

VAT Foreign VAT Reclaim



Barriers to the reclaim of foreign VAT

European Directive

Implementation

International VAT Advice

Specialist Service

Most businesses that incur expenses overseas tend to assume that making claims for recovery of the VAT content is not worth bothering about. There are a number of reasons for this.

Barriers to the reclaim of foreign VAT

- Some non-EU countries simply do not have a refund system.
- Even where VAT refund systems exist individual claims must be made to each country rather than including the VAT on your domestic VAT return.
- The rules regarding what is recoverable can be quite different in each country.
- It can be difficult to get invoices in the correct format and correctly addressed to the business which is usually a prerequisite for a foreign VAT claim to be successful.
- Most countries require the claims and any subsequent correspondence to be written in their language.
- Some countries will only pay the refund into a bank account in their country.
- The relevant invoices are often attached to expenses claims or buried amongst hundreds of purchase ledger invoices so finding the invoices in the first place can be a time consuming and difficult job.
- Some countries take so long to pass the money back that the appearance

of an unexpected foreign receipt requires a considerable amount of time and effort for the accounts department to work out what it is and deal with it appropriately.

Once all of these factors are taken into consideration it is often not cost effective to make the claim so UK businesses lose hundreds of thousands of pounds each year.

European Directive

The European Commission is very aware that these issues exist and are a barrier to intra EU trade. So, in an attempt to cut through some of the red tape, at least in relation to EU countries, it has come up with a bold plan designed to simplify, streamline and speed up the process.

This was introduced with effect from 1 January 2010 and is available to any EU VAT registered business that has incurred VAT in other EU countries.

The new system sounds good on paper:

- A UK business will submit claims electronically via the HM Revenue & Customs website.
 - Individual claims for each country.
 - No need to send the invoices. Instead, the larger ones are scanned and emailed.
 - Claims can be in English.
- The deadline for submission of claims is extended from 6 months to 9 months.

VAT

Foreign VAT Reclaim

- The processing deadline for the foreign VAT Authorities is shortened from 6 months to 4 months (this can be extended to 8 months if the claim is queried).
- Once the claim is processed the foreign VAT Authority must pay it within 10 working days and if it fails to do so it will have to pay interest to the claimant.

Implementation

This all sounds very encouraging and HM Revenue & Customs has set up the portal on its website and issued a lot of useful guidance.

The problem is that most other countries have quite simply failed to get themselves ready or have set up a system that is not adequate for the task. So although it would, theoretically, be possible to submit claims it is unlikely they will be dealt with in the manner envisaged by the European Commission.

Thankfully these problems have now been recognised by the Commission which has extended the deadline for submission of claims in respect of VAT incurred in 2009 from 30 September 2010 to 31 March 2011.

Nevertheless, as the old paper based system is no longer usable and the new electronic system is barely functional there seems to be even less incentive to make claims for recovery of foreign VAT. So, is there a solution to this problem?

International VAT Advice

Through our membership of AGN International, the Worldwide Association of Separate and Independent accounting

and consulting firm we can advise on international VAT issues. For advice on a structure or transaction this will normally be the most appropriate option to choose. However, in relation to foreign VAT refund claims, it can be difficult to ensure this is cost effective where there is no guarantee of actually obtaining the full refund and where the onus is still on you to get the supporting reclaim paperwork together.

Specialist Service

An alternative is to use a specialist foreign VAT reclaim consultant. These businesses will typically provide hands on advice in locating the right paperwork, contacting your suppliers for additional information where needed, making the claim and dealing with all the hassle.

This type of service does not come cheap – it can cost as much as 50% of the VAT being claimed. Nevertheless, at least this will always be less than the VAT reclaimed and this approach restricts the time investment required of you and your team.

So if you are interested in extracting from the foreign VAT Authorities money that is rightly yours please get in touch with your usual Shipleys contact, or the VAT team who will discuss the right approach for you and introduce you to a specialist reclaim consultant if appropriate.

T: 020 7312 6526
E: vat@shipleys.com

Specific advice should be obtained before taking action, or refraining from taking action, on any of the subjects covered.

LONDON

10 Orange Street
Haymarket
London
WC2H 7DQ

T +44 (0)20 7312 0000
F +44(0)20 7312 0022
E advice@shipleys.com

GODALMING

3 Godalming Business Centre
Woolsack Way
Godalming
Surrey
GU7 1XW

T +44 (0)1483 423607
F +44 (0)1483 426079
E godalming@shipleys.com

SAFFRON WALDEN

Market House
10 Market Walk
Saffron Walden
Essex
CB10 1JZ

T +44 (0)1799 521301
F +44 (0)1799 523854
E saffron@shipleys.com

BIRMINGHAM

2nd Floor
3 Brindley Place
Birmingham
B1 2JB

T +44 (0)121 698 8566
F +44 (0)121 698 8600
E birmingham@shipleys.com



Shipleys is a member of AGN International, a worldwide association of separate and independent accounting and consulting firms.

Registered to carry on audit work in the UK and regulated for a range of investment business activities by the Institute of Chartered Accountants in England and Wales.

© Shipleys LLP 2011 06