

THE POWER OF BEING UNDERSTOOD

RECLAMATION OF VALUE ADDED TAX OVERPAYMENTS

Maximize recovery and produce cost savings for your organization

In any value-added tax (VAT) environment, companies are eligible to claim back all or a large portion of VAT paid on the purchase of goods, services and intangibles. Most companies focus on accurate and complete tax remittance of taxes collected. However, whenever there is an opportunity to claim credits, some companies may underestimate their eligibility either by overlooking certain areas where they qualify for reclamation entitlement or underclaiming the amount of tax overpayment that could actually be reclaimed.

Reasons for VAT overpayment

Companies often do not maximize their reclamation opportunities. This can result in VAT overpayments and negative cash flow impacts to the organization. RSM is here to help.

Some of the most common reasons for VAT overpayments are as follows:

1. *Regulatory environment:* Frequent legislative changes can be difficult to track, interpret and respond to in a timely manner. Complying with ever-changing tax rules across international borders can feel like a daunting, sometimes overwhelming, task. Even the most prudent companies find that they are often unable to manage and comply with changing tax laws.
2. *Staff transitions:* When staff changes take place, certain functional and institutional knowledge can be lost. These transitions may cause lapses in the indirect tax compliance function and lead to overpayments or other exposure.
3. *Changes in corporate structure:* Companies participating in acquisition or divestiture activity frequently find that, when the tax function responsibility changes, both VAT compliance and reclamation processes also change.

4. *Changes in accounting systems:* Organizations are often looking to streamline their business processes through the implementation of a new or upgraded enterprise resource planning (ERP) platform. These implementations may result in lapses in how VAT is recovered and reported.

5. *Uncommon transactions:* Large, unusual or one-off transactions may escape proper review when the regular internal control structure is not consistently applied.

When is the right time to evaluate VAT overpayments?

Companies often consider VAT reclamation when subject to a government audit. This is often the best time to engage in a reclamation engagement as many tax jurisdictions require recoveries identified to be netted against proposed audit assessments. This not only minimizes the impact of an assessment but also reduces the penalties and interest that are attached to any audit result.

Additionally, when new accounting or tax systems are implemented, it is an ideal time to engage in our reclamation services in order to close gaps in processes soon after implementation.

Statutes of limitations vary across countries and, in order to maximize reclamation opportunities, businesses must be aware of the statutes that apply to them in each jurisdiction.

Due to our contingent fee structure, exploring the potential overpayment of VAT can often be performed without any out-of-pocket expense. Accordingly, the cash flow impact may be minimal while the reclamation opportunities may be potentially substantial.

Why RSM?

Our team has decades of experience working across all areas of business, including government agencies, educational institutions, hospitals, nonprofit organizations and across the wide spectrum of for-profit companies in all industries.

We understand a variety of systems, from SAP and Oracle to smaller systems more common to the middle market; we have been able to utilize our experience and software analytics in every accounting environment.

Our team has deep technical experience and understands applicable tax legislation. With RSM's global network of subject matter experts, we have the technical knowledge to support reclamation results in any jurisdiction where government authorities may challenge those results.

The RSM network of member firms provides global capabilities and local market awareness linking clear legislative knowledge to results for your organization. Our team can provide ongoing advisory, consulting and audit defense services related to VAT in addition to reclamation services.

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