

Rödl & Partner

GUIDE TO VAT
TAX ADVICE



As experts in the field, we are always at our clients' side, taking care of the legal and tax aspects of their business activities, always with a view to their success.



Assistance with the latest
legislative and fiscal
updates

Support on risk
management
and VAT
Compliance



Targeted
consultancy
according to
sector and
business
model

Support in terms of
Big Data and ERP
systems, and in data
preparation and
evaluation

Assistance with
VAT-related
audits (analysis
of documents, data
and processes)



VAT Consulting

The importance of value added tax has increased considerably due to the large amount of tax revenue it generates and the constant burden on businesses, which are often subject to value added tax assessments. Therefore, VAT is always at the centre of attention of national and foreign tax administrations, as well as of businesses, which have to fulfil their daily accounting and tax obligations.

Increasingly complex issues and constantly updated regulations can very easily lead to errors, especially in chain transactions, which can result in a high risk of claims of tax authorities.

VAT issues have links with various business areas and subjects, such as accounting, tax and legal, internal audit, logistics, purchasing or sales. Specifically, this involves correctly assessing an operation in terms of VAT from a fiscal, accounting and legal point of view and then reproducing it in practice in IT/ERP systems, starting from master data entry through to financial reporting and the preparation of tax returns. In this context, certain processes and control systems should be considered in order to achieve proper VAT compliance and efficient management of VAT-related risks (accounting, tax and legal).



VAT Consulting | VAT Services

OUR STRENGTHS

National team

Our VAT and Indirect Tax Practice, coordinated by our Milan office, consists of approximately 12 professionals from all Italian offices. The VAT Practice supports companies in any sector and of any size, from small and medium-sized enterprises to large multinationals, as well as companies listed on regulated markets, including companies that are part of the DAX 30. Our team is made up of professionals, all chartered accountants, with many years of experience in accounting, tax and legal matters.

International team

At the international level, activities are coordinated by the Munich office and professionals from the national team are part of the International VAT Group, where more than 50 VAT experts worldwide work closely together on a daily basis and continuously exchange information and updates. This ensures the close connection necessary to manage projects on a global scale for our customers all over the world.

OUR SERVICES

We provide advice and opinions on all VAT-related issues, such as chain transactions, goods on consignment (so-called “call of stock”), in-country and out-of-country assembly transactions, M&A and real estate transactions, leasing transactions, holding company investments, input VAT refund procedures, customs VAT implications in import cases, VAT record keeping and VAT advice related to domestic and foreign permanent establishments.

VAT Consulting | VAT Services

In addition to ongoing advice on individual operations, we provide specific support on projects and processes, as outlined below:

- Advice on the structure of business processes and supply chain management, and on procedures for keeping VAT accounts
- Verification of VAT mapping in the ERP system (also in coordination with our IT and digitisation specialists)
- Advice on the implementation of VAT processes and internal control systems (VAT risk management and VAT audits)
- Analysis of documents, data and processes: internal audit of the processing for VAT purposes of typically high-risk processes and operations
- Preparation of VAT manuals, guidelines or working and organisational instructions for mapping individual business operations
- Organisation of VAT workshops (internal training for employees serving our clients, e.g., tax department, accounting, purchasing/sales, logistics)
- Advice on all matters and regular updates on the main VAT issues, as well as newsletters on current national and international VAT issues
- Support for VAT declaration obligations in Italy and abroad and coordination with our foreign colleagues worldwide regarding foreign declarations
- Advice, assistance and representation in disputes with the tax authorities, in particular in procedures for refunding input VAT, support for opposition in proceedings
- Support in tax court litigation
- Legal assistance in tax proceedings

Analysis of documents, data and processes

RISK MANAGEMENT E VAT COMPLIANCE MANAGEMENT

The risk of high VAT arrears or tax refund claims can be reduced or avoided by an effective risk management and control system within the company. To achieve this, business processes should be constantly monitored and improved and regularly adapted to new regulations.

The aim is to assess whether

- VAT issues are systematically (and correctly) mapped, i.e., if they are correctly recorded in the accounts
- employees are trained and competent in VAT matters, and
- VAT mapping and subsequent declaration follow a systematic approach.

In essence, the aim is to verify that there is an up-to-date and well-functioning VAT risk management system and that there is an adequate VAT compliance system.

The following steps are particularly important for a proper compliance and VAT risk management system:

- Identification and review of processes (from master data maintenance with identification of creditors and debtors to financial and fiscal reporting)
- Identification and review of relevant transactions
- Accurate recording and accounting of VAT on sales and purchases in terms of timing and correct application of the rate in the relevant country.
- Review of business transactions with foreign counterparties to determine any foreign registration requirements
- Compliance with VAT obligations (reporting and declaration, correction where needed, notification or request for documentation to be sent to the Revenue Agency)

Our support in this area therefore relates mainly to these aspects:

- Analysis of existing processes and controls in typical risk areas, e.g., VAT incorrectly declared or not declared and paid due to incorrect determination, as in the case of so-called reverse charge transactions
- Review of the regularity of the invoice reception and accounting process with random sample checks of documents
- Implementation/extension of internal VAT controls through analysis of documents and data

Analysis of documents, data and processes

REFERENCE TARGET

Management, tax and accounting department, internal audit, VAT specialists. We offer workshops/meetings (for joint brainstorming) where we provide advice and recommendations on how to set up and develop a VAT compliance management system according to current best practice.

COSTS

We usually offer our process analyses at a fixed fee (plus travel costs and reimbursements) depending on the scope of the respective audit. For an initial analysis of the process, aimed at providing a rough and quick overview with first suggestions, we calculate at least 30 to 35 hours for the review of documents and for the interviews to be conducted.

Verification on the correct application of VAT

VAT control starts with regular monitoring of transactions. This is especially useful for companies that have not yet implemented any VAT risk management system or processes and want to reduce/avoid the risks that may arise.

Depending on your requirements, as part of our document and data analysis, we check and assess from a VAT perspective the purchase and sales invoices with which you provide us, as well as all other accompanying documents if necessary (e.g., contracts, orders, confirmations of receipt, delivery notes).

Our VAT audits cover:

- Validation and sample analysis between the VAT declarations and the most relevant transactions for VAT purposes recorded in the accounts
- Interviews with staff and employees responsible for the various VAT departments
- Examination of the appropriate documents relating to the main transactions - purchases and sales - with a brief analysis and verification of VAT returns and periodic VAT settlements
- Spot-checking of certain transactions according to different audit approaches (e.g., according to turnover volume, largest creditors and debtors, riskiest subject areas)
- Examination of relevant processes (e.g., accrual of VAT-relevant transactions, accounting records, identification and registration of creditors/debtors) and their documentation
- Spot-checking of data and documents (invoices and other relevant documents), review of tax declarations (in particular the logic of tax determination), selection and verification of particular contracts (e.g., supply, rental, participation contracts)
- Invoicing procedures: compliance with formal invoice requirements and control of credit notes, advance and prepaid invoices, etc., forms of invoice correction and supplementation
- Collection of data and documents on cross-border trade in goods and services (buying and selling), and verification of the correct application of the reverse charge rules.

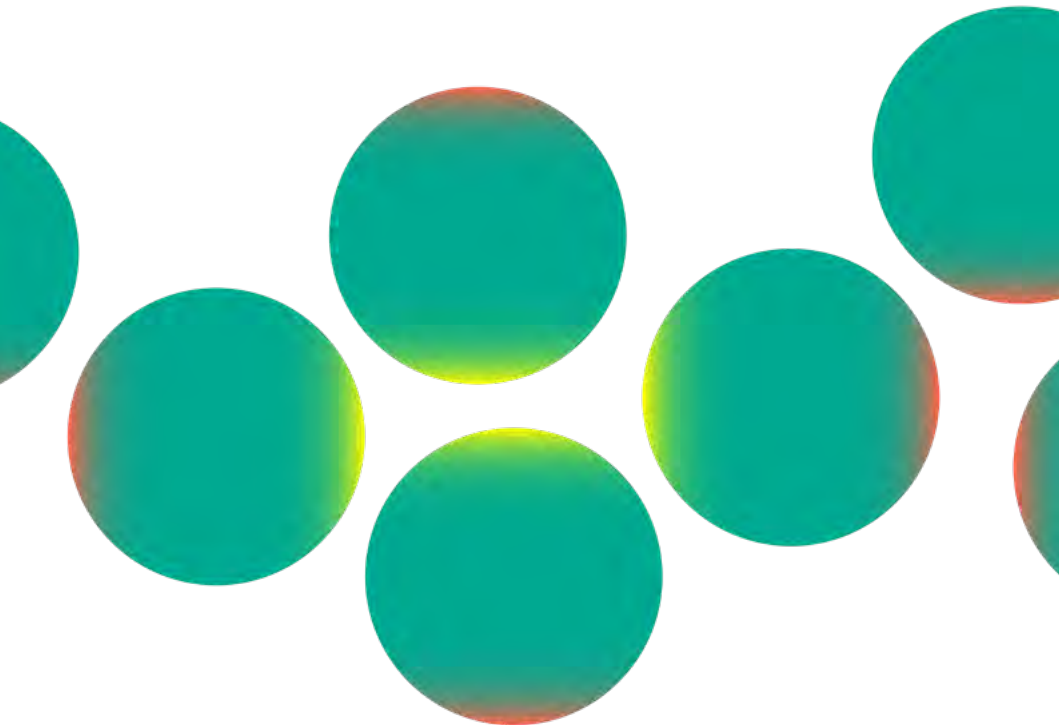
REFERENCE TARGET

Management, tax and accounting department, internal audit department and VAT department specialists.

Verification on the correct application of VAT

COSTS

As a rule, we offer these VAT audits at a fixed price (plus travel expenses and reimbursements), depending on the extent of the checks to be made. In order to carry out effective work on VAT, which is intended to provide a first rough and fast overview, we calculate from experience at least 25 hours for document review and interviews to be carried out. This also includes a preliminary interview as well as the preparation and transmission of reports. On request, as needed and depending on the results, this VAT audit can of course be extended individually and flexibly - during the work or even at a later date - to a more comprehensive VAT audit. An extension is possible in terms of time and/or content as well as in a more technical way, e.g., by using our tools for further data analysis.



Internal training and workshops

We offer in-house training courses and workshops where staff involved in the correct recording and processing of VAT are properly trained. Questions about the treatment of VAT in specific transactions are discussed and dealt with using concrete examples, so that a practical approach is taken when considering particular transactions. In addition, the focus is on sensitising employees to develop a particular critical sense, after discussion with other colleagues in the various departments.

Examples of topics for training are:

- Invoice and its issuance: formal requirements of the invoice and special VAT features (advance invoice, credit note, invoice on account, etc.)
- Invoice and its forms of correction and integration
- Cross-border movement of goods (export, import, supply and intra-Community acquisition), chain transactions and triangulations
- Warehouse structure: goods on consignment, bonded warehouse
- Cross-border trade in services: services provided abroad and purchases from abroad - Reverse Charge rules
- Allocation of costs and their distribution within the group
- VAT deduction: assumption, risk and optimisation
- Organisation of a VAT Group
- Value added tax on real estate, construction, assembly and engineering
- Leasing: financial leasing and operating leasing
- Overview of VAT reporting obligations
- VAT in accounting and logistics: process design, risk and compliance management

CONTENT AND PURPOSE

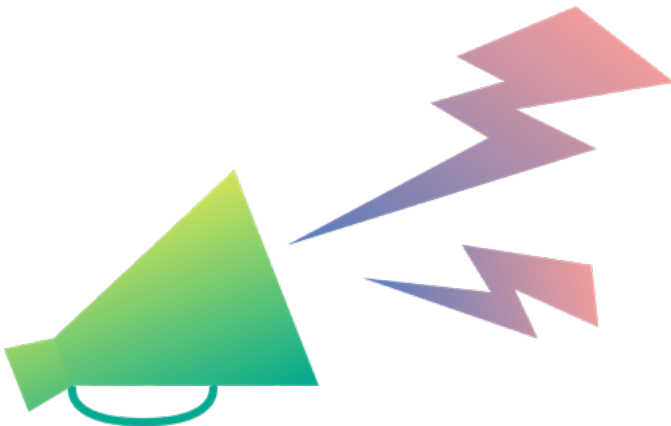
As a rule, there is a 3-hour workshop in the form of a basic training course for your employees at your premises with a handout on the chosen topic. In addition to substantive legal explanations, topics include real-life cases and practical implementation of the issues addressed and their latest developments in terms of topicality. We are happy to offer our consultancy at a fixed price (plus travel expenses and reimbursements), calculated according to the scope and content.

VAT Returns

We provide support for all VAT-related reporting obligations such as periodic settlements, annual returns, Intrastat forms and Italian and foreign returns. In detail, this includes:

- Request to open a VAT position in Italy,
- Request for an Italian VAT identification number
- Preparation and submission of a (yearly) VAT return
- Preparation and submission of periodic VAT returns
- Preparation of recapitulative statements (monthly or quarterly) and Intrastat declarations - if necessary and required
- Support in all VAT compliance activities abroad according to the respective local requirements with the involvement of our foreign colleagues

We also offer flat rates for individual registrations and preparation or returns, depending on the number of transactions per month.

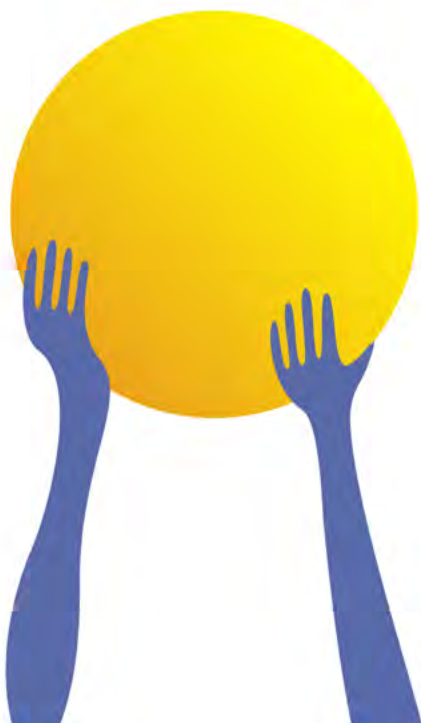


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Rödl & Partner

As attorneys, tax advisers, management and IT consultants and auditors, we are present with 106 own offices in 48 countries. Worldwide, our clients trust our 5130 colleagues.

In Italy, Rödl & Partner is present in Milan, Rome, Padua and Bolzano, with more than 200 professionals who provide assistance to both national and international clients. The consulting activity covers all areas of business law, international taxation and BPO services. Moreover we offer audit services, provided by Rödl & Partner Audit S.r.l.



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