effective management of your VAT obligations will positively affect and add value to your organization. Consider the following when evaluating your VAT position:

Supply chain and transaction management

Supply chains typically involve a number of separate transactions involving vendors, customers and other group companies. Each transaction has its own VAT implication and taken as a whole can lead to some complex outcomes, particularly where supplies across international borders are involved.

Supplies involve services as well as goods and whether or not there is a payment for the supply, VAT could still be in effect.

Risk and compliance assurance

VAT-registered businesses, through the act of charging, collecting and remitting VAT, are effectively unpaid tax collectors for the tax authorities. However, there is a significant responsibility placed on businesses to ensure they make accurate decisions and comply with all the rules and regulations as well as file VAT returns and make VAT payments on a timely basis.

RSM can advise on, and assure, the design and effectiveness of VAT processes. These processes form part of an organization's control environment and support risk management procedures. Tax authorities generally look more favorably on businesses that can demonstrate they have well-designed

and appropriately controlled processes—and in circumstances where companies may have made errors, demonstrating a robust process can support penalty mitigation arguments.

Audit support

Tax authorities routinely inspect the VAT records managed by businesses and this can lead to the identification of errors and assessments. RSM can help businesses prepare for an audit as well as support the audit process.

Liability rulings

At an individual transaction level, it is occasionally uncertain how VAT should be accounted for. We can use our experience, technical knowledge and resources to help determine the correct VAT rule and rate. However, where there continues to be uncertainty we can work with businesses to submit a ruling request to a tax authority developing and presenting arguments to obtain the most favorable outcome.

Corporate transactions

Some of the largest and most complex transactions that an organization enters into occur when businesses are bought and sold, particularly if they are multijurisdictional. VAT plays a significant and integral part in this and we can advise on each of the following critical areas:

- Deal structuring
- Due diligence
- Contract review
- Deal cost management and recovery
- Post-deal activities

VAT assessment

If this is the first time your business has taken a strategic view of VAT, a high-level assessment of your VAT position will be a valuable starting point. A focused analysis can help you develop a foundational view of your structure, supply flows, contracting arrangements, compliance obligations, systems capabilities and automated VAT processes from which more detailed strategic and commercial decisions can be made. Our VAT Comprehensive Opportunity Review (VATCOR) methodology includes a number of materials and templates to streamline the work, which is delivered by technical VAT specialists.

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