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Fashion supply chain management

Ever considered indirect taxes?

Supply chain in the fashion industry... complex in many ways

The way fashion items are sold has significantly changed over the past decade, due to new shopping **formats** (pop-up stores, e-commerce, global platforms) and evolving **consumer behavior** (24/7 shopping need, fashion on demand, etc.). Purchases need to be delivered from manufacturer - often through 'in between' sales business partners - to the end customer in the fastest way possible.

- ✓ **Fashion supply chains** are typically **long, complex and cross-border**: fashion brands do not necessarily own their manufacturing facilities, factories may operate at different parts of the world, a brand may place an order with one supplier who takes the order and **subcontracts** to a third party, **warehousing and consignment** arrangements may be used to monitor customer demand etc.
- ✓ The sold products may get **lost or damaged** along their way to the final customer.
- ✓ **Reverse logistics** has become a key attention point within the fashion industry. The order of magnitude of returns has increased significantly in the clothing/fashion sector, mainly because of e-commerce. Shoppers order multiple items, treat their home as an **online changing room**, and return what does not fit or meet their expectations. Moreover, new business models are appearing (i.e. rental formulas).
- ✓ What about **fashion items** that leave the country for **fashion shows, new collection launches**? These items are then returned, sold, or given away free of charge, etc.

Logistics in fashion : ever considered indirect taxes?

- ✓ Every step within the **fashion supply chain** (initial sale, returned shipments, use of logistic processes such as warehousing, consignment, stock management) **should be analysed** carefully from an **indirect tax** angle.
- ✓ When trading / shipping fashion items between countries, the **use of incoterms** is an important element when determining the indirect tax treatment: who is taking care of transport (i.e. who can claim the VAT exemption for exports/intra-Community supplies), who is acting as importer, etc.
- ✓ New **changes in legislation** should be carefully monitored: Brexit, Quick fixes, 2021 B2C e-commerce rules, VAT rate changes, Customs classification, etc. These all have an impact on the indirect tax treatment of the various steps (and returns) in the supply cycle.
- ✓ Depending on the final **destination of (returned/used) fashion items**, the indirect tax implications can differ entirely. They may re-enter the normal supply chain, another portion may be sold with discounts, they may be recycled into a different product, they can be donated for charity or even be destroyed.
- ✓ Mismanagement of indirect taxes may lead to **unforeseen liabilities, VAT leakages**, a brand's **bad reputation** with the tax authorities (and eventually with customers as well).



Need to 'reverse' your indirect tax logi(sti)c? We can help.

You would like to:

- ✓ obtain a **top-to-bottom review** of how indirect tax is managed for your fashion supply chain.
- ✓ check the **latest indirect tax developments** (e.g. quick fixes, Brexit, 2021 B2C e-commerce rules) and their impact on your logistic flows.
- ✓ be on top of potential **cash flow impacts** that indirect taxes could bring in case of returned, donated, recycled or destroyed fashion items.
- ✓ assess your current indirect tax processes for (reverse) logistics, and how these could be **improved**.
- ✓ reduce **unforeseen indirect tax liabilities**, risks and unnecessary penalties.
- ✓ reduce costs through **automating, simplifying and streamlining** processes, ERP systems and procedures.
- ✓ build an **indirect tax strategy** for your logistics flow, but would like support in shaping it.

Want to know more?

Feel free to contact us for more information!