



# VAT news

December 2006 • Series 2, Issue 2

This publication is a Value Added enhancement of our basic VAT reclaim service; we hope it improves our clients' awareness of the somewhat complex rules in the different countries that allow VAT refunds and helps them to maximize the amount of their VAT refunds.

We use this Newsletter as a way to pass on information on rule changes as we become aware ourselves.

It will also be used to inform our clients about enhancements and expansions of our VAT refund services.

**VAT**  
*The Tax that Pays Back!*

**UVS**

Universal VAT Services

## UK HAS RELAXED SOME OF THE TIGHTENED RECLAIM RULES PUT INTO FORCE ONE YEAR AGO

About one year ago the UK introduced new rules regarding the name and address attributions required on invoices to make them eligible for VAT reclaim. For all invoices submitted after December 31, 2005 the U.K. decreed that the name and address of the applicant company must always be printed on the invoice at the time of issue. This move was intended to bring U.K. practices in line with existing rules already imposed by most other countries of interest,

However, the UK has now had second thoughts about the need for this move and has made it known that the previous practices are once again acceptable. Thus, invoices showing just the individual's name and address are likely to be accepted – provided the address is in the USA. Any invoice showing a U.K. address where the hotel booking has been made by someone in the U.K. on behalf of the US traveler, will not be acceptable and will need re-styling to show a US address before submittal.

UVS still advises company travelers to ask the hotels and car rental companies, in all countries to create their invoices primarily with the name and address of the company. The name or the name and address of the individual may also appear.

UVS has made considerable efforts to improve success in this area by contacting hotels and car rental companies to explain the problem and ask for their cooperation. The most effective way, however, is for company travel departments to educate their travelers on insisting the hotel and car rental invoices given to them when they check out are in the right format.

UVS has published a leaflet covering this which has been supplied to many of our clients and which, if requested, can be company customized.

It is also very important for travelers to bring back eligible invoices. Raj Shah, President of UVS,

periodically visits the U.K. authorities in Londonderry, located in Northern Ireland. During a recent visit in early October 2006, he was informed on increasing concerns about claims submitted using fraudulent or incomplete invoices. The U.K. authorities are becoming very strict about invoices that do not meet eligibility requirements. Invoices that are clearly photo copies or facsimiles, are marked "This is not a VAT Invoice".

"Preliminary", or "Copy of Invoice", or do not show the VAT Registration Number are not acceptable for submittal. Otherwise eligible invoices that do not show a VAT breakdown and are for total amounts over 250 U.K. pounds are also not submittable. Invoices for amounts less than that amount can be submitted without a VAT breakdown. This is often the case with restaurant invoices.

## THE IRS HAS JUST IMPOSED A NEW "USER FEE" FOR ISSUING U.S.

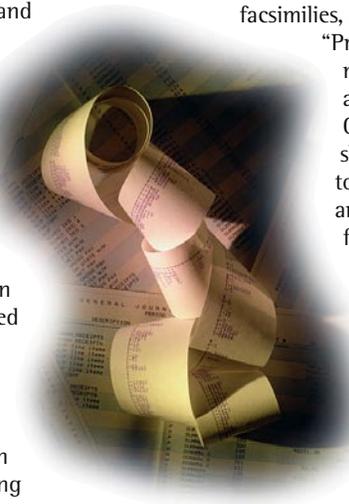
### RESIDENCY CERTIFICATION FORM 6166

Once a year, all businesses reclaiming VAT must submit a new Residency Certification Form IRS 6166 to each relevant country. To obtain these, an application Form 8802 must be completed and submitted to the IRS for each country. Before November 2006, these applications were processed free of charge, but now the IRS has imposed a fee of \$35 - \$50 (depending on the number of IRS 6166 forms requested) for each Form 8802 submitted.

## UVS HAS EXPANDED ITS REFUND ACTIVITIES TO INCLUDE KOREA AND JAPAN

Starting in 2006, UVS is now submitting claims to both Korea and Japan. This was reported in our previous Newsletter (Issue 1) but since this is unfamiliar territory to many of our clients, the essence of these programs are now repeated:

**Korea:** Korea now provide refunds on its VAT



(which appears as GST on invoices for hotels and other services). The tax imposed which is refundable is ten percent of the base value of the service provided.

Refunds are obtainable on many services including hotel stays, meals and telephone payments. All invoices submitted for refund must be verified by the inclusion of a credit card receipt or other documentation and the traveler's passport number should be shown on the invoice.

**Japan:** The VAT (called Consumption Tax) levied in Japan is five percent and is refundable to overseas based companies from most countries on most business expenses. One prerequisite for obtaining refunds is for the company to be VAT registered in Japan, even if it has no sales in Japan. VAT on expenses incurred before registration cannot be reclaimed. UVS, through its agent in Japan, can handle the VAT registration process. Refund claims can only be submitted after the end of the claimant's fiscal year and within two months after that year end.

Please contact UVS for further details of the VAT reclaim possibilities and requirements in Korea and Japan.

## THE MAIN VAT RATE IN GERMANY IS GOING UP TO 19% EARLY IN 2007

At present the VAT rate on most travel related expenditures in Germany is 16 percent. We have learned that early in 2007, this rate will increase to 19 percent. Bad news for German residents but overseas business visitors to Germany will be protected from this increase by the ability to reclaim almost all the VAT (called MwSt in Germany) that they incur.

## CANADA IS DISCONTINUING ITS VISITOR REBATE PROGRAM

UVS has been notified by the Canadian Revenue Agency that Canada's Visitor Rebate Program, whereby refunds of GST and HST have been obtained for companies not registered for GST in Canada, will be terminated on April 1, 2007. Apparently the program has not been as successful in boosting visits to Canada as had been hoped. Refunds of GST and HST incurred before April 1, 2007 will still be refunded, provided applications

are submitted within one year of the date on the invoice.

If your Company has significant sales in Canada it should be registered for GST/HST.

The GST and HST paid by company employees on all expenses incurred while doing business in Canada, can be deducted from the GST/HST collected from clients on sales on behalf of the Canadian government. Companies are obligated to regularly submit a GST/HST return to Canada and the company incurred GST or HST can be deducted from that return. Since the GST and HST on ALL expenses can be deducted (as opposed to the Visitor Rebate Program where, basically, only the GST/HST on hotel rooms can be reclaimed) this can be a very worthwhile saving. UVS helps companies to realize these savings by analyzing all expense reports to determine how much GST/HST can be deducted. For this work, no invoices need to be sent to the authorities, but verification must be available in case the Canadian authorities call for proof. The UVS analysis provides this proof to the client in the form of copies of the invoices identified from travelers' T and E reports on which GST or HST was paid and a quantification of the total amounts that can be deducted from the GST/HST return is provided. It should be emphasized that this procedure will in no way be affected by the termination of the Visitor Rebate Program.

## UVS CLIENTS NOW HAVE CONTINUOUS REAL TIME ACCESS TO STATUS REPORTS

UVS is pleased to announce that continuous access to clients' Status Reports is now available on line at the UVS web site Client Login Page. Different access codes are used by each UVS client, giving access to only the client's report. If you have not been notified by UVS of your Access Code, please get in touch with UVS using the contact information shown below.

Several improvements have recently been made to the Status Report format, including the addition of a colored pie chart clearly showing the distribution by country of the refunds obtained. The presentation has also been brightened by the addition of the national flag of each country providing refunds.

## UVS AGENTS AND BUSINESS ALLIANCES AROUND THE WORLD INCLUDE TURKEY AND INDIA

### India:

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# VAT

The Tax that Pays Back!

We keep ourselves current...

Met Belgium Tax Authorities in Brussels in April '06

Met the Netherlands Tax Authorities in Heerlan in April '06

Attended International VAT Association meeting in Dublin, Ireland April '06

Met UK Overseas Repayment Unit (ORU),

HM Customs and Excise Audit Team in October '06

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