

Case Study

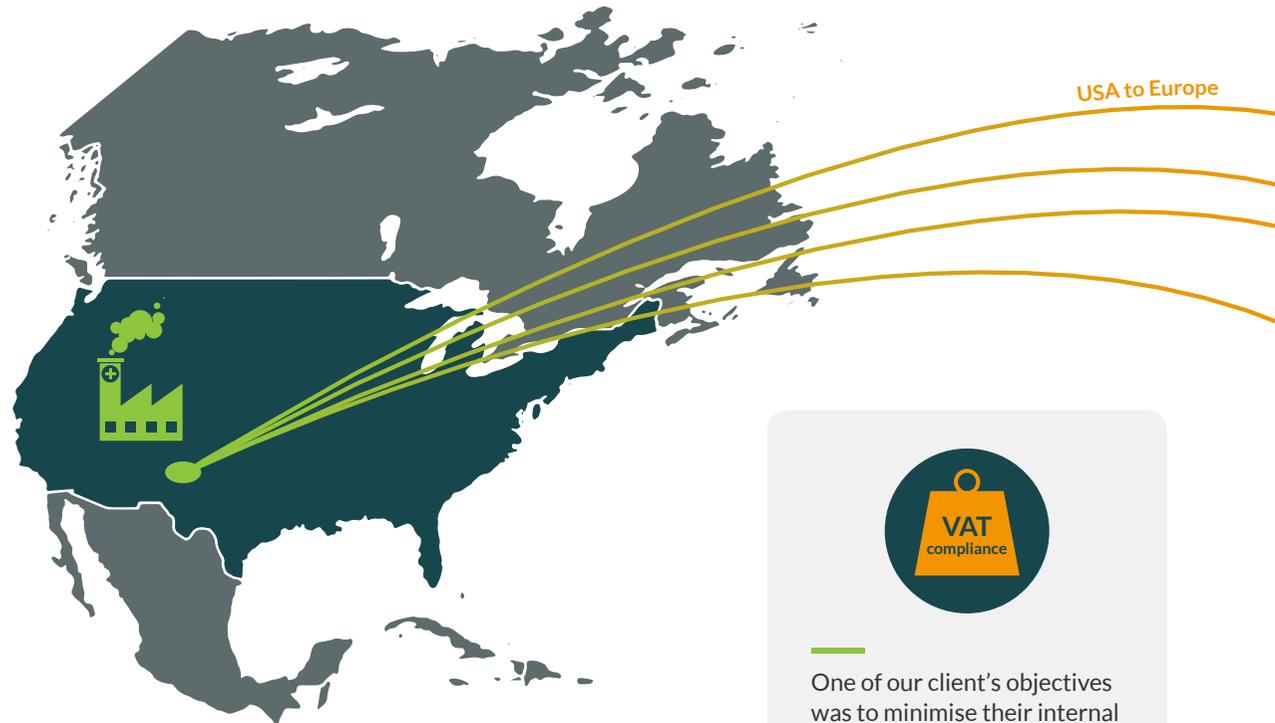
Pan-European VAT Compliance Co-ordination

Our client was a **US incorporated manufacturer of medical devices** selling their products to customers located across the EU. Their products are highly valuable and, **in some cases, time-sensitive**.

When we first met our client the business had several objectives in respect of their EU VAT obligations:

1. To minimise their EU VAT registrations as much as possible.
2. To reclaim all possible VAT on business operating costs.
3. To **minimise the compliance burden** on their internal staff.
4. To manufacture and ship their product to end customers as smoothly and VAT efficiently as possible.

Our services provided multi-benefit solutions to their challenges.



One of our client's objectives was to minimise their internal staff's compliance burden related to EU VAT obligations

The Fact Pattern

- US company with a sales and marketing subsidiary in Europe
- Manufacturer and supplier of medical devices – goods for VAT purposes
- VAT registered in 4 EU countries
- US company is the revenue recognising company in Europe
- European manufacturing partner

The Challenge

Prior to engaging our services, the company was experiencing a number of difficulties in achieving their aims, since:

- They had a high turnover of staff, creating an internal VAT knowledge vacuum.
- Their tax and accountancy staff were not familiar with managing EU VAT obligations.
- The company was growing so quickly it stretched internal resources, meaning they could not dedicate adequate time to EU VAT learning.

Moreover, as they had a complex supply chain model spanning a number of EU and non-EU countries, the complexities of dealing with VAT in only one country multiplied. This unfortunately led to late filings of VAT Returns and late or unpaid VAT liabilities.

Therefore, the company tasked us with overcoming their most burdensome challenges, including:

1. Preparing and filing 44 VAT Returns and 24 extra statutory declarations across 4 EU countries, where each country has variation in the declaration filing frequency and due dates; some are monthly, some are bi-monthly and others quarterly.
2. Overcome the complexities of issuing VAT compliant invoices to customers when fulfilling goods from multiple EU countries where each country has their own rules.
3. Reducing the VAT incurred on many of their EU supplier invoices by identifying where VAT had been incorrectly charged, whilst ensuring the VAT correctly incurred can be reclaimed.
4. Identify the most VAT efficient importation and fulfilment models within the context of their existing commercial arrangements and supply chain structure.



US manufacturer (our client)



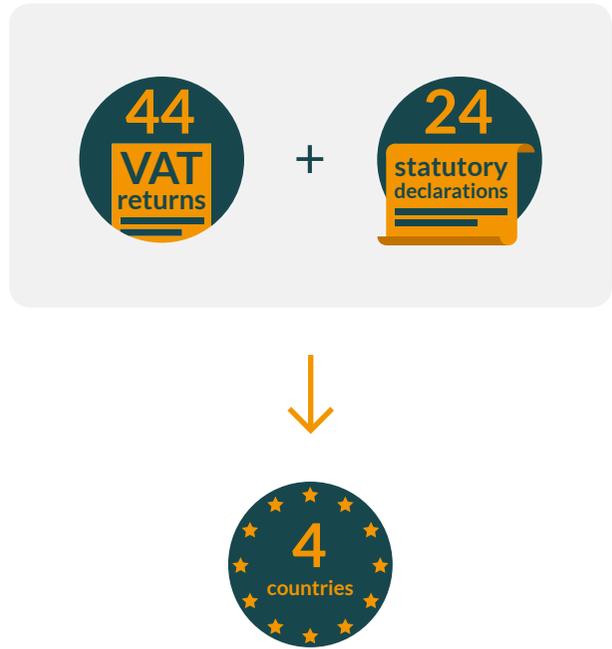
Customs



Courier delivery



EU hospital



One of our client's most burdensome challenges was preparing and filing 44 VAT Returns and 24 extra statutory declarations across 4 EU countries, each with varying declaration filing frequencies and due dates

The Solution

Our first action was to establish our client's **Fact Pattern**, in other words, find out what they were doing, where they were doing it and how they were doing it. Armed with this information, we were able to set out, in written and diagrammatic forms, an overview of the entire commercial chain which involved importing from the US to a number of EU countries. This enabled us to tackle the first major challenge in the supply chain – getting the goods from the US to the EU.

Since importation rules vary between EU countries, to make importations as efficient as possible we liaised directly with shipping agents to provide import clearance guidance in real-time. This prevented our client's goods being stopped at any of the EU customs ports they shipped to. Additionally, because there are nuances between import VAT payment regimes in the EU, we obtained for our client two separate import VAT relief licences which meant they paid no import VAT when importing in to those countries.



Where their EU customer would not or could not act as the importer of the goods in to the EU, our client had to be the importer and become VAT registered to account for the sales VAT and reclaim the import VAT incurred. In such instances, we obtained a VAT registration and provided the related VAT compliance services to ensure they adhered to the ongoing VAT reporting requirements. One of these registrations occurred in Germany where they were unaware they were losing import VAT by not reclaiming it from the German tax authority.

Once the **Fact Pattern** was established and our advice on the VAT position within the supply chain had been given, we applied our **Active VAT Management** approach by acting as the hub for all EU VAT compliance and strategic advice. This provided our client with a one-stop-shop solution for EU-wide VAT compliance with an in-built check and balance process to ensure VAT Returns are filed, VAT liabilities paid and VAT repayments achieved, accurately and on time, every month.

We VAT registered our client wherever they have to be the Importer of Record, and obtained import licences, preventing our client's goods from being stopped at any of the EU customs ports they ship to

Using our pan-European VAT expertise, we devised and implemented an Accounts Receivable ("AR") Standard Operating Procedure ("SOP"). This is a living document which is reviewed and updated periodically to document all selling scenarios under each EU VAT registration. The AR SOP also featured eight separate EU VAT compliant invoice templates, each with explanatory notes and cross-referencing to the specific selling scenario.

We also implemented an Accounts Payable ("AP") SOP, documenting all purchasing scenarios with their suppliers across eight EU countries. The AP SOP includes examples of supplier invoices from those eight EU countries and outlines the mandatory details required for our client to reclaim the VAT where charged appropriately.



We provided them with Accounts Receivable and Accounts Payable Standard Operating Procedures, as well as EU VAT compliant invoice templates for all selling scenarios

The Benefits

Our client benefited from our services in the following ways:

- Through our importation and supply chain advice and guidance:
 - We improved our client's import efficiency and reduced the lead time for product delivery to customers. The logistics department could move products quickly with less delays and ensured their valuable, time-sensitive materials were not held up at EU customs ports.
 - Eased the cash-flow strain by reducing the cash outlay on import VAT paid on goods entering the EU by obtaining import licences to zero-rate imports. This meant there were no "hidden" VAT costs.
- Through our Active VAT Management services, they:
 - Met, and continue to meet, all EU VAT filing deadlines.
 - Avoid incurring penalties and fines for delinquent VAT filings.
 - Reclaimed in excess of €340,000 import VAT in Germany.
 - Improved their corporate reputation with tax authorities by not having late filings and/or VAT payments.
 - Created time and money efficiencies by consolidating the 68 VAT compliance filings each year in to a one-stop-shop solution.



Eased the cash-flow strain by reducing the cash outlay on import VAT



Reclaimed in excess of €340,000 import VAT in Germany



Consolidated 68 VAT compliance filings each year in to a one-stop-shop solution

The Benefits

■ Through the invoicing SOP's we created:

— AR staff can now:

- Quickly and easily identify which invoice template to issue to customers ensuring all invoices are correctly issued and contain all the necessary information for compliance with in-country VAT invoicing rules.
- Determine when VAT should and should not be charged to customers.
- Increase customer satisfaction by not under or over charging VAT, also enabling their customers to reclaim the VAT charged to them on their VAT Return.

— AP staff can now:

- Quickly and easily determine when VAT should and should not be charged by their suppliers.
- Ensure all invoices received from suppliers are compliant and contain everything required to enable us to reclaim all the VAT incurred.
- Ensure VAT mistakenly charged is not reclaimed, thus avoiding tax authority fines and penalties.
- Add value to their suppliers by advising them of their VAT charging position.



Created Accounts Payable and Accounts Receivable Standard Operating Procedures



Provided the invoicing SOP's to determine when customers should and should not be charged VAT



Improved customer satisfaction by not under or over charging VAT

Contact us now for more information about how we can help you:



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