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Disclaimer

While we hope you'll find this discussion helpful, this session is for informational purposes only and is not legal or tax advice.



European VAT Update and Global Trends



Meet your presenter



Michelle Bequette

International Customer
Programs Manager

Avalara

- › Has helped 1000+ companies manage SUT and VAT compliance
- › Joined Avalara in 2014
- › Launched Avalara's EMEA Customer Loyalty Team in 2016
- › Sales and Use Tax Subject Matter Expert for Avalara Europe
- › Currently European VAT/XB Subject Matter Expert for Avalara US

Agenda

- 1 > Welcome and agenda
- 2 > VAT 101
- 3 > Recent and future changes in Europe and global trends
- 4 > Continuous Compliance
- 5 > Q&A

VAT 101

Terminology

English to English
Translation

~~VAT Tax~~



British English



American English

Tax determination	Tax calculation
Turnover	Annual Revenue
The Great British Bakeoff	The Great British Baking Show
State	Country
Nil	Zero
Taxable Person	A VAT-registered organization
Trousers	Pants
Pants/Knickers	Underwear
Commercials	Financial aspects of a contract
Let's discuss the commercials	I would like to give you money
Adverts	Commercials
Input VAT	Tax on purchases
Reporting	Returns
Stock	Inventory
Holiday	Vacation
Bank Holiday	Holiday
Catchup Return	Backfile Return
Digital Services	Digital Goods

Introduction to VAT (Value Added Tax)



Value Added Tax (VAT) is a form of consumption tax that is levied on supplies of taxable goods and services.

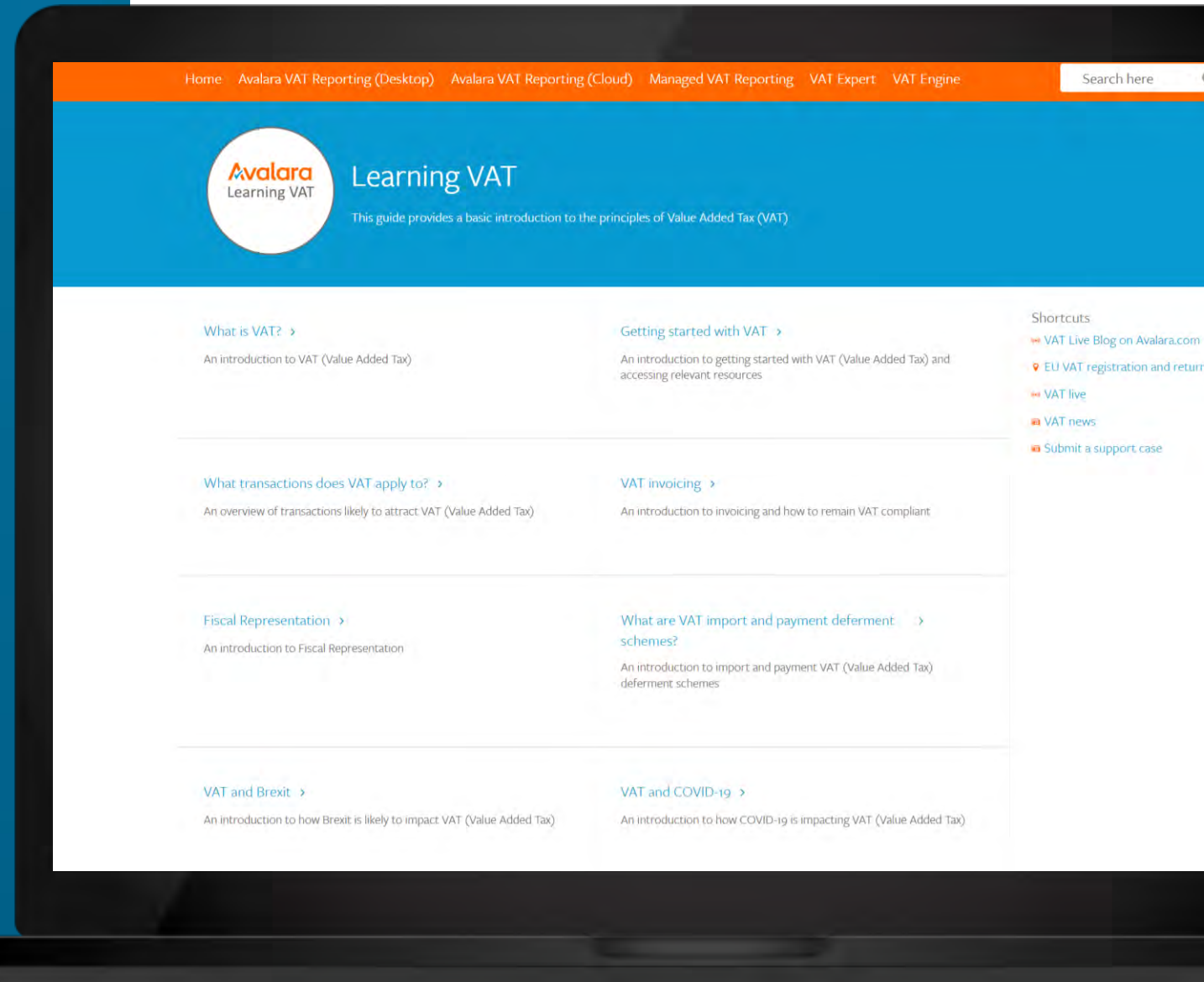
- › Over 150 countries use VAT
- › VAT is an ad valorem tax – it is applied as a percentage of the supply
- › VAT is ultimately suffered by the final consumer in a chain of transactions



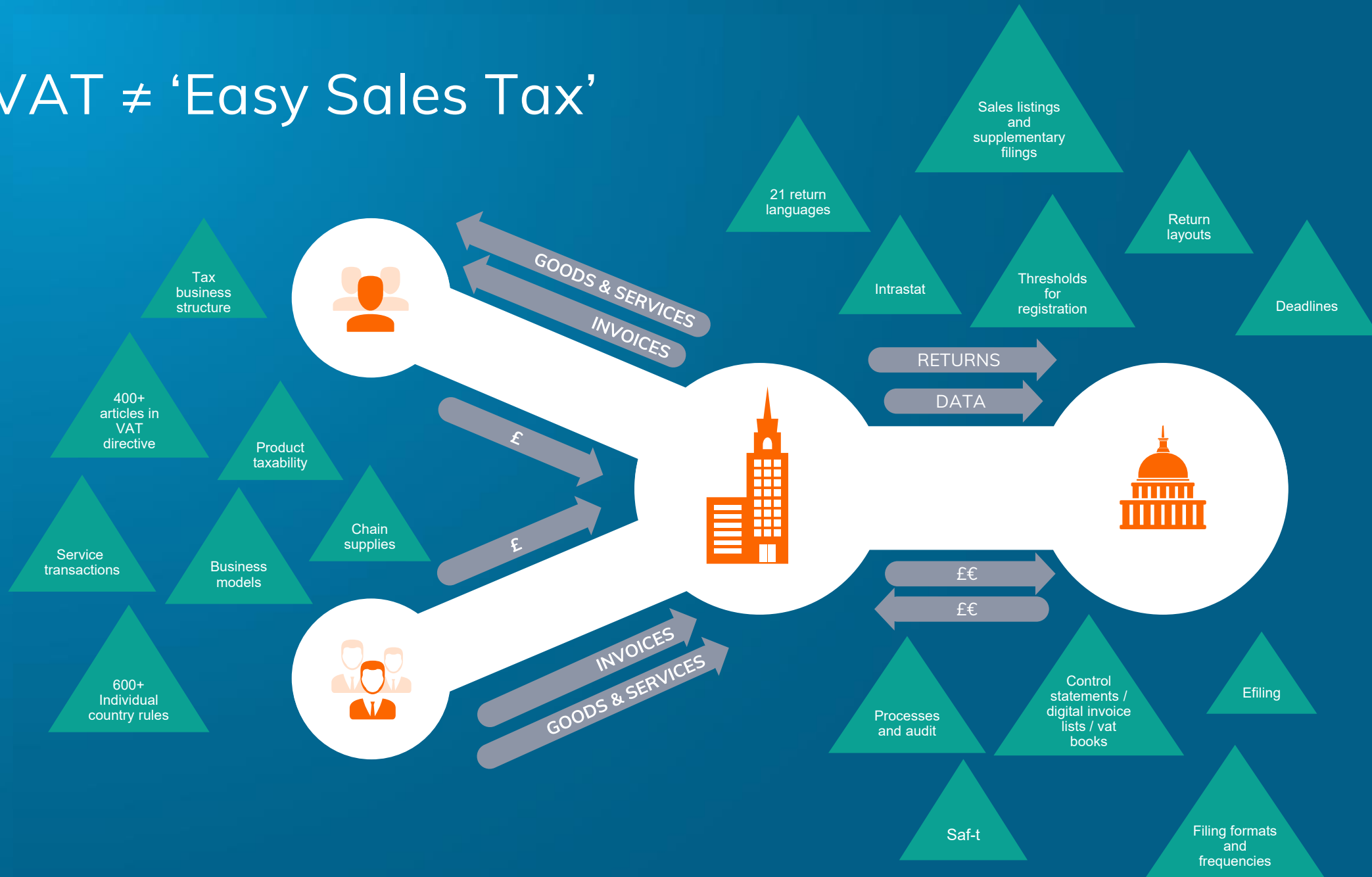
(VAT is not “Vodka And Tonic”)

Introduction to VAT (Value Added Tax)

- VAT is applied at every stage of the supply chain
- At each point in the chain, the supplier will charge output VAT if applicable. The buyer may recover input VAT paid to the previous person in the chain
- This may be simplified via the Reverse Charge Mechanism. Reverse charge shifts responsibility for VAT to the buyer



VAT ≠ 'Easy Sales Tax'



Introduction to EU VAT

Some complexities in the EU

27

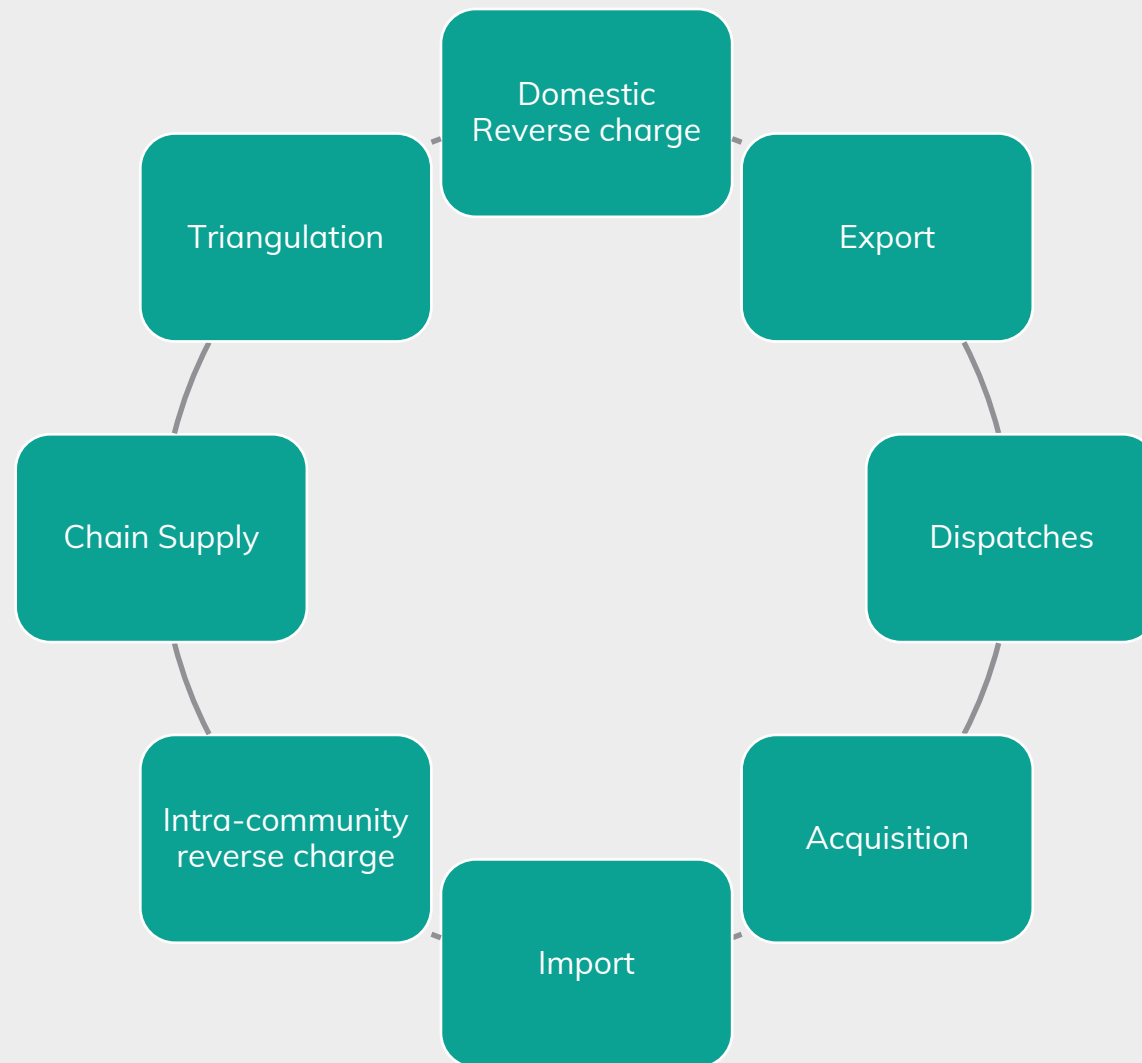
Member States (UK left
December 31, 2020)

21

Languages makes
understanding local
law difficult

10

currencies requiring
conversion from
invoice and accounting
to reporting currency



Introduction to EU VAT

Some complexities in the EU



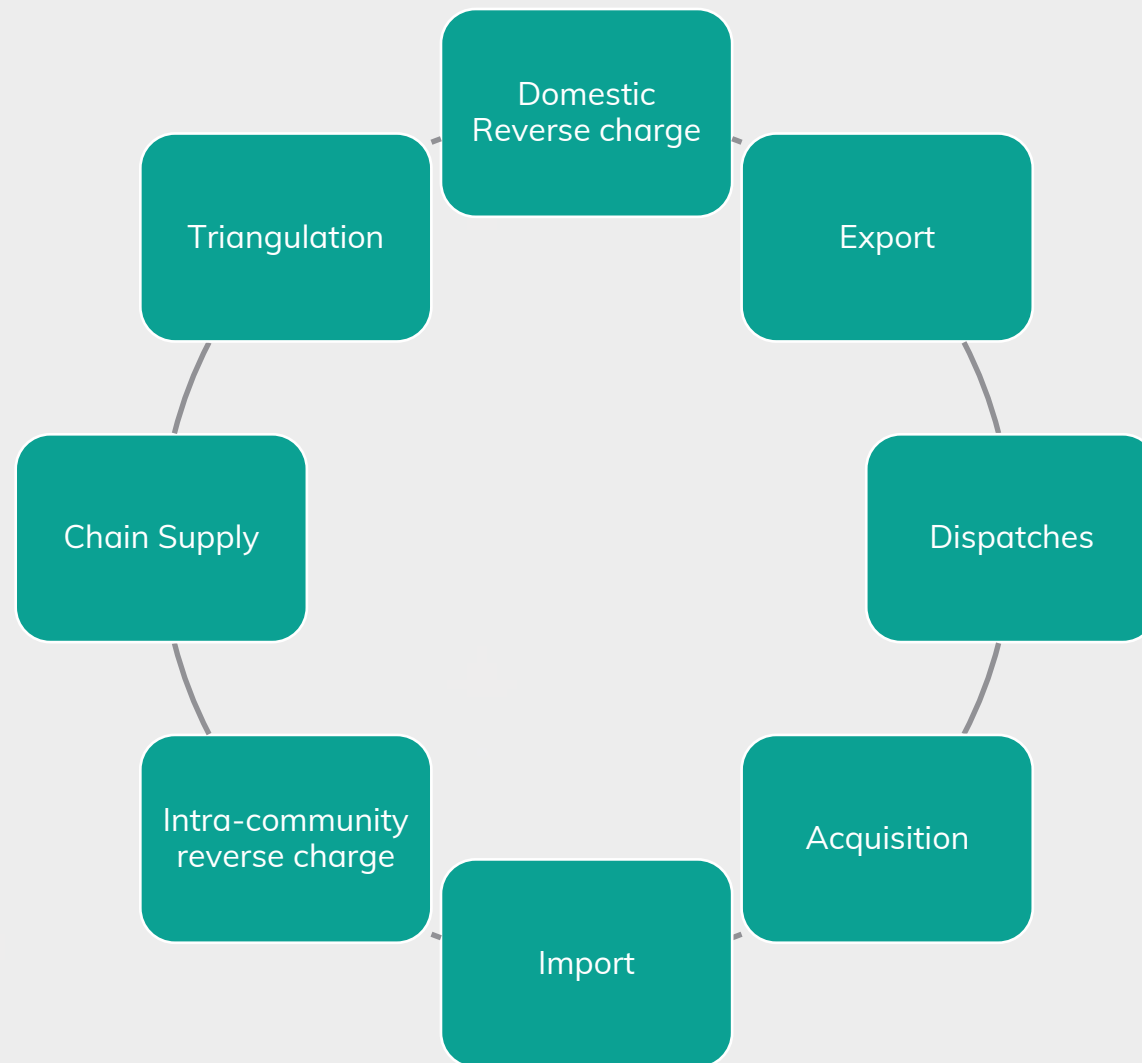
Harmonised but not uniformed VAT system means rules vary between Member States



Complex Place of Supply rules



Reverse charge- 0% domestic supply, intra-community supply (selling from one member state to another), or import are allowed when selling to a taxable person who has a valid VAT number in the destination country



International indirect tax challenges



Domestic & international

- Understanding Registration requirements
- Logistics complications
- Technical challenges
- Calculating tax correctly
- Reporting and Remitting

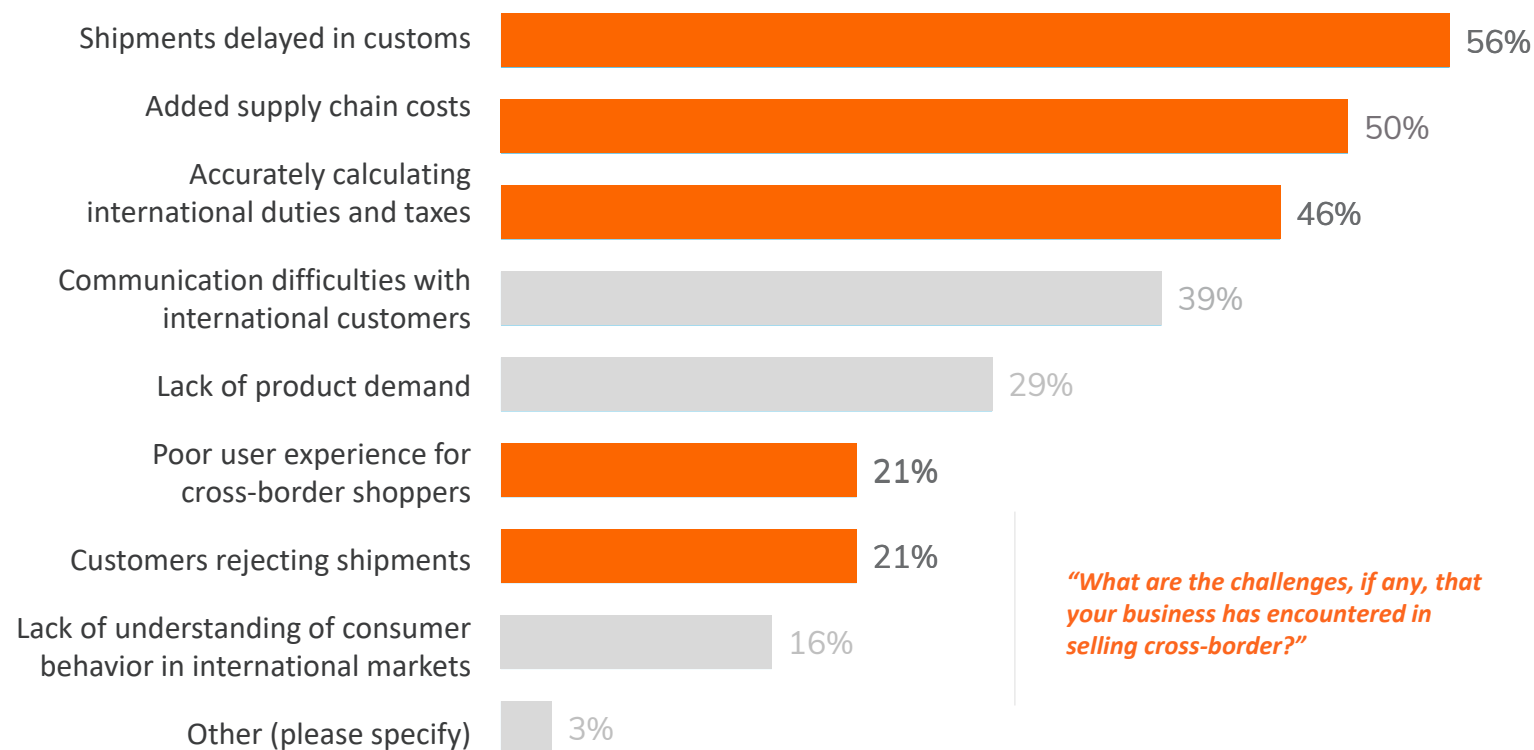


Additional international complications

- Exchange rates
- Language barriers
- Customer expectations and cultural differences
- Time zones
- Calculating tax and duties correctly

Cross-border tax complexity & customer pain points

Compliance is one of the key cross-border challenges online sellers face and has a direct impact on the quality of the customer buying experience

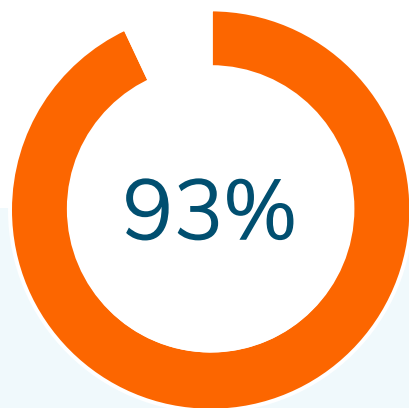


"What are the challenges, if any, that your business has encountered in selling cross-border?"

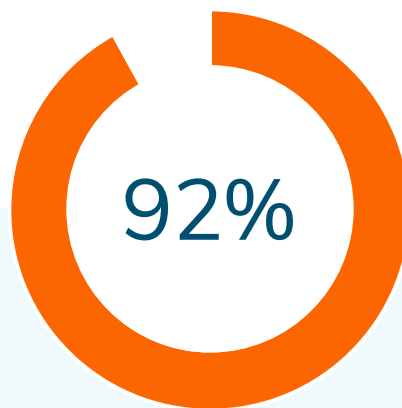


These are solvable problems —
with the right automation solution

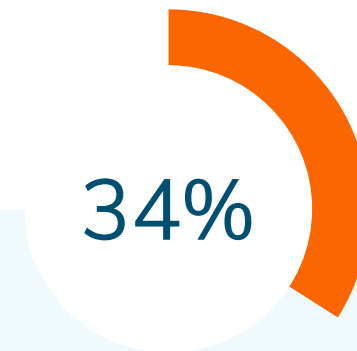
Doing more with the same or less



Of survey respondents said their tax budget will remain flat or will fall



Of respondents say that shifting revenue authority demands on digital tax administration will have a moderate or high impact on tax operations and resources over the next five years



Expect to increase headcount for tax-related roles over the next five years

Recent and future
changes in Europe
and global trends

Managing tax obligations in an ever-evolving landscape

Transaction Taxes



- >  Growth
- >  M&A
- >  Globalization
- >  Marketplaces
- >  Channels
- >  Products
- >  Processes

Managing tax obligations in an ever-evolving landscape

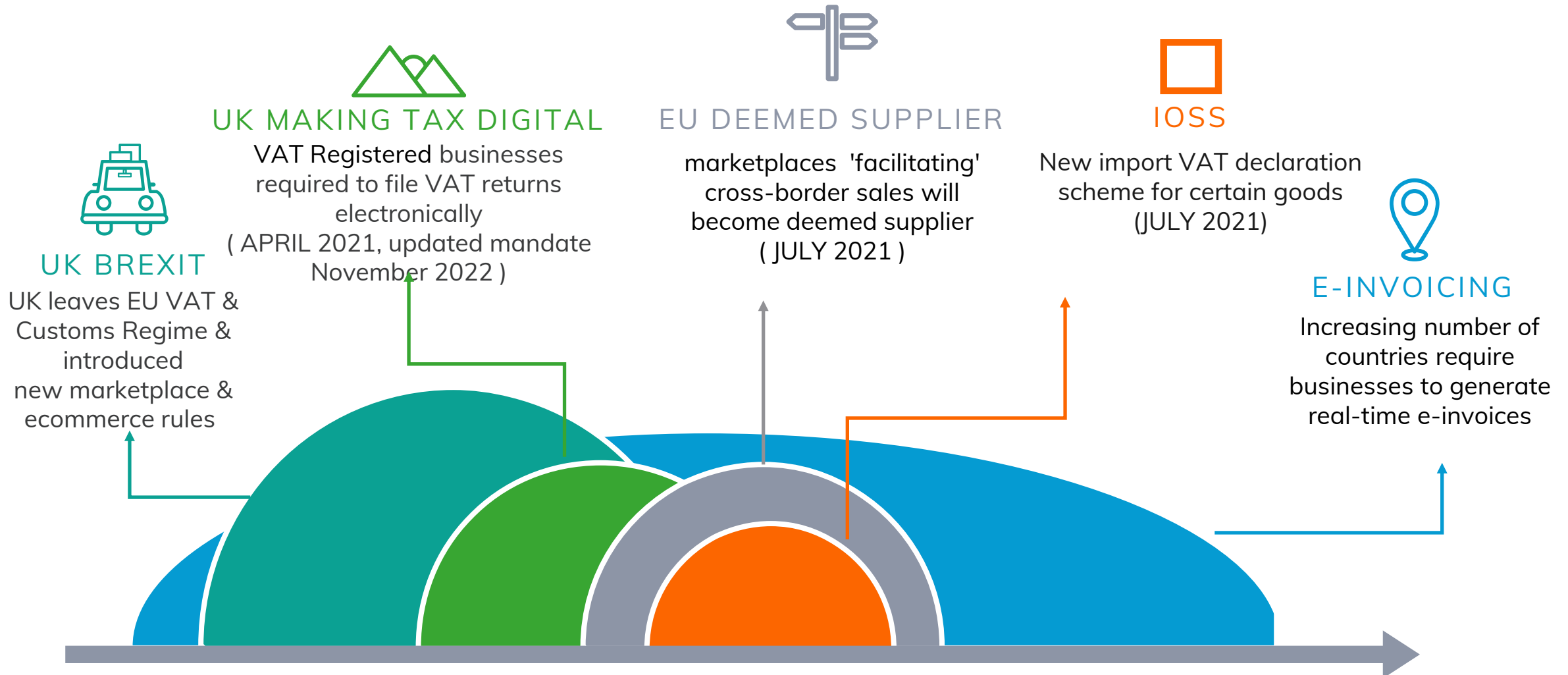
Transaction Taxes



- >  Unprecedented Change
- >  Aggressive collection
- >  Increased scrutiny and collaboration
- >  Modernization
- >  Digitization

Legislative events in 2021

Have you updated your process?



Brexit

VAT Fraud & protecting local companies market share



Brexit parcel price shock: 'I had to pay £30 for a gift' — BBC News



EU-UK Brexit preferential tariffs and rules of origin



Amazon prices rise as Chinese sellers' VAT loophole is closed — The Times and The Sunday Times



Amazon halts alcohol sales in Northern Ireland and may de-list more products | ITV News



UK ecommerce changes

- › Effective 1 January 2021
- › Applies to all B2C imports
- › New import scheme – All consignments <£135 must have VAT calculated at checkout and reported via regular VAT return.
- › Must have a UK VAT ID and EORI!
- › Facilitating marketplace VAT obligations



[Guide to UK/EU 2021 changes for US businesses](#)



[Brexit & 2021 changes in Avatax](#)



EU ecommerce changes

- › Effective 1 July 2021
- › New import scheme – All B2C imports <€150 must have VAT calculated at checkout and reported via VAT return or 'special arrangement' with a postal service.
- › US companies cannot import low value goods to the EU without a VAT ID & EORI!!!!
- › Facilitating marketplace VAT obligations
- › Simplification- extension of MOSS to OSS and IOSS- single registrations in all 27 countries
- › Higher value consignments cannot be reported via OSS/IOSS
- › Options- ship DAP or register in every country



[Guide to UK/EU 2021 changes for US businesses](#)



Unprecedented Change

- We are seeing more rigorous enforcement of existing rules and rapid implementation of new rules across the globe
- Buyers' expectations are changing - businesses and consumers expect more

Unprecedented Change (cont.)



Changes driven by governments

- Reduced distance selling thresholds
- Low Value Consignment & Marketplace facilitator laws
- Increase in audits of foreign sellers
- Additional scrutiny of B2B transactions
- E-invoicing and digital reporting mandates
- VAT withholding (APAC/LATAM/Middle East)
- Withdrawal of B2B registration exemptions for remote sellers



Changes driven by buyers

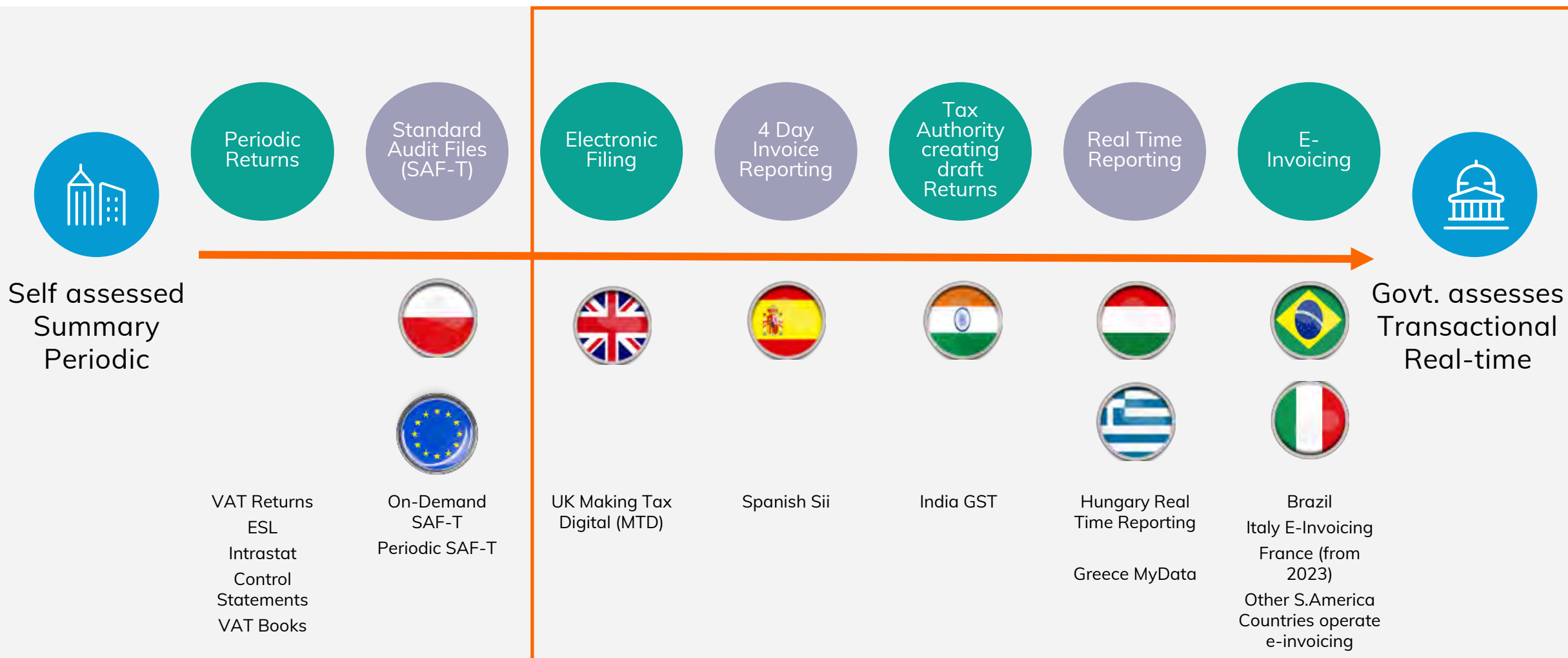
- Increase in international B2C and B2B ecommerce and marketplace sales
- Buyers expect rapid delivery with no surprise import costs
- Businesses expect compliant VAT invoices
- Businesses requesting e-invoices
- Businesses requesting vendors act as importer of record

Death of the
VAT return?

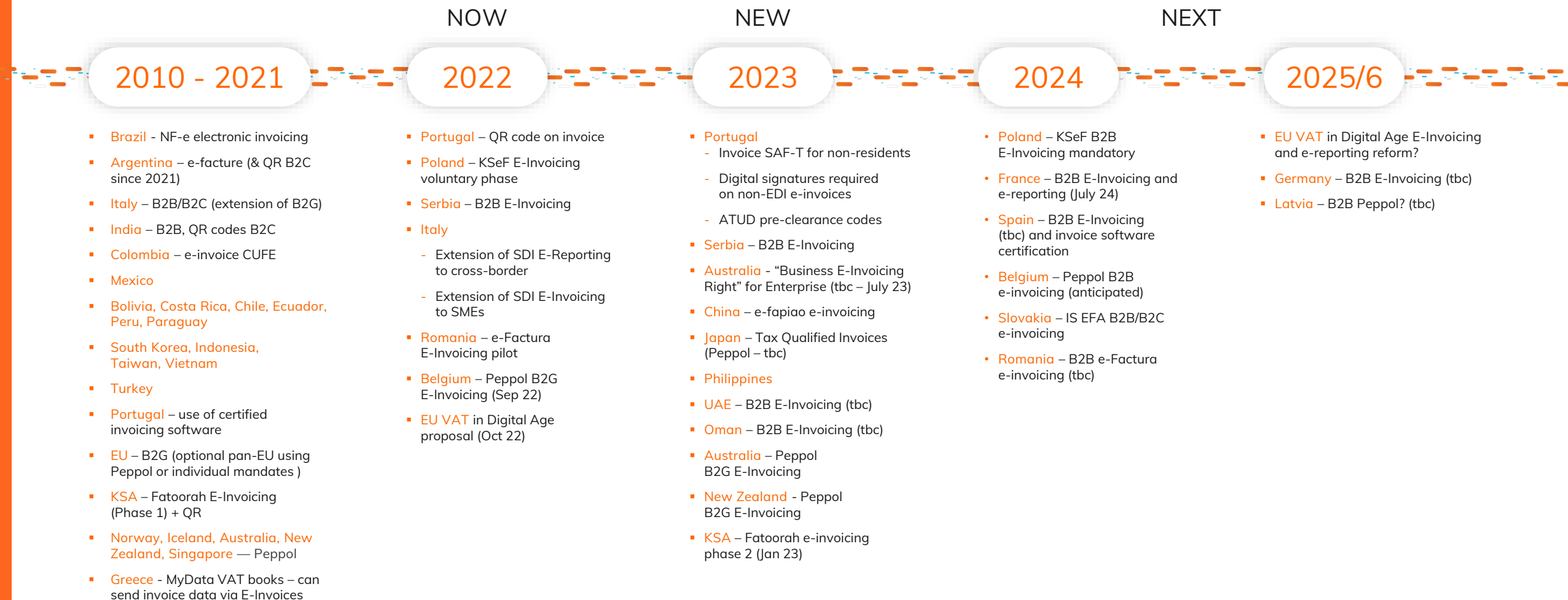


Evolution of digital VAT reporting

It is becoming very difficult to manage VAT Compliance without software



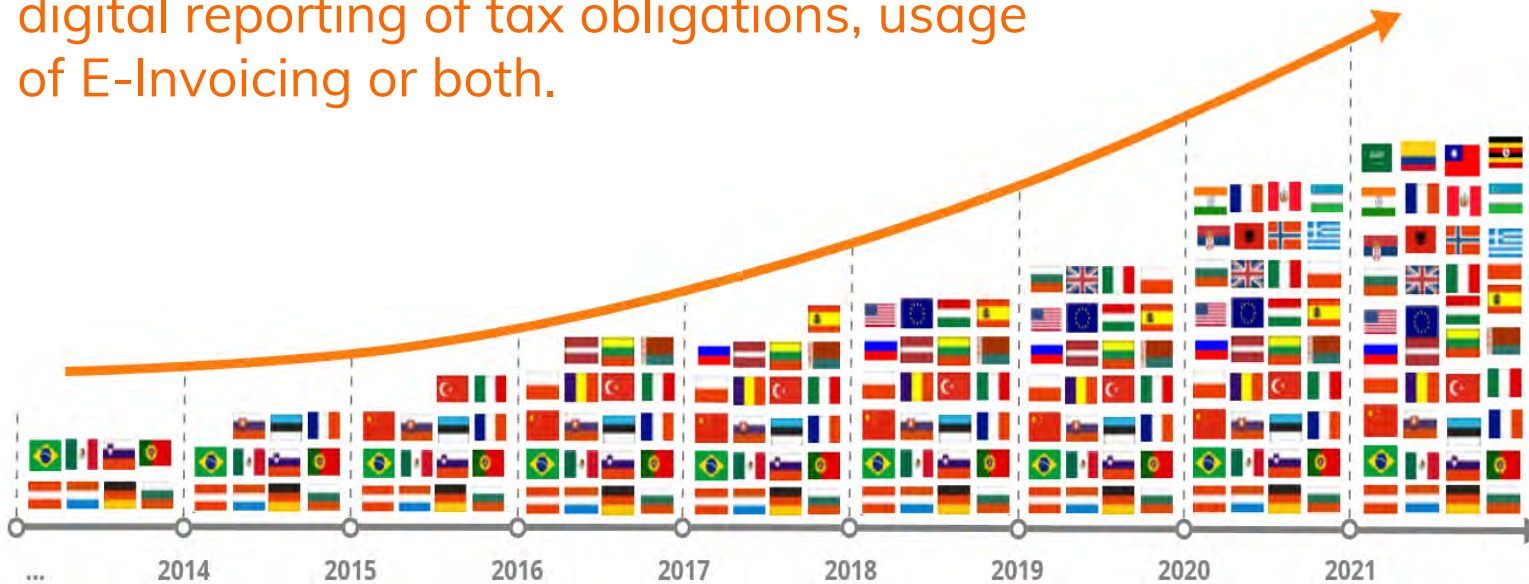
Mandates vary between countries and evolve over time



Note: List as of September 2022

Digitization trends: E-Reporting & E-Invoicing mandates

Governments of many countries require digital reporting of tax obligations, usage of E-Invoicing or both.



Source: PwC e-invoicing & e-reporting CoE, September 2021

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Drivers behind mandates:

Reduce the VAT gap

- Receiving transactional details in real time limits the time for fraud
- Summary VAT reporting not sufficient

Compliance standardization

- Invoices contain all VAT relevant data
- Efficient audit checks in real time

The need for a global tax compliance strategy



Historical position

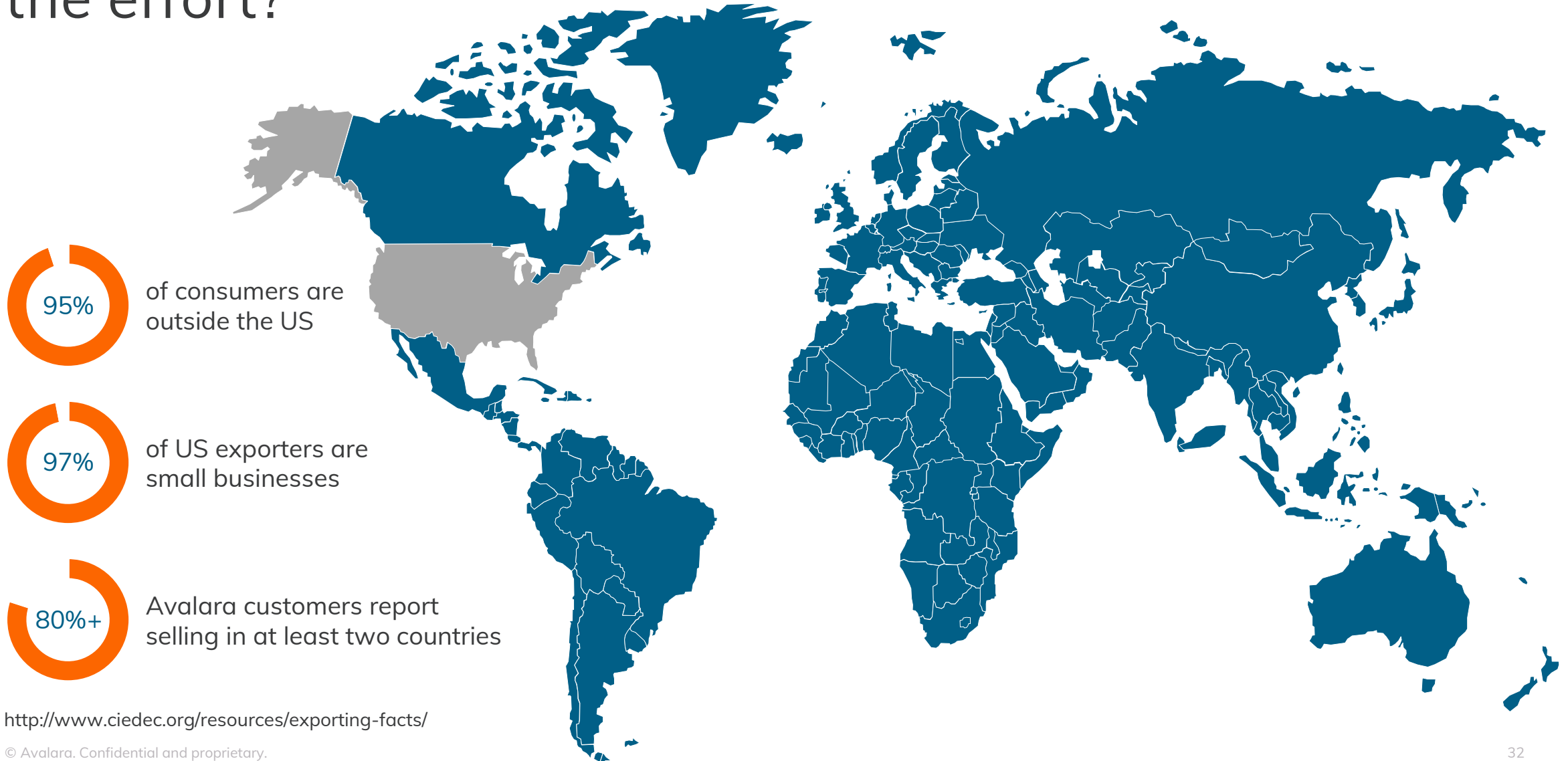
- › Periodical Filing
- › Local and tactical approach
- › Outsourcing to third parties / tax and accounting
- › Parallel processes
- › “Sticky plaster” approach

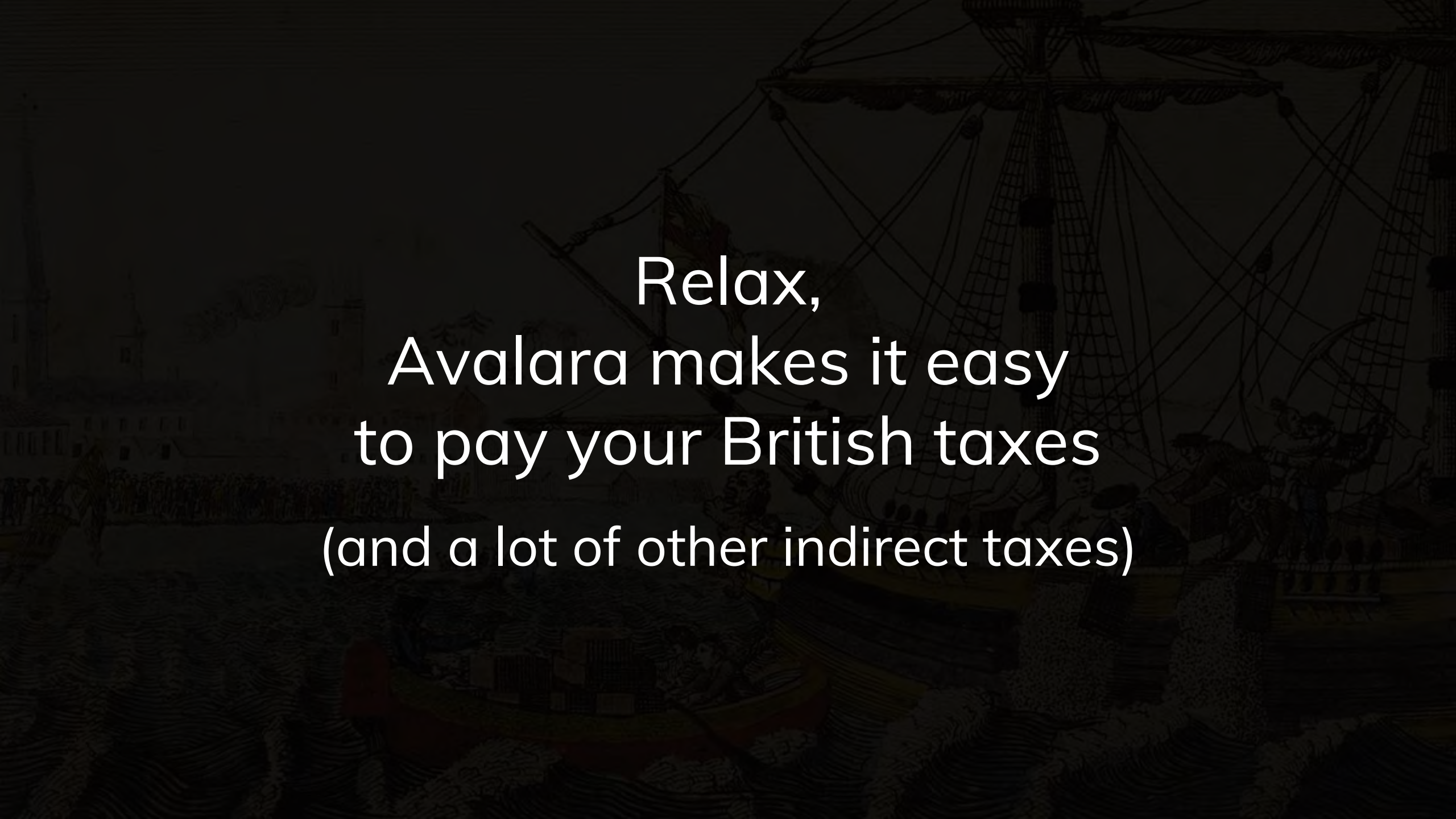


Future of compliance

- › Trend towards real-time compliance
- › CFOs/VPs are thinking strategically – global trend, issue and business critical with roadmap and policy
- › Single scalable solution
- › Alignment of tax and business processes

That sounds hard. Is selling internationally worth the effort?





Relax,
Avalara makes it easy
to pay your British taxes
(and a lot of other indirect taxes)

Ensuring continuous
compliance

The 5 6 Steps of managing indirect tax compliance



- 01 Know where you have obligations
- 02 Register to collect
- 03 Calculate the correct VAT, GST, Sales tax, and duties
- 04 Implement E-invoicing solutions to comply with mandates
- 05 Report taxes to the relevant authorities
- 06 Reevaluate and Repeat to ensure continuous compliance!



Avalara

VAT Products



Identify Tax Footprint

- Speak with an Avalara VAT Specialist

Our team can give guidance on requirements



Registrations

- VAT Registrations
- GST Registrations
- Fiscal Representation
- Sales & Use Tax Registrations

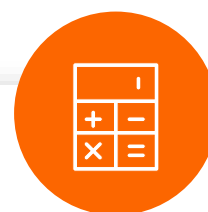
84 countries served by Avalara VAT Registration



Classification

- HS / Commodity Code classification
- Import VAT/Customs Duty
- Self Serve Portal/conversational API

Avalara Item Classification offers HS code support for 180+ countries



Tax Determination

- Sales & Use Tax
- VAT/GST- 190 countries
- Customs Duties
- Enhanced determination in 35 countries
- EU ecomm reforms

33.9 billion AvaTax API calls made by customers in 2021



E-Invoicing

- B2C, B2B, B2G E-invoicing
- Real Time Reporting
- Real-time clearance
- QR Codes
- PDF creation
- PEPPOL

Support for e-invoicing in 60+ countries.



Returns and Reporting

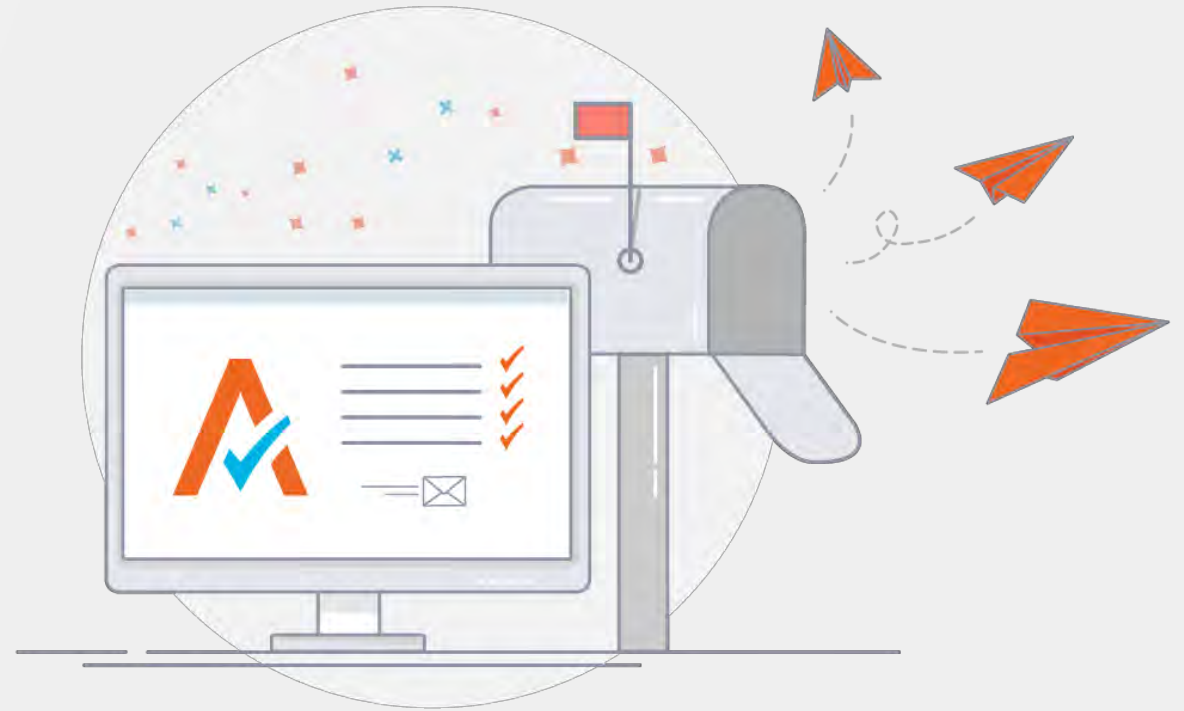
- SaaS VAT Reporting
- Managed VAT Reporting service
- VAT, GST, SUT returns
- ECSLs, Intrastat
- Ledgers, SAF-T
- Transfer Pricing

Avalara processed and filed more than 4.1 million returns in 2021

Thank you!

We look forward to partnering with you to remove the burden of international compliance.

To get started, [contact your Customer Account Manager.](#)



Questions?

Avalara