VT MAGAZINE

meridian

VAT TRENDS INSIGHTS FOR GLOBAL BUSINESSES

AUTUMN ISSUE | 2016

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Meridian's "VAT Add-on for SAP S/4HANA®" Achieves Certified Integration with SAP S/4HANA, On-Premise Edition

WELCOME TO THE AUTUMN 2016 EDITION OF VAT TRENDS.

WE HOPE YOU FIND THIS PUBLICATION USEFUL FOR YOUR BUSINESS.

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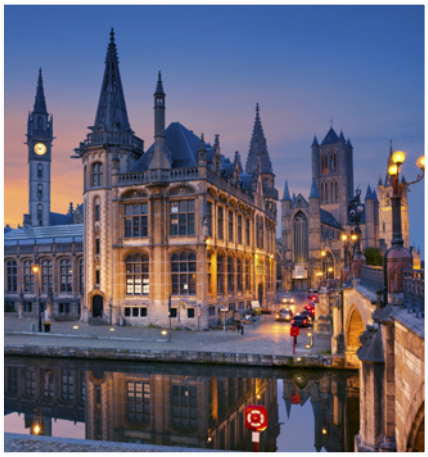


BELGIUM

BELGIUM EBOOK VAT TO REDUCE

Belgium's Parliament Committee for Finance has approved a proposal to lower the VAT on eBooks from 21% to 6%.

This would mean the same VAT for print and digital books. This comes after the EC published a proposal to allow member states flexibility over setting their own VAT rates.

ESTONIA

ESTONIA PROPOSES AMENDING ITS VAT LAW

Estonia's Ministry of Finance have suggested amending its VAT law and extending the reverse charge scheme to cover supplies of iron, steel and semi-finished products. This is in hope of eliminating VAT fraud in this area.

ESTONIA INCREASES VAT REGISTRATION THRESHOLD

The Estonian Government has now approved a draft legislation in raising its VAT registration threshold from €16,000 to €40,000.

This only applies to resident businesses and businesses with an annual turnover of less than €40,000 per year and will no longer be required to register for VAT from 1 January 2018.

HUNGARY

HUNGARY 2017 BUDGET APPROVED

The drafted 2017 Hungarian budget has been approved by the Hungarian Parliament. The VAT reductions for milk, eggs and poultry will be cut from 27% to 5%.

Pork was also added to this reduced VAT rate. From 1 January 2017 the VAT rate for restaurant services will be reduced from 27% to 18% and is to be lowered again in 2018 to 5%.

Internet services will be reduced from 27% to 18% in 2017 but this still needs to be confirmed by the European Union.

EC AGAINST HUNGARY'S 2017 VAT REDUCTION ON INTERNET SERVICES

The European Commission has informed Hungary's state secretary that they did not approve Hungary's plan to reduce internet services VAT from 27% to 18% for 2017.

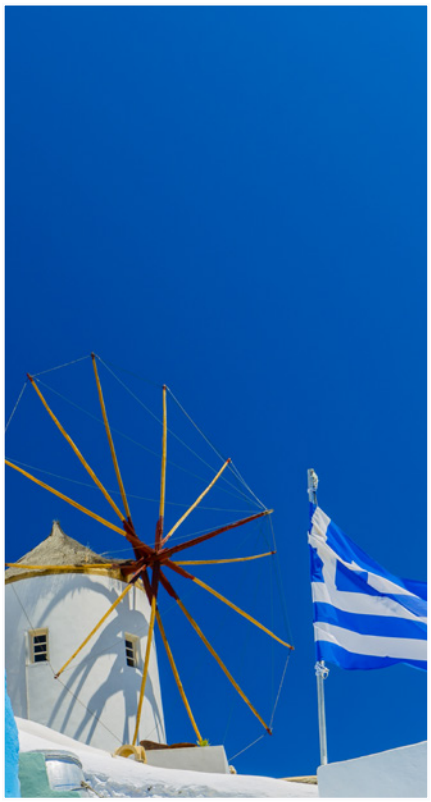
If Hungary implements this lowered VAT rate it may face an infringement procedure. Hungary will continue to push for this lowered rate.

GREECE

GREECE: VAT REGISTRATION THRESHOLD TO RISE

Greece is set to propose an increase in its VAT registration threshold for resident companies from €10,000 to €25,000.

The implementation is expected to be from 1 January 2017.



NETHERLANDS

CONSULTATION ON THE SIMPLIFICATION OF VAT REFUNDS

The Dutch Government has opened a consultation on the simplification of VAT refunds on uncollectable tax receivables.

One of the proposed changes establishes that an entrepreneur will be automatically entitled to a VAT refund if the client has still not paid the invoice after one year from the deadline due date.

CROATIA

CONSERVATIVE CROATIAN DEMOCRATIC UNION DISCUSSES VAT CUT

Croatia will hold a parliamentary election next month with the conservative party promoting a VAT cut by 1% bringing the VAT to 24%.

This is in hope of improving the tax system currently in place and to reduce the tax burden on individuals and businesses.

UK

UK VAT CUT?

Investors are awaiting an interest rate cut from the UK's central bank.

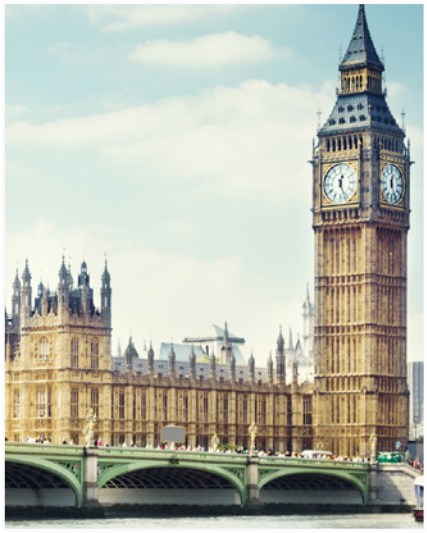
Lowering the VAT from 20% to 17.5% would help balance the recent 10% depreciation in sterling since the outcome of BREXIT.

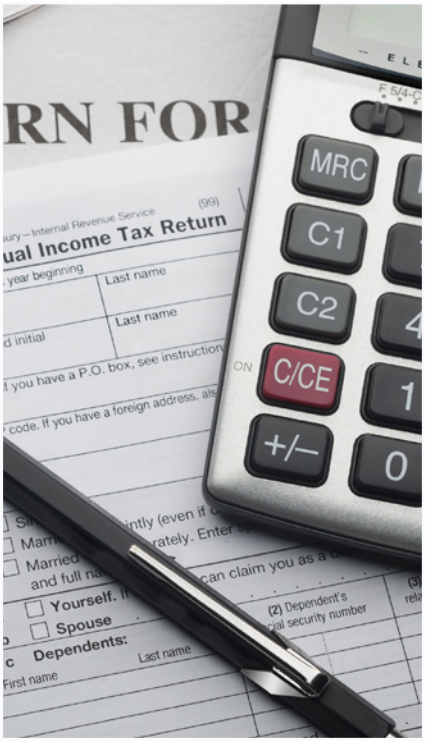
WHSMITH LAUNCH AIRPORT VAT REFUND SCHEME

WHSmith has chosen to launch a refund scheme for their customers who were asked to show their boarding cards when travelling outside of the EU at the airport.

Airport shops ask for boarding cards in order to claim back VAT on goods sold to shoppers who are flying outside of the EU.

It came to light last year that many shops in fact pocketed the customers VAT.





ROMANIA

ROMANIA FORM 088

From 30 July 2016 there were changes made to Form 088 with respect to VAT reporting whereby the form must be submitted by the taxpayer when requesting VAT registration or when requested by the tax authorities. Further amendments to this form include:

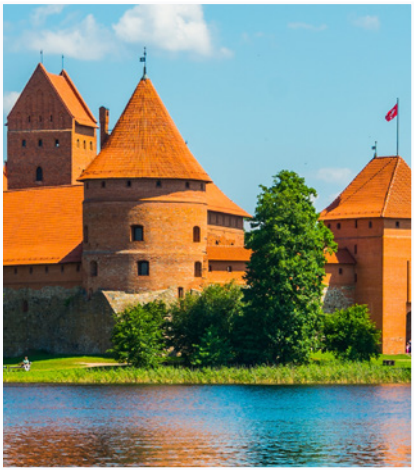
- Listed details of company directors
- Contact information for representative persons in Romania
- Disclose information of secondary offices
- List of clients and activities
- Assets

LITHUANIA

LITHUANIAN VAT FRAUD PREVENTION

Lithuanian VAT authorities will require all VAT registered businesses to submit monthly online registers in an effort to reduce VAT fraud.

The first report will be for the period of October 2016 and will be required for both sales and purchase transactions which includes VAT invoices and transport paperwork.

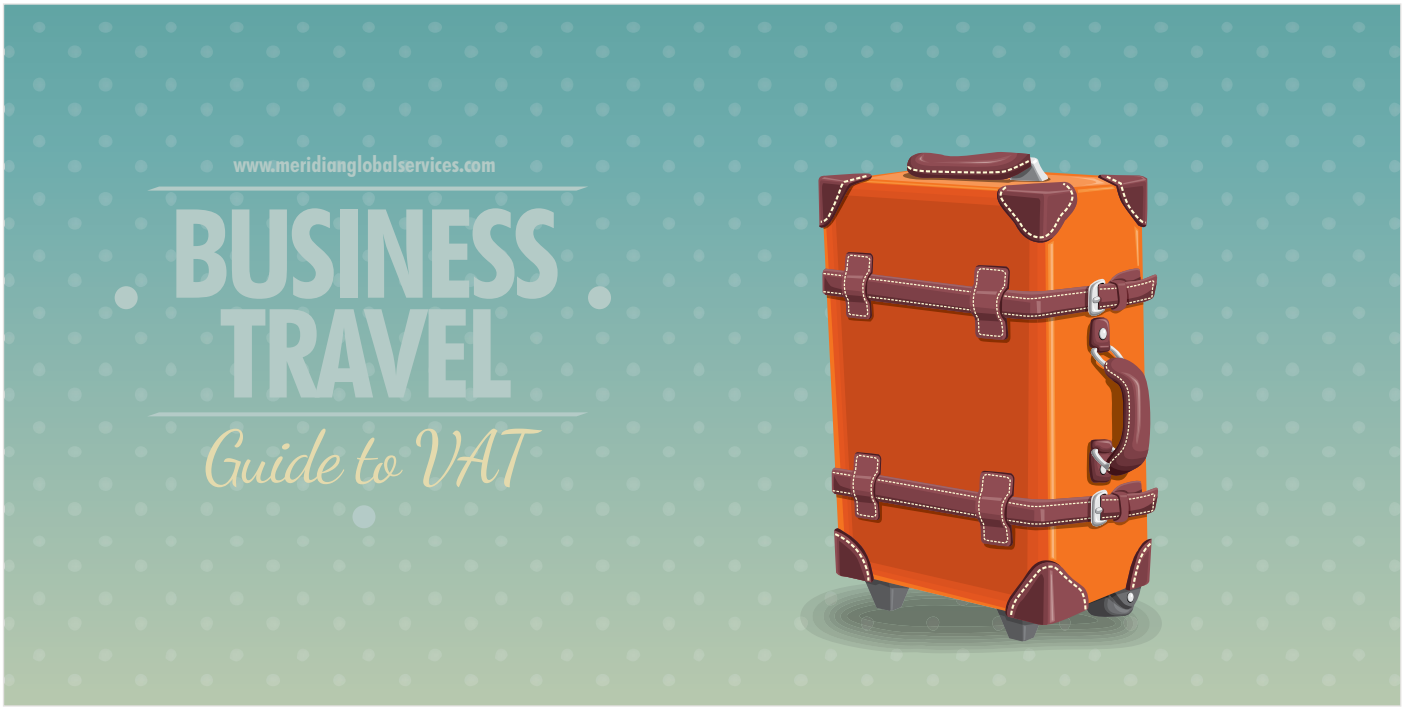


SWEDEN

SWEDEN PROPOSES VAT REGISTRATION THRESHOLD

The Swedish government has proposed the introduction of a VAT registration threshold for resident companies.

The proposal has been sent to Parliament with a recommended SEK 30,000 annual threshold. If it is accepted it will likely commence from 1 January 2017.



COLLABORATE FOR GREATER COMPLIANCE

Business travel is a significant cost to many businesses and there is a multi-billion dollar industry built around making it more efficient, safe and easily expensed. Removing the burden from the traveller and keeping their time focussed on their job and not on expenses or booking travel is essential.

Many companies want to use technology as much as possible and invest heavily in this. VAT recovery can be forgotten about along the way, despite it being a relatively simple way of reducing the travel budget.

From our experience both in the VAT Reclaim and Managed Services sectors, we see a clear correlation between cohesive departmental collaboration and an uplift, not only in VAT Reclaim, but in overall compliance.

The roles that impact on your VAT Reclaim are discussed in detail in our Business Travel Guide to VAT. **Download here**.

UPDATES REGARDING ANY CHANGES ACROSS THE GLOBE.

CHINA

CHINA TO INTRODUCE ONLINE ADVERTISING VAT RATE

As of 1 September 2016 China has introduced a 3% VAT on all paid-for online searches.

Paid-for online searches will be deemed as advertising going forward by China's State Administration for Industry and Commerce.

EGYPT

EGYPT APPROVES VAT BILL

Egypt has approved a VAT of 13% which was implemented in september 2016. There will be a 3 month transition period for companies.

The introduction to VAT is important for replacing the current sales tax. Basic foods and services will be kept VAT exempt.

UAE

FURTHER ARAB GULF STATES TO IMPLEMENT VAT

From 2018 Bahrain, Qatar, Kuwait, Saudi-Arabia and the United Arab Emirates intend to join Oman in implementing a VAT system with a rate of 5%.

UAE VAT

UAE's Ministry of Finance has announced that companies in the UAE with annual revenues of more than $1 million (AED3.75 million) will be the first to register for the new VAT system.

This is due to be implemented in 2018. The changes are expected to generate up to $3.3 billion (AED12bn) in the first year of implementation.

RUSSIA

RUSSIA: DIGITAL VAT FOR 2017 APPROVED

The Russian Parliament has approved the 18% VAT increase for e-services.

The new VAT will commence 1 January 2017 and will apply to services such as online gaming, eBooks and the downloading of music.

RUSSIA IS TO ABOLISH VAT RATE ON BREEDING CATTLE AND POULTRY

Russian president Vladimir Putin is set to abolish the 10% VAT rate on breeding cattle and poultry until January 2021.

This measure is to support Russian meat and dairy producers at a time where cattle population has decreased due to VAT.

The Kremlin hopes this will also help farmers make investments to their business.

USA

US DRAFT ONLINE SALES TAX SIMPLIFICATION ACT OF 2016

Washington is attempting to solve the online sales tax issue once again.

A discussion draft of the Online Sales Tax Simplification Act of 2016 by House Judiciary Committee Chairman Bob Goodlatte is now being distributed, which can be viewed **here**.

Currently e-retailers have the burden of figuring out what to tax and at what rate, as there are thousands of tax jurisdictions in the US, and not every jurisdiction taxes all their products.

The new draft proposes a more streamlined system to determine the sales tax to be collected and it would allow e-retailers to remit the collected monies to their home state revenue office in the same manner they already remit taxes collected on in-state sales.

You can read more about this on **Internet Retailer here**.

AUTUMN FEATURES

Welcome to this editions features section.

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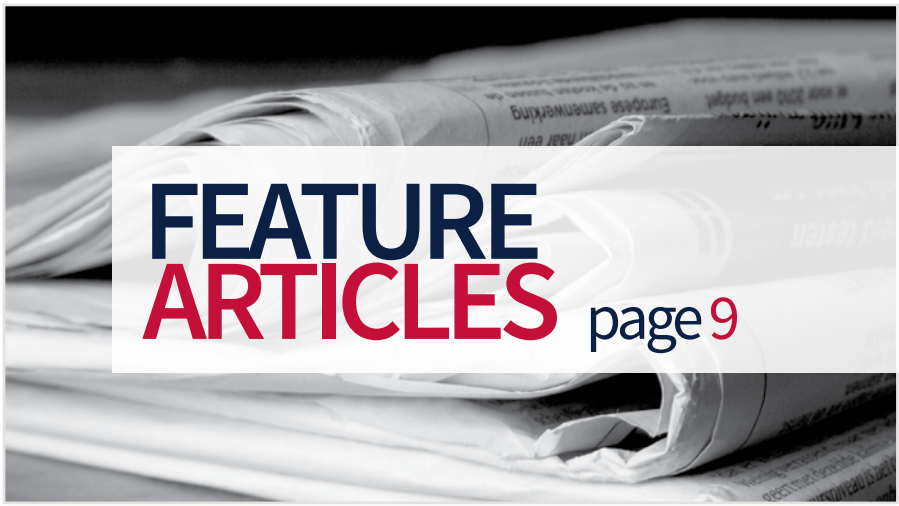


FEATURE ARTICLES

UK BREXIT – IMPLICATIONS FOR VAT

Next Steps

The UK must now invoke Article 50 of the Treaty on the European Union, to trigger the route for withdrawal from membership of the EU. Article 50 sets out the rules for withdrawal, but no country has ever used Article 50, and it is expected that the process will be complex, with a great deal of uncertainty.

The negotiations would involve all 27 remaining Member States and The European Commission, after seeking a mandate from the European Council, and also the consent of the European Parliament.

The withdrawal would mean the withdrawal of the rights and obligations from the EU as well as negotiating on post exit arrangements during a two year period.

Any final agreement would require a qualified majority, representing 20 out of 27 remaining Member States, representing 65% of the population. The European Parliament would also need to approve the deal, and here a simple majority of the 751 MEP`s would apply.

Implications for VAT.

Indirect taxation, including Customs duties will be the tax base most significantly effected as these taxes are directly controlled at an EU level , although there will also be implications for direct taxes , but to a lesser extent.

VAT

The impact of the changes; once complete will be that the UK will effectively be a third country non Member State from a VAT perspective, essentially in the same status as the US or any other country currently trading with the EU.

The UK would achieve sovereignty and would not be bound by the constraints of the existing EU VAT system which is largely controlled from Brussels with decisions from The Court of Justice of the European Union (ECJ) judgements overriding domestic legislation. It is expected that the current domestic UK VAT system as to VAT rates, tax points, exemptions, place of supply rules etc. would largely remain the same as under the present system although there will be more freedom to apply chances after exit .

The practical issues that will apply are as follows:

Foreign VAT recovery

Currently under the rules, businesses in other EU Member States incurring VAT on expenditure in the UK, can recover this VAT by using the electronic portal operated under the Refund Directive from their Member State of establishment.

The same applies to UK businesses incurring VAT in other EU Member States where the electronic submission of data has greatly improved the foreign VAT refund process. Claims for a calendar year must be submitted by 30th September in the following year.

Post Brexit, claims for recovery of VAT on expenditure incurred by businesses from other EU Member States in the UK , must be made by using an equivalent EU 13th VAT Directive foreign VAT recovery system that the UK authorities may introduce. Other EU claimants will no longer be able to make electronic claims using the Portal introduced from 2010 for EU businesses and the claim period will differ.

Currently the UK has a staggered claim period for Refund Directive (EU businesses) and 13th Directive claims (Non EU businesses)

Claims received from an EU claimant, are based on calendar years, and claims from non EU countries, are based on the period 1st June to following 31st July, and all claims must be made within the statutory period of 6 months following the claim period.

CONT'D

Also post Brexit, UK Claimants incurring costs in EU Member States will have to follow the 13th Directive procedures in the country of claim. All claims must be submitted within the existing statutory time limits with original paperwork submitted as part of the claim. It will also be necessary to consider reciprocity considerations and also use and enjoyment provisions in all Member States of reclaim.

All of the above will be subject to exit negotiations discussions. It is expected that practical solutions will allow for procedures that would lessen the impact and for the benefit of all parties.

Trade in B to B sale of Goods,

Currently there is no VAT charged or customs controls on Intra Community movement of goods between the UK and other EU Member States and goods move freely between Member States. These transactions are reported as an Intra Community despatch from the Member State where the supplier is based, and the customer will account for the VAT as an Intra Community acquisition under the reverse charge in the Member State where the customer is established.

There are agreed EU simplifications such as triangulation, call off stocks, consignment stocks, to assist compliance in more complex supply chains. The reporting is done by the submission of EC Sales/Purchases lists and by the submission of Intrastats reporting cross border movement of goods.

As the above rules only apply to EU Member States, after Brexit, they will no longer apply to the UK.

Cross border movement of goods will be classified as Imports or Exports, and the goods will have to clear customs. Import VAT will apply to purchases into the UK, and subject to any special arrangements to defer the VAT, will result in cash flow issues for businesses and delays in clearing goods.

Trade in B to B services

Currently these are reported in a similar manner as for goods with tax in the place of consumption and EC Sales lists used to report cross border sales.

After Brexit, the services provided will be taxed in the same manner, in that the customer will apply the reverse charge to services received,

Services provided to EU Customers will be exempt from UK VAT and will be taxed in the customers Member State under the reverse charge, on the assumption that the place of supply rules post Brexit remain the same ,

There will be no EC Sales lists as these only apply to transactions between businesses in the EU.

Customs Duties

There are no customs duties between EU Member States, which are part of a customs union, and there is a common agreed tariff applicable for imports from third countries.

After exit, the UK would be outside the customs union and goods sold from the UK to businesses in the EU, would be subject to importation duties. Clearly the exit negotiations would try to minimise the impact of any such changes by entering into free trade agreements with the EU.

Excise duties

There would be less impact here as these are not currently harmonised within the EU.

CONT'D

Distance Sales

The current EU rules require VAT in the place of consumption for distance sales of goods to consumers in other EU Member States, subject to exceeding the EU Distance selling thresholds currently at either Eur 35,000 or Eur 100,000.

Post Brexit, Distance selling rules will not be applicable.

Sales by UK Business post Brexit to consumers in the EU will not be subject to the distance selling regime. All such sales will be subject to import VAT by the customer, subject to the low value consignment stock relief.

There will be no changes, if the UK business holds stock in an EU Member State and distance sales are made from such stock. There is no minimum threshold for such transactions and a mandatory registration is required to report all such sales.

Also the European Commission is currently seeking to introduce legislation to tax low value consignment stock, and when introduced, would result in all sales to consumers by UK businesses would be subject to tax in the Member State of the customer.

Moss - Mini One Stop Shop

Currently UK Businesses supplying Telecommunication, TV and radio broadcasting and electronically supplied services to consumers can register for the EU One stop shop, to report all sales through their Member State of establishment web site MOSS Portal and make one payment which is distributed by their Member State of Establishment to all other EU Member states. In the absence of such a system, it would be necessary to VAT register in all Member States where they sell to consumers, and as there is no minimum threshold, this would be a very burdensome Process for both businesses and tax administrations alike.

As the MOSS system is currently designed, relates only to other EU Member States, then post Brexit, the UK would no longer have access to this system. UK Businesses would have to register in all Member States when they sell such services to consumers,

Alternatively, they could consider using the non-union scheme, by electing to register in any EU Member state and reporting under MOSS for VAT on sales to consumers on other EU Member States

Other VAT issues that will arise post Brexit

- Special Schemes

There are many other Special schemes that currently exist under EU rules which would have to be considered including the following:

Margin scheme applicable to second hand goods, works of art, Tour Operators Margin Scheme, special schemes for bullion, etc.

There are standstill provisions that will need to be understood and the implications for a post Brexit era

ECJ Legislation

Much of UK VAT law currently derives directly from EU law, and it will be necessary to redraft domestic legislation to exclude such references and to replace by domestic legislation. There have been over 40 years of case law which has been implemented which governs VAT at EU level and also applies to individual EU Member States, which will have to be examined...

Conclusion,

Without any doubt, the challenges of exiting the EU, will be extremely challenging, and will take much time and negotiations to complete. There are thousands of pieces of intertwined legislation dealing with all sections of the Treaty which must be considered and new trading relationships established with the EU.

However, the EU, businesses and individual Member States have a long history of working together and finding practical and pragmatic solutions, and we have little doubt that solutions will be found to achieve an agreed extraction by all parties.

By Mike Molony

IT'S BLEISURE – BUT NOT AS YOU KNOW IT

Business and leisure travel is merging, but not in the ways you might imagine. I'm not talking about attending a business conference in Hawaii (we can dream) and adding a couple of days' vacation so you can paddle board off the coast of Oahu.

I'm talking about consumer experience invading the work environment. The implications of this for workspace systems design and user-interface are huge.

A major factor cited as a contributor to the rising popularity of sharing economy sites like Airbnb is the user experience. It's rich in imagery.

It's light on text and clutter. Information is communicated and navigation is signposted using simple icons.

Boffin to Brainiac

Much to the delight of business travellers everywhere, gone are the days when a business to business meant Boffin to Brainiac.

Those were the days when B2B interfaces competed on the complexity scale as if being convoluted were a badge of honour for its professional credentials (although maybe it was just a ploy to sell more training). The problem with that approach was it only ever appealed to geeks who had an interest in Enigma-like code breaking.

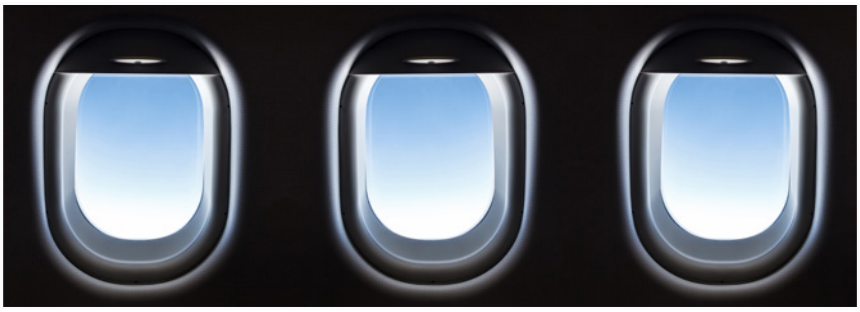
For everyone else it was just a chore, albeit one that they managed to put up with all the while there was no alternative. But as soon as the technology permitted, the consumer world swiftly moved on from "green screen" and text-based displays and has never looked back.

Learning from the giants in travel ecommerce

Today, teams that are tasked with creating robust, professional software applications are learning a lot from online consumer behaviour by studying popular sites like Expedia and Kayak and how they are used by millions to research and book travel every day. In fact, the travel technology sitting behind these consumer sites, as well as more than a hundred airline websites, is the same as what's behind the new integrated travel and expense system launched by Amadeus in 2016.

Another key factor driving user experience and adoption is the ability of the developers to respond quickly – known in the industry as agile development. That's because user experience is evolving. What was acceptable last year can quickly become an annoyance that causes business travellers to abandon their travel policy compliant tools and book "off piste" so to speak, with all the potential risks this entails.

When technology companies get it right, it means you no longer have to make the impossible choice between substance and style – you can have both. By examining the sometimes unexpected paths that people take to perform a function using an online booking tool, savvy designers can automate much of the process and improve workflow by reducing the number of clicks and by mapping out and proactively suggesting next steps. This is what drives user adoption and delivers ROI on technology investment.



The secret of success

It is vital to include the voice of the user in software development. Designers may know a solution inside-out and/or back-to-front but that's not how a consumer uses the tool. That's why designers can't afford to sit back in their ivory towers. If they expect to keep pace with consumer trends that will drive business travellers to adopt a corporate booking tool with all its benefits from management information reporting through to duty of care, they have to construct a feedback loop to capture the customer's voice for ongoing developments.

Design that is centred on user experience requires a holistic understanding: it's more than knowing the chain of events that come together to complete a travel booking. It means taking the time to understand motivations, identify obstacles to booking and the reasons behind abandoned tasks. It means a commitment to using customer insight to drive the development of an online booking tool. What business travellers need is an online booking tool that is a no brainer to use because not using it would actually be harder. The good news is that I think we're almost there. So next time you're shopping for an integrated travel and expense tool, ask how the leisure consumer experience is driving design and user adoption in the B2B space.

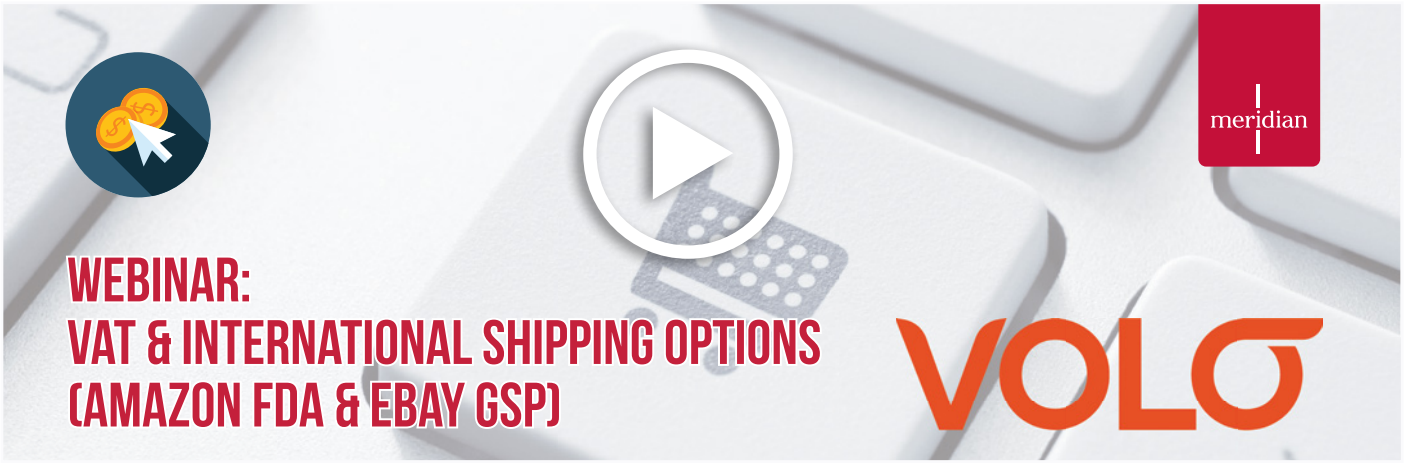
By Derek O'Brien
@ObriD

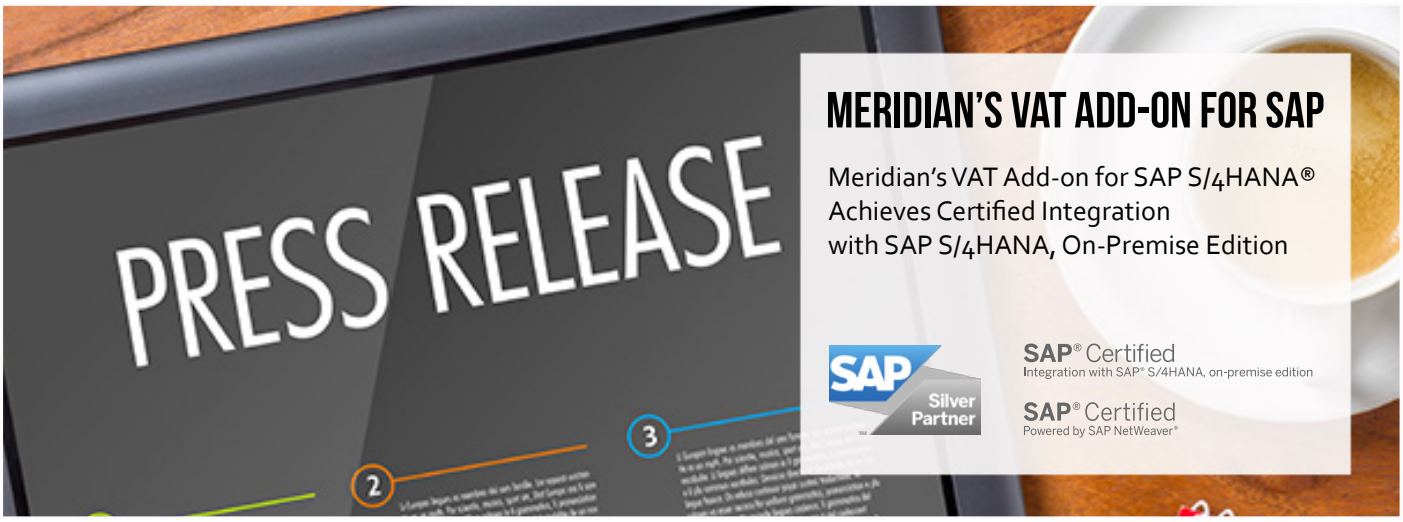
VIDEO: FULFILMENT BY AMAZON AND VAT COMPLIANCE

European Fulfilment Network: What are the VAT compliance considerations? and much more.

VIDEO: FACTS ABOUT US SALES TAX

Meridian's Chris O' Shea discusses, What is Sales Tax and how it's different from VAT. How do sellers know if they should be charging Sales Tax? If a seller has Nexus, what do they need to do?





PRESS RELEASE

AVAILABLE **FRENCH** AND **GERMAN** VERSION

MERIDIAN'S "VAT ADD-ON FOR SAP S/4HANA®" ACHIEVES CERTIFIED INTEGRATION WITH SAP S/4HANA, ON-PREMISE EDITION

Meridian VAT Add-on for SAP S/4HANA Delivers Automated and Compliant Tax Processes

Dublin, Monday, 26 September 2016 — Meridian Global Services, an international VAT solutions provider and SAP partner, today announced that its Meridian VAT Add-on for SAP S/4HANA® solution, release 7.5, has been certified by SAP for integration with SAP S/4HANA, on-premise edition. The integration of the tax solution with SAP S/4HANA enables customers to achieve fully automated and compliant indirect tax processes directly within their SAP S/4HANA software, without the need for any interfacing systems.

The SAP® Integration and Certification Center (SAP ICC) has certified that Meridian VAT Add-on for SAP S/4HANA, release 7.5, integrates with SAP S/4HANA, on premise edition. Customers are able to leverage the VAT Add-on solution to support full automation of indirect tax requirements, thereby significantly reducing project implementation costs and timelines, while delivering improved automation and compliance.

"The release of Meridian's VAT Add-on for SAP S/4HANA is vital step in integrating our certified solution with the latest SAP platform," said Mark O'Riordan, CEO of Meridian. "Multinational companies that are implementing (or planning to implement) SAP S/4HANA, on-premise edition, can now implement global tax automation and compliance functionality directly in their system running SAP S/4HANA, at a significantly lower cost of ownership than custom-developed applications, or external solutions that are not native to SAP S/4HANA software."

About Meridian Global Services.

Meridian Global Services has provided international VAT solutions and services & tax technology solutions to global businesses for over 28 years. We guide our clients through the complexity of a global indirect tax compliance environment and help them overcome indirect tax and complexity at both the organisational and transactional level.

Meridian are recognised market leaders, with an expanding global presence in over 22 offices worldwide and a reputation for delivering a quality of service consistent with our mission of achieving client excellence.

To find out more about Meridian Global Services and the VAT Add-on, **click here**.

EUROPEAN COMMISSION

UPDATES REGARDING ANY CHANGES BY THE EUROPEAN COMMISSION

EC ISSUES 'PUBLIC CONSULTATION ON REDUCED VAT RATES FOR ELECTRONICALLY SUPPLIED PUBLICATIONS'

The European Commission has put a public consultation in motion to determine which "electronic publications" would qualify for lower VAT rates and is due to be proposed in the coming months. You can read the full document **here** for more information.

VAT TREATMENT OF VOUCHERS HARMONIZED IN EU

On 1 July 2016 the Directive (EU) 2016/1065 regarding the VAT treatment of vouchers was published. The Directive introduces new definitions such as 'single-purpose voucher' and 'multi-purpose voucher'.

The Directive explains the criteria for cases where the issue and transfer of vouchers are subject to VAT.

The Member States must adopt this Directive into their national law by 31 December 2018.

EUROPEAN COMMISSION'S REFIT PLATFORM

The European Commission's REFIT Platform submitted four tax opinions in June. The focus is on reverse liability, VAT information portal, standard VAT declaration and intra-community trade.

The EC has no legal obligation to follow the Platform's proposed course of action, but would have to publicly indicate whether or not it will do so, and why. For more information on this **click here**.

EC CRITICIZES FRANCE'S INEFFICIENT VAT SYSTEM

The European Commission has released a paper recommending improvements to France's "inefficient" VAT system, including the removal of France's several reduced VAT rates.

The paper details that France's standard VAT rate of 20% is below the EU average of 21.6%. France also applies lower rates of 2.1%, 5.5% and 10% on goods and services, which is considerably lower than most other EU member states.

The paper also explains the VAT receipts in France were below the EU average in 2014 as a percentage of total tax revenue, at 14.5%, compared with an EU average of 17.5%.

For more information on this **click here**.

KEEP CONNECTED VISIT MERIDIAN ONLINE FOR REGULAR UPDATES ON GLOBAL VAT

For more information about our organisation, please visit **www.meridianglobalservices.com**

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VT MAGAZINE

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VAT TRENDS INSIGHTS FOR GLOBAL BUSINESSES