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Taxation

EU expenses: new system for reclaiming VAT

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Good news for businesses with EU expenses as the VAT claim system is updated.

Where businesses incur VAT in another EU member state, they have the right to make '8th Directive' claims to recover this VAT. However, although this has been in place for some time, the system for submitting the claims can be difficult to use and deters many from taking the trouble.

As a result, the amounts of unclaimed VAT are estimated to run into billions of pounds: a direct cost to businesses and a free bonus to the taxman.

All this could change with the advent of the new VAT Package, which takes effect across the EU on 1 January 2010. This includes a new online system for submitting VAT claims in other EU countries, which should make it much easier for businesses to reclaim VAT that they would previously have just written off.

What will change?

- **You will have more time to submit claims**
The time limit for making your claim will be moved to the 30th September following the calendar year when the expenditure took place.
- **Claims will be submitted electronically**
There will be a simpler electronic submission system operated by HMRC.

- **Claims can be made in English, rather than the local language, for most countries**
Each EU member state will nominate both a primary and secondary language for claims and it is expected that English will be the secondary language for most countries.
- **You no longer need to send the original of each invoice with the claim**
Scanned copies of a sample of the invoices being claimed will be requested for verification.
- **You can expect a quicker response**
There will be a requirement for governments to respond to claims within four months, and pay interest if there is undue delay once a decision to pay the claim has been taken.

What does this mean for you?

If your business has been charged VAT in other EU member states during the 2009 calendar year and you make your recovery claim after 1 January 2010, it should be easier to get your money back. There will be new systems to use and more time to make use of them. There has never been a better opportunity to consider your overseas expenditure, and make sure you make a full refund claim in 2010.

For help and advice on VAT claims please get in touch with your local PKF VAT contact at:

www.pkf.co.uk/vatteam

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