



A Finance Leader's Guide to Global Indirect Tax Compliance

SPEAKERS



Matt Wills

International Tax Managing Director,
International Indirect Tax Services
BDO USA, LLP



Greg Rosser

Managing Director, State and Local
Tax Services
BDO USA, LLP

As we emerge from the pandemic, finance teams recognize they need to remain attentive and responsive amid an accelerated pace of changes. Filing deadlines and requirements among states and other taxing jurisdictions throughout the U.S. are moving targets.

Yet, many finance executives risk overlooking changes that concern indirect tax outside the U.S., especially following the U.K.'s departure from the European Union at the start of 2021. More broadly, many finance executives lack an indirect tax planning framework that factors in goods and services taxes (GST) or value-added taxes (VAT) in the countries and local taxing jurisdictions within the countries where they conduct business.

“Economic nexus has come up as a topic for a lot of companies, and they’re finding that they have a deeper economic nexus establishment based on their sales,” said Greg Rosser, Managing Director, State and Local Tax Services, BDO USA, LLP. Rosser spoke on a recent Vertex-sponsored webcast from CFO.com and Industry Dive.

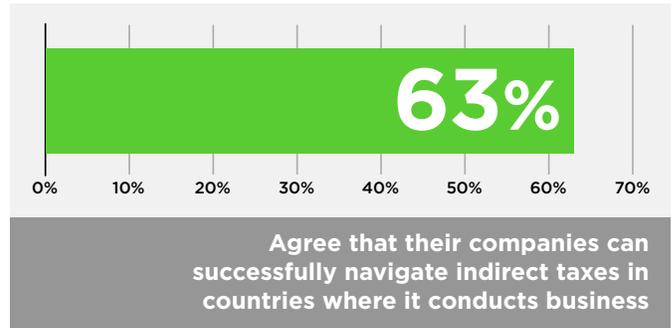
Also, companies are learning to navigate increasingly complex indirect tax regulations in multiple languages, both within individual countries and throughout their respective taxing jurisdictions.

Matt Wills, International Tax Managing Director, International Indirect Tax Services BDO USA, LLP, pointed to four international tax trends that will impact compliance in the future.

» **1 There is a lack of uniformity between jurisdictions with centrally administered indirect tax systems or a VAT DST system.**

“There are over 160 countries globally that have a VAT or GST type system, and despite attempts to create high-level standards to streamline taxation of cross border transactions, that there are no global rules in place for VAT,” Wills said. “It creates complexity for businesses engaging in cross border trade, and it creates a risk of double taxation.”

» **2 New countries and proxy countries are introducing new requirements that give rise to VAT registration obligations.** “We saw this recently in the



Source: live audience poll, 4/7/21

U.K., where at the beginning of this year, in conjunction with Brexit, they also introduced rules that withdrew the low-value goods relief and introduced a threshold for imported goods,” Wills said.

» **3 We’ve faced significant changes in the supply chain — particularly in the past twelve months — in response to COVID.** “It’s always been a challenge for the tax function to keep up to date with what the business is doing, and that’s been even more difficult given the magnitude and the frequency of changes with supply chains,” according to Wills.

» **4 Tax administration disruption.** According to Wills, digitalization tax authorities are realizing the benefits of leveraging technology that they can bring to tax administration and enforcement.

On a positive note, nearly two-thirds (63%) of webcast attendees expressed confidence in their company’s ability to navigate indirect taxes in countries where it conducts business.



IDENTIFYING AND OVERCOMING HURDLES

Success hinges on the ability to identify and overcome organizational and technological obstacles that prevent your company from staying on top of GST and VAT rules in the countries where you do business.

Rosser emphasized the need for clarity when defining indirect tax. “I ran into a situation, for example, where the term settlement might have a different meaning to someone in Denmark than someone in the U.S. Normalizing the definitions of the terms could potentially be a benefit.”

Wills suggests reviewing your tax operating model. Specifically, he said it is essential to evaluate staffing needs. “Do you have all of the personnel you need? Are the people in the right seats?”



Source: live audience poll, 4/7/21

It is also vital to build VAT GST into a more comprehensive business review, Wills said, as it involves planning and technology teams.

In a poll of the webcast audience, 63% felt confident in their company's ability to assess and mitigate risks of noncompliance and vulnerability to audits concerning global indirect taxes.

HOW FINANCE CAN COLLABORATE TO MITIGATE RISK

As companies look to reduce their vulnerability to audits, it is essential to establish a global framework that supports compliance with current regulations and prepares carefully and efficiently before new regulations go into effect.

“Finance and tax teams do need to work with every area — purchasing sales, legal, logistics and IT — as taxes touch every single aspect of the business,” Wills said.

Companies are leveraging technology more frequently for tax issues, making it

an operational concern. Wills said the lack of accurate timely data sent to the tax authorities could result in supply chain delays in some countries.

Rosser noted that third parties can bring a broader view to the process and help finance, tax and other departments work together more efficiently. “External service providers with proficiencies in identifying issues with indirect tax determination, calculation and reporting processes can assist in identifying some of the gaps that potentially could exist within a company’s process.”



CONCLUSION

Managing the various tax regulations in the U.S. before the pandemic could keep tax and finance teams up at night. Add a pandemic and the challenges of global indirect tax compliance, and the job just got a lot tougher. Staying on top of trends, implementing advanced technologies and partnering with a tax consulting firm can help.

SOME KEY TAKEAWAYS FROM THE WEBCAST INCLUDE:

- » Key trends impacting international tax compliance include a shifting supply chain, a lack of uniformity, changing regulations, and increased technology implementation.
- » Clearly identifying what constitutes indirect tax is essential to identifying and overcoming obstacles that can impede compliance.
- » Internal indirect taxes touch various business units, so tax and finance professionals must build good working relationships with legal, logistics and other areas that have a role in tax compliance.