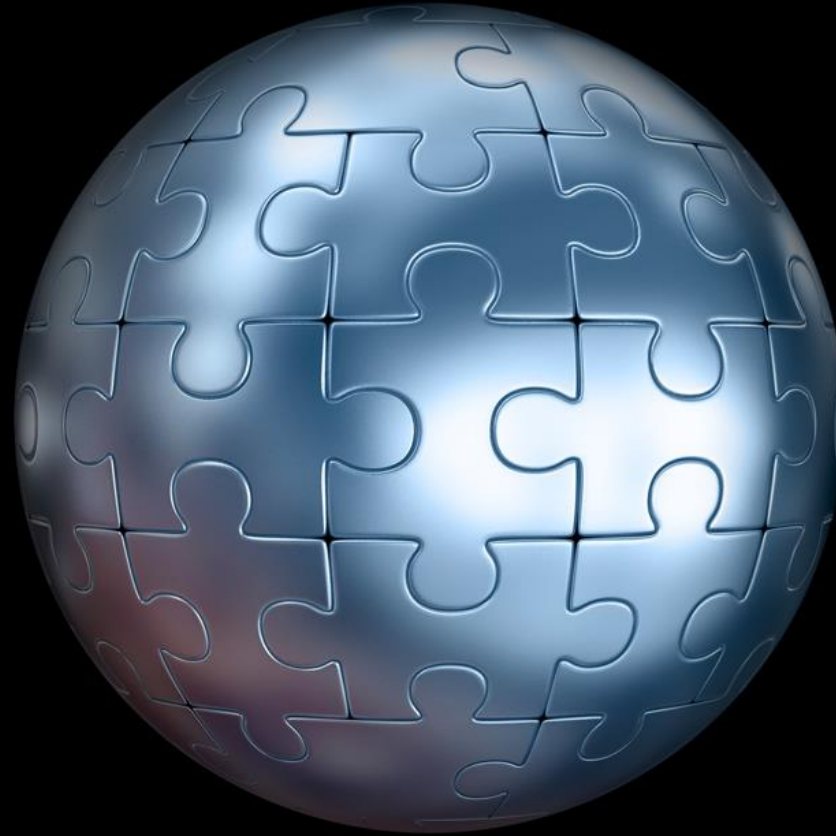


**Deloitte.**



## **Taxpayer Certification**

Optimizing your VAT processes and cash  
flow

14 March 2018

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**00 Observations**

# Observations

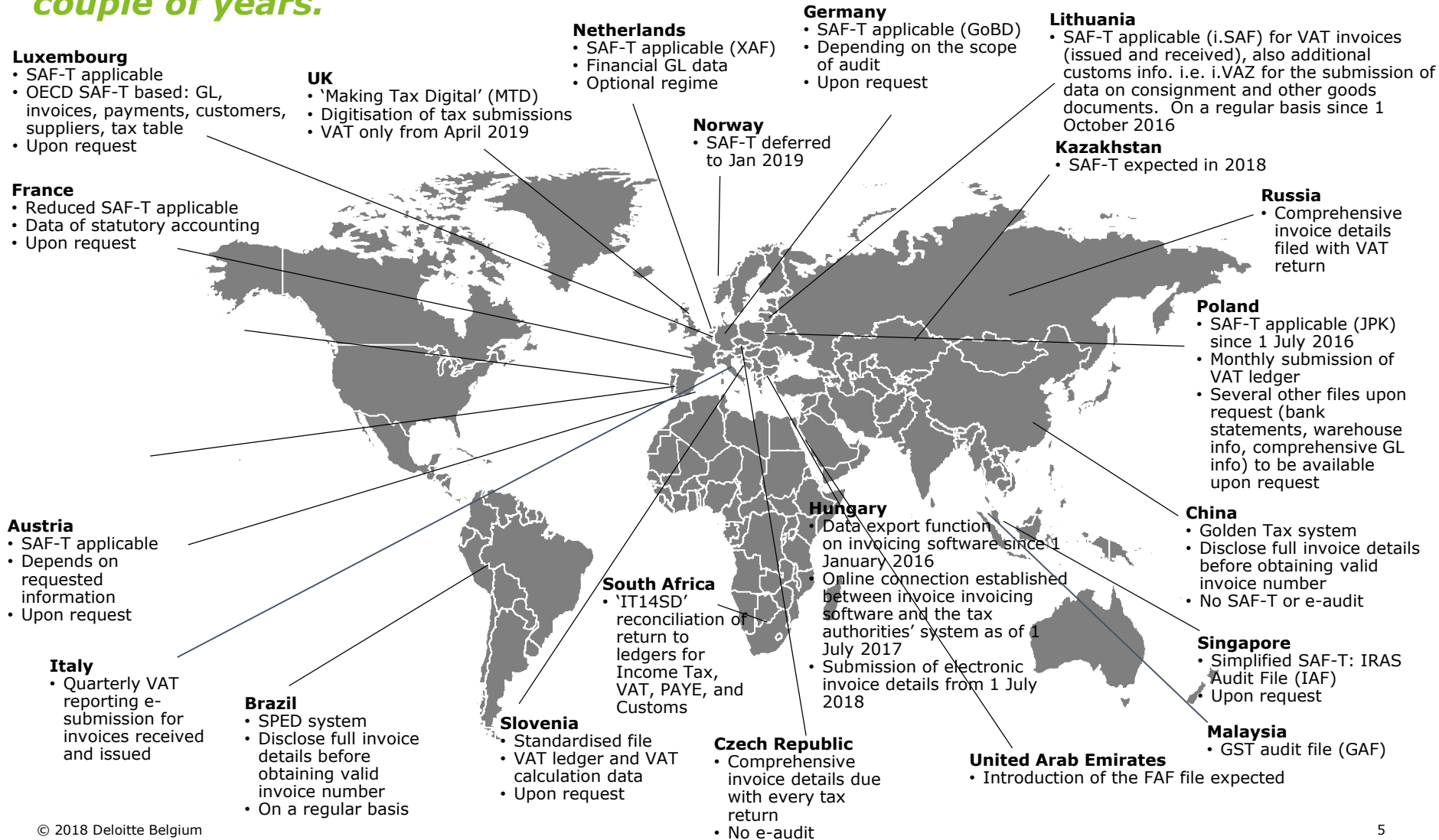
## Focus on data and processes

- Not certain whether the concept of **certified taxable person** as published by the European Commission published will be implemented. No details on when, how, requirements, ...
  
- However, the concept of such certified taxable person is **new**, the call on EU and global level for **transparent and controlled processes** is not new:
  - AEO certification for customs
  - Country initiatives within the EU (e.g. the UK authorities force multinationals to publish their tax strategy; and the Dutch Tax and Customs Administration requiring simple control activities to be taken over by automated processes)
  - SAF-T standard
  - Real-time data provision (e.g. Spain, Hungary)
  - BEPS country-by-country reports
  - Singapore and GST control framework

# Observations

## Trends

*The importance of indirect tax has increased significantly over the last couple of years.*



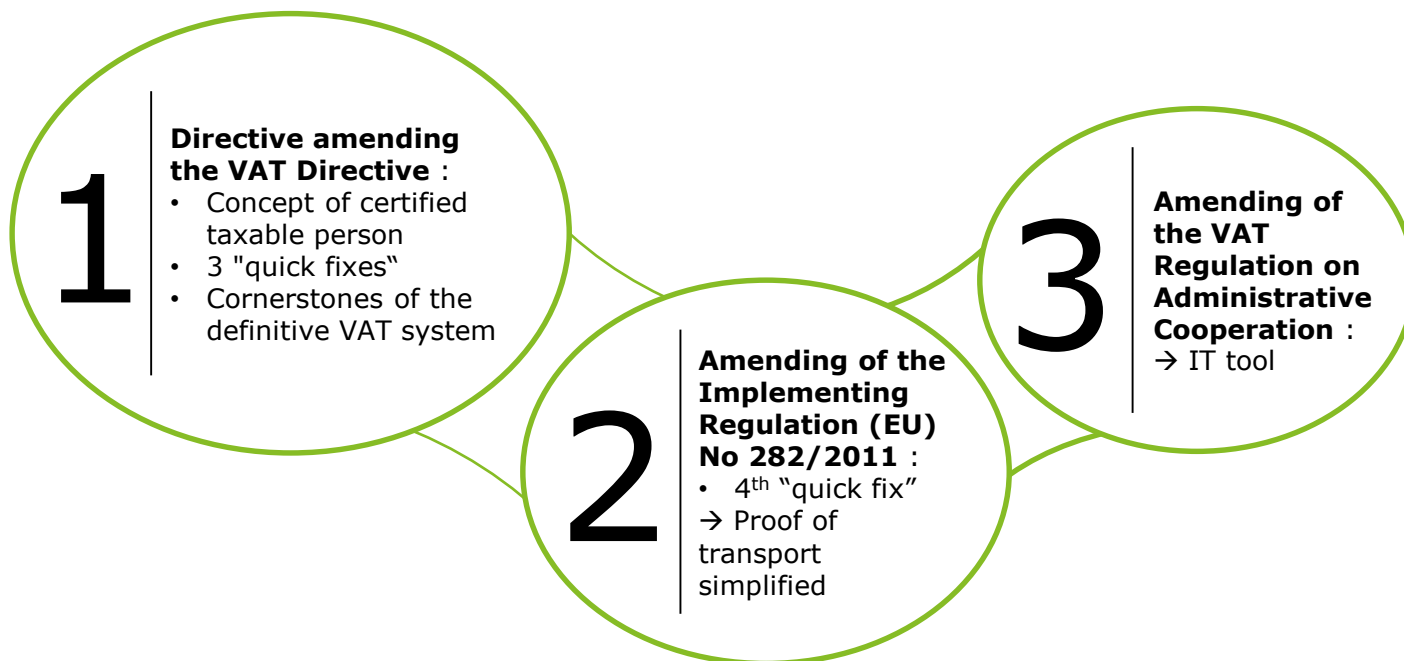
# **01 Journey towards the definitive VAT regime: short recap**

# Journey towards the definitive VAT regime: short recap

## Plan to reform the EU VAT system

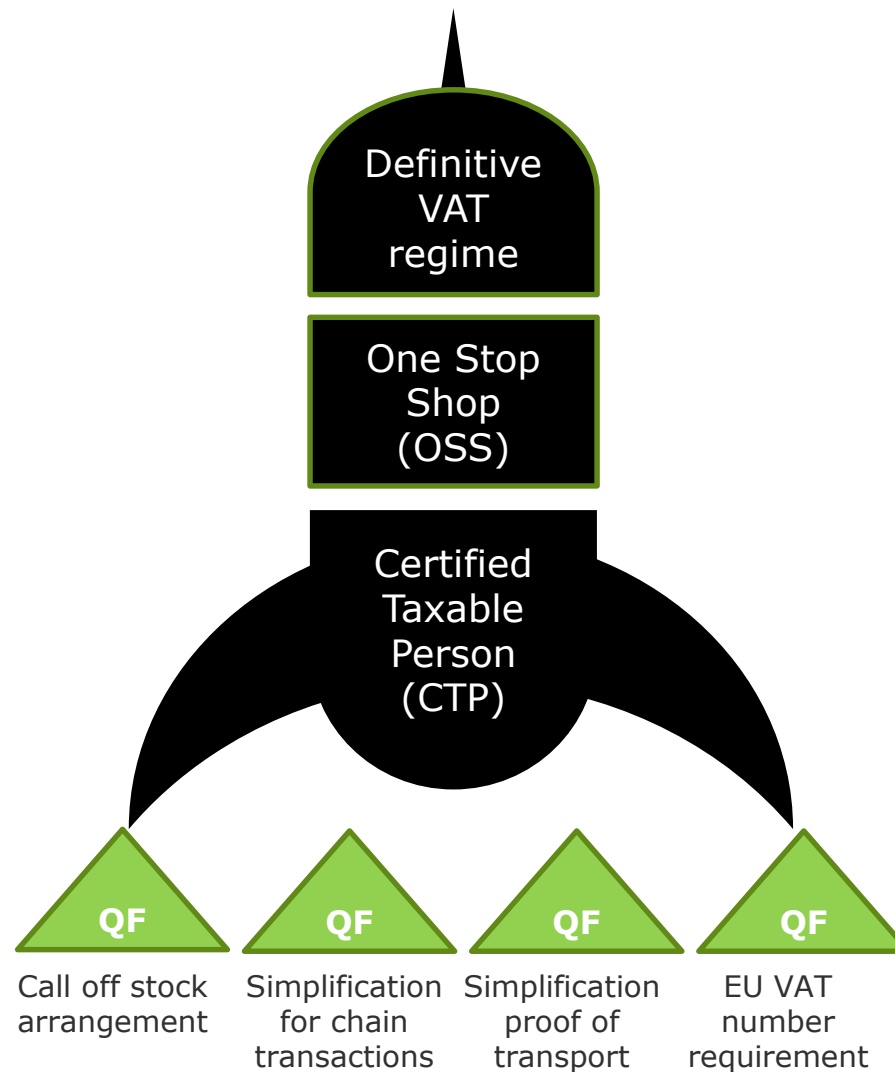
October 2017, the European Commission published details of its **plan to reform the EU VAT system** in respect of cross-border trade.

This plan was accompanied by 3 proposals:



# Journey towards the definitive VAT regime: short recap

## Key components of the journey towards a definitive VAT regime





# Journey towards the definitive VAT regime: short recap

## The “destination-based” principal – New concept

According to the plan, cross-border B2B supplies of goods will be subject to VAT in the Member State of arrival of the goods.

The principle of taxation in the Member State of destination of the supply of goods entails:

- New concept in relation to goods – the so called '*intra-Union supply*'
- **Abolishment of**
  - **the VAT exempt supply and taxable acquisition of goods on cross-border trade**
  - **the obligation to report these supplies in a so-called *European Sales List (ESL)***
    - Supplies of goods reported in the OSS would no longer require such reporting
    - Cross border supplies of goods to CTPs, which would be subject to reverse charge and therefore not reported in the supplier's OSS, would be reported in an annual sales listing of significant transactions.

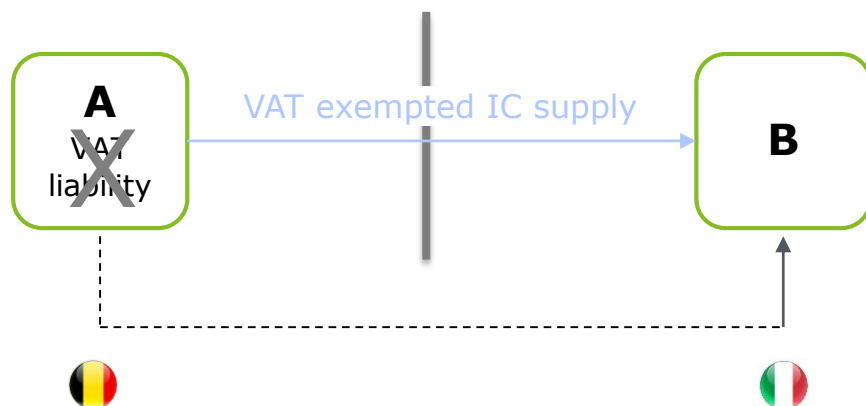
# Journey towards the definitive VAT regime: short recap

## Example – standard cross-border supply of goods

### Current transitional VAT regime

(Split : Exempted ICS in MS1 / Taxed AIC in MS2)

—————> Flow of invoices  
- - - - - Flow of goods

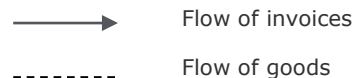


### Intra-community supplies are VAT exempt in MS of departure

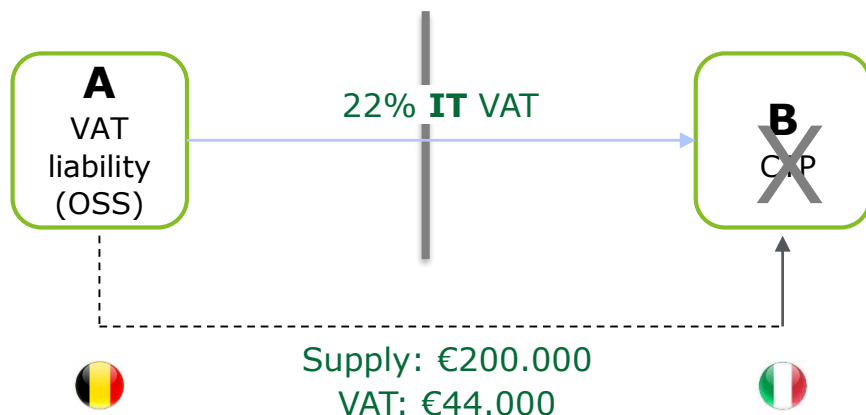
- Customer must have a valid EU VAT number
- Goods must go to another EU MS
- Reason for the VAT exemption to be mentioned on the invoice (e.g. in Belgium this can be "Exempt - Art. 39bis VAT Code)
- Supplier declares transaction in his periodical VAT return (need for VAT registration for the supplier in the MS of supply), European Sales listing and Intrastat report

# Journey towards the definitive VAT regime: short recap

## Example – standard cross-border supply of goods



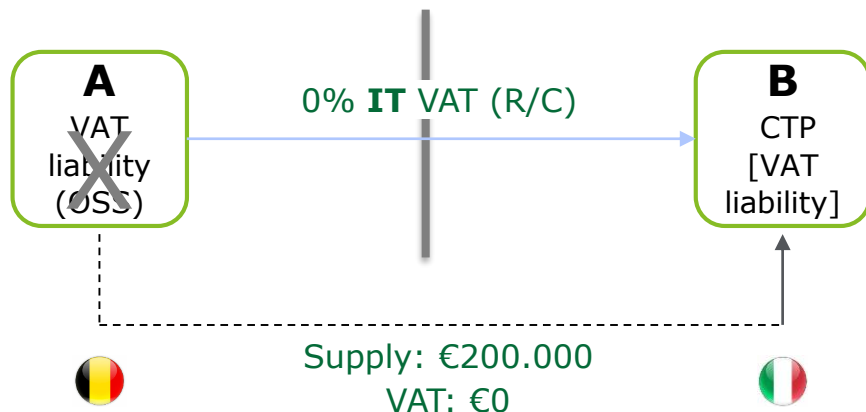
### Definitive VAT regime (General rule)



### Intra-Union supplies are taxed in MS of arrival

- **If customer is not a CTP** [General rule]
  - Supplier declares transaction in his local VAT return via OSS and pays IT VAT in his MS of establishment (Belgium)
  - Customer pays IT VAT to supplier
  - Customer deducts IT VAT in annual VAT return

### Definitive VAT regime (Exception)



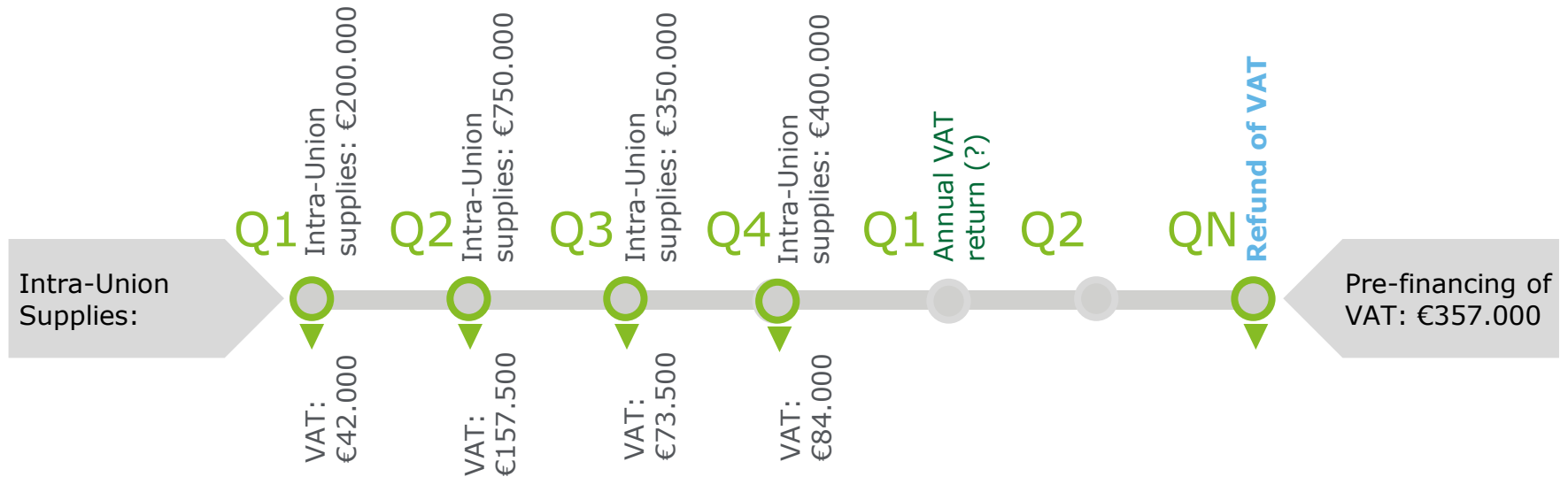
### Intra-Union supplies are taxed in MS of arrival

- **If customer is a CTP** [Exception]
  - Customer remains liable for the payment of the VAT in Italy
  - No pre-financing of IT VAT by Customer (reverse charge)

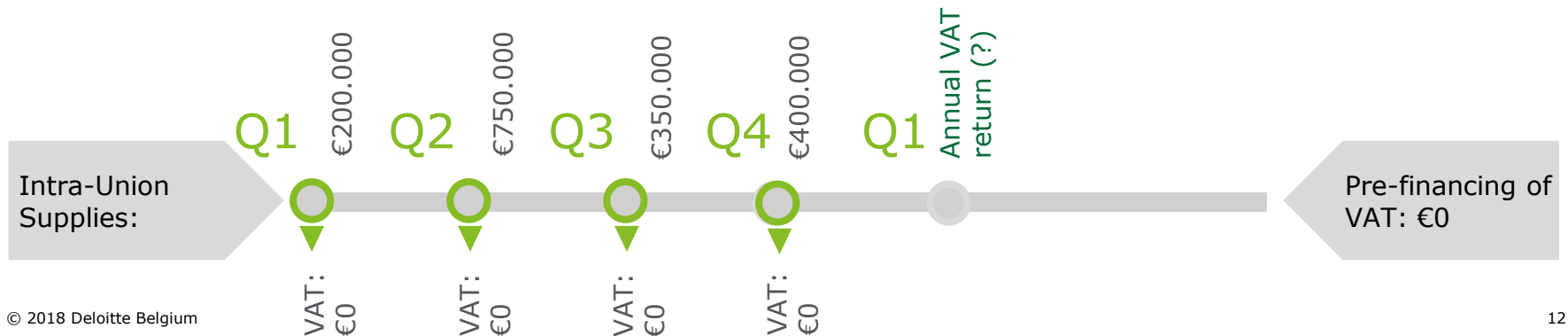
# Journey towards the definitive VAT regime: short recap

## Example – standard cross-border supply of goods

Customer is **not** a Certified Taxable Person



Customer is **not** a Certified Taxable Person



# 02 Certified Taxable Person

# Certified Taxable Person

Who can become a certified taxable person?

***The concept of the CTP introduces a status for reliable taxable persons that can benefit from certain simplifications.***

**1**

## Scope

1. head office or fixed establishment in the EU;
2. Involved in cross-border trade

**2**

## Excluded taxpayers

1. Non-EU established without fixed establishment in EU;
2. Non-taxable persons, flat-rate farmers, exempt SMEs, other exempt taxable persons without the right to deduct VAT

**3**

## Criteria

1. Absence of any serious infringement or repeated infringements;
2. **Demonstration of a high level of control of his operations;**
3. Evidence of financial solvency (or production of financial guarantees)

# Certified Taxable Person

Why become a certified taxable person?

***The concept of the CTP introduces a status for reliable taxable persons that can benefit from certain simplifications:***

1. A simplification for call-off stock
2. A simplification for chain transactions
3. A simplification for the proof of the exemption for intra-Community supplies

# Certified Taxable Person

## Procedure to become a certified taxable person

***The concept of CTP should allow for an attestation that a particular business can globally be considered to be a reliable taxpayer.***

- The proposal simply defines a framework regarding the CTP status, while operational control and application measures remain the responsibility of the Member States.
- A few limited guidelines are known:
  - NO option to choose the Member State of application – request with Member State where the business is established
  - Grounds for refusal must be communicated
  - Taxable person has right of appeal
  - CTP status can be withdrawn
- In order to obtain the CTP status, a taxable person would need to meet a set of common, objective, harmonized at EU level, criteria. The criteria to grant the status would be similar to A.E.O. criteria:
  - Absence of infringements
  - Evidence of financial solvency
  - **Demonstration of high level of control**



# 03 Demonstration of a high level of control

# Demonstration of a high level of control

## Guidance

### No guidance from the EU commission (yet).

#### 1. AEO Certification

Based on AEO self-assessment, we could expect *inter alia* the following items to be of relevance to demonstrate a high level of control of your processes:

- Tax control framework & adequate control mechanisms
- Does the accounting system facilitate a full audit trail of your tax relevant movement of goods and accounting entries?
- Transaction record: registration of the flow of goods starting from their arrival, the storage up to manufacture and shipment. Who keeps records and where are they kept? Describe the procedures in place for checking stock levels, and how are discrepancies handled?
- Tax audits and audit remediation
- IT security and procedures for back-up, recovery and fall back and archiving.
- Documentation security

# Demonstration of a high level of control

## Guidance

### 2. ACAP – Assisted Compliance Assurance Programme (Singapore)

GST ACAP is a compliance initiative for businesses that set up robust GST Control Framework as part of good corporate governance.

You are eligible for ACAP if you meet following conditions:

- You have established acceptable GST **Control Framework** with key controls, established at Entity, Transaction and GST Reporting levels.
- The auditor's opinion on your latest financial statements is unqualified.
- You are registered for GST for at least 3 years.
- You are currently not under any GST audit.
- You have good compliance records (including no tax outstanding with IRAS) for GST, Income Tax, Property tax, and Singapore customs
- You commit to engage a qualified ACAP Reviewer to conduct ACAP Review.

# Demonstration of a high level of control

## Guidance

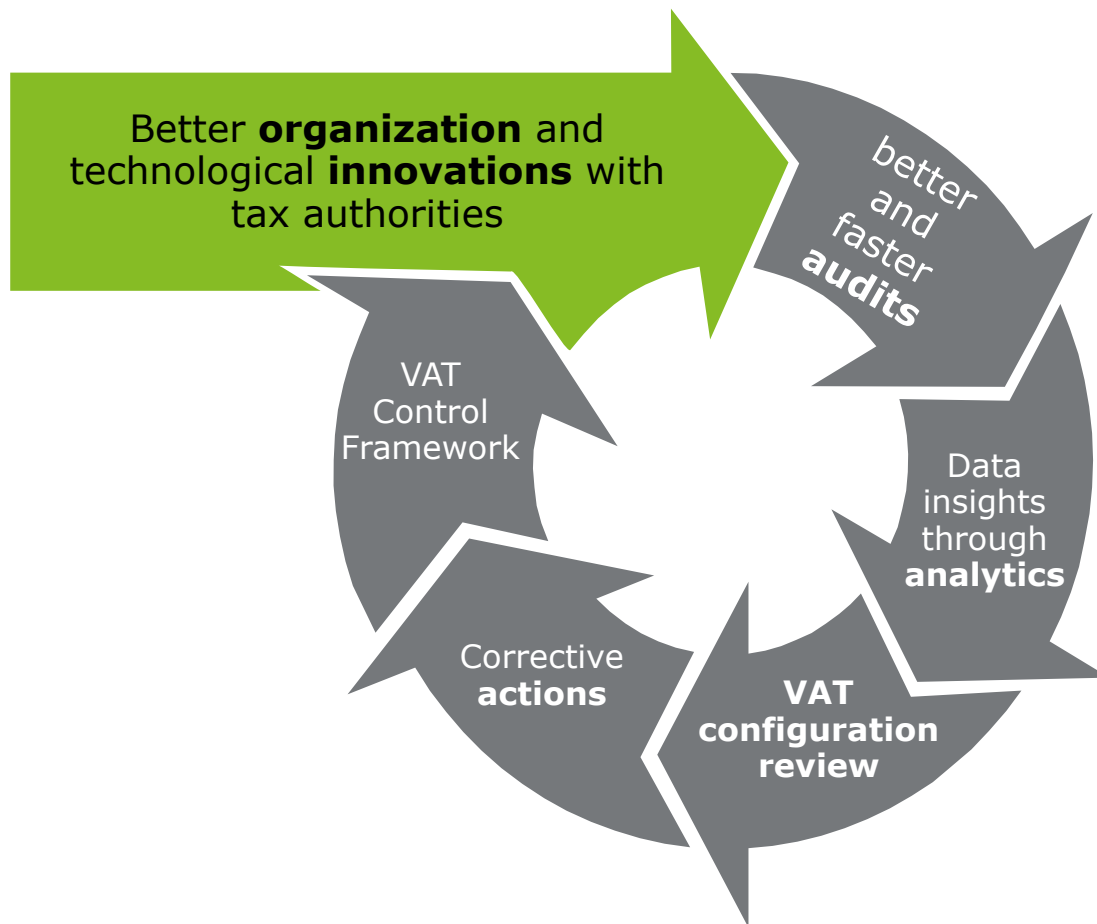
### 3. Key take-aways

Based on the initiatives currently rolled out globally, we expect the following cornerstones to be of importance in view of becoming a Certified Taxable Person:

- Self-assessment / Pre-audit
- Tax Risk Management
- (VAT) Control Framework

# Demonstration of a high level of control

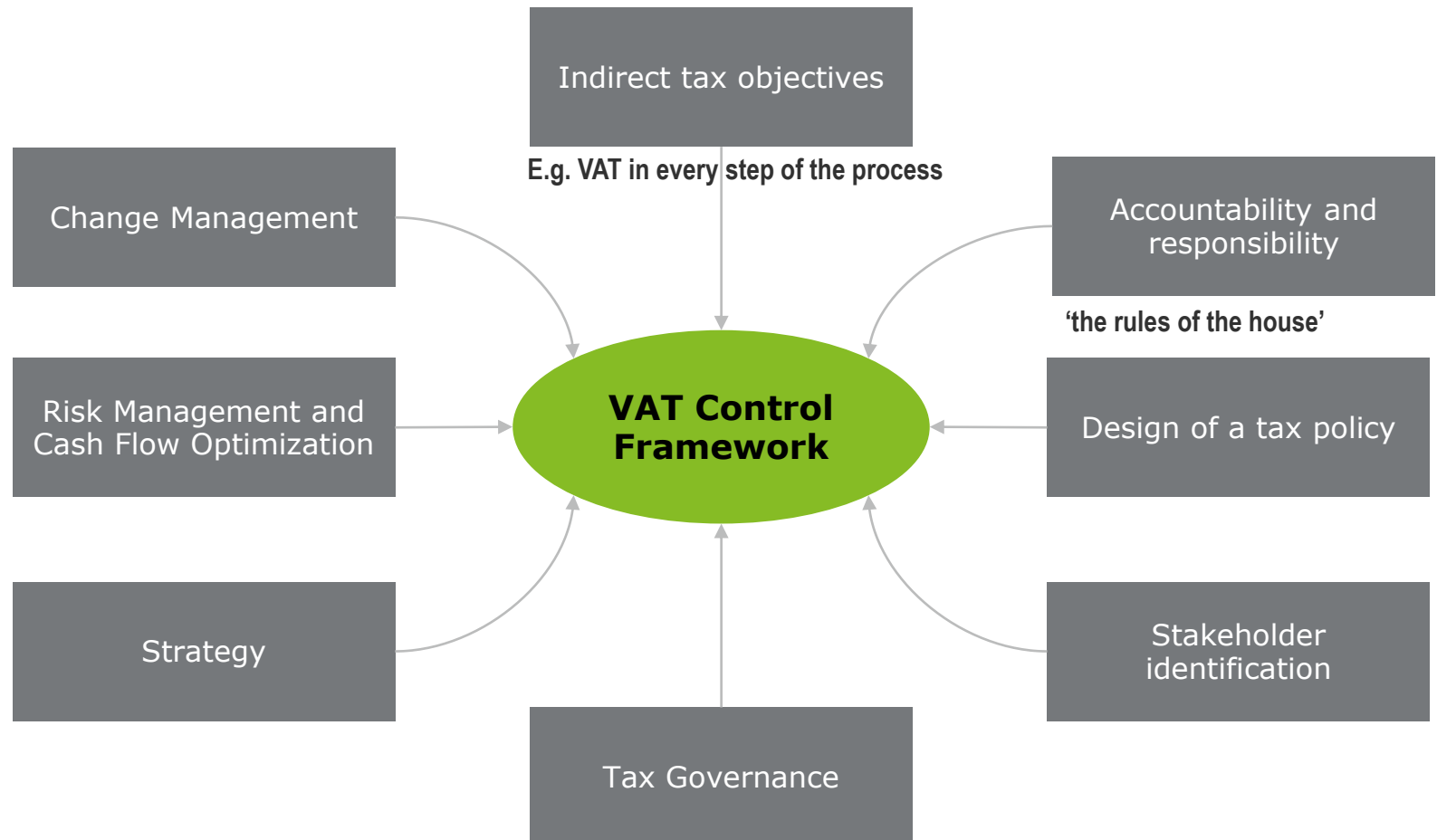
## Tax Risk Management



# Demonstration of a high level of control

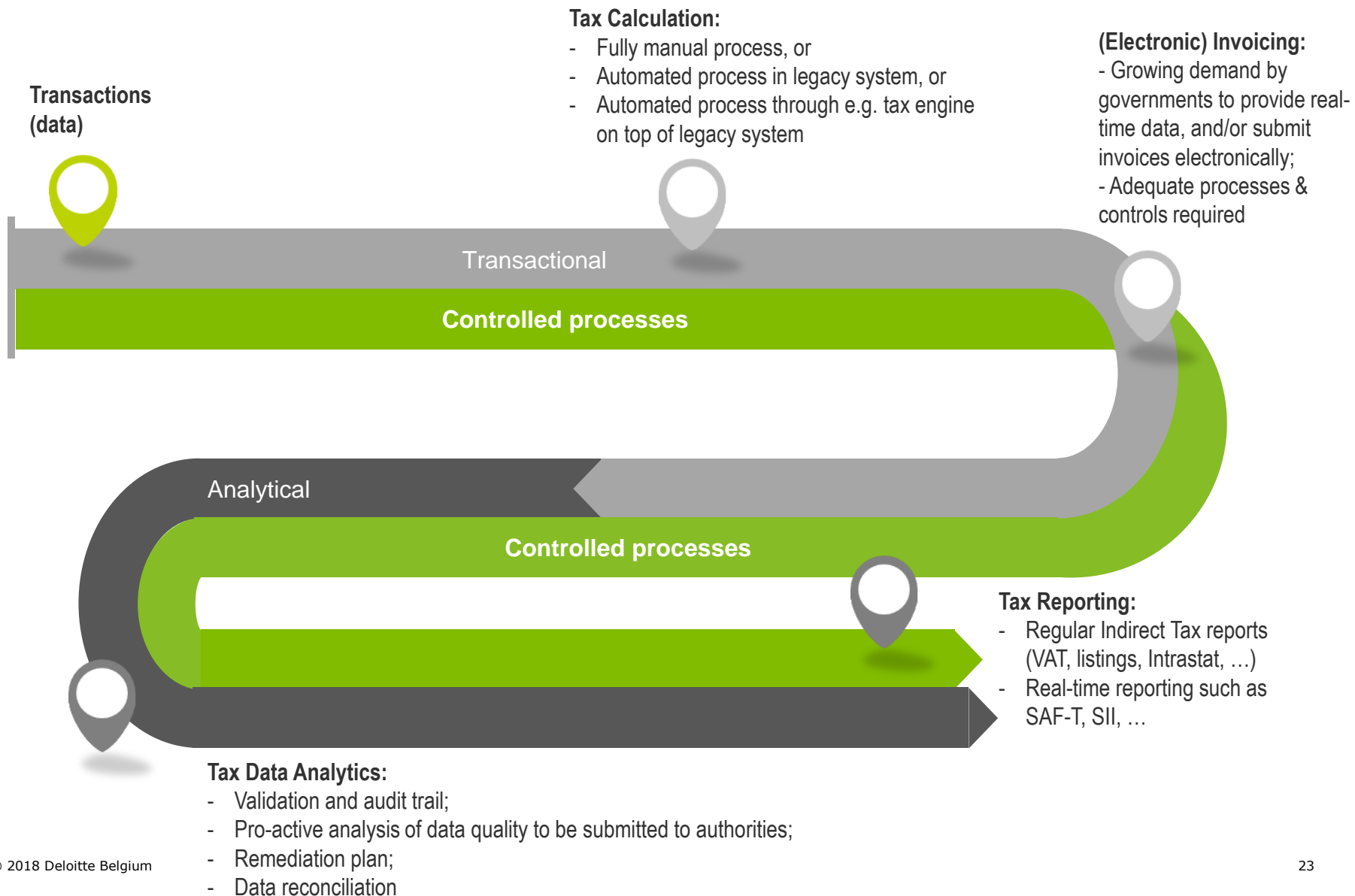
## VAT Control Framework

*A VAT Control Framework should be in line with the Business Control Framework and a company's overall Tax Control Framework.*



# Demonstration of a high level of control

## Controlled processes



# Questions and answers



Thank you for joining today's webinar

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