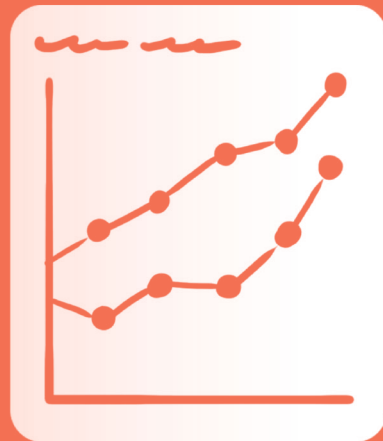


YOUR VAT REFUND GUIDE





Take control over your VAT !

If you own a business, you might already be familiar with VAT, rules and regulations that come with it. Over the last few years, VAT has changed in many industries due to major reforms until digitalisation.

Nevertheless, VAT is directly connected to expense management, which can sometimes be confusing for many companies as well. Many businesses don't do taxes or outsource it, but often ask for guidance. Corporate agrees to say that there is a real need for unambiguous, helpful advice about VAT, expenses and compliance.

And with businesses increasingly divergent from one country to the next, it's time to review practices and behaviors around VAT and expense management.

At Jenji, we have created this new e-book to help finance, accounting and controlling going through the maze of VAT and expenses. Even though individuals are unlikely to be asked directly to reclaim more VAT on business expenses, the chances are that businesses will ask everyone to find new and innovative ways of reducing costs.



About Jenji



Jenji is one of the leading expense management platforms. Founded in 2015 and backed by investment funds, Jenji is an European SaaS company offering solutions for expense management and allowances specifically tailored for mid-market and enterprise companies. Fintech helps businesses to comply and implement good governance when it comes, notably but not only, to travel expense reimbursement.



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VAT Facts

What does VAT stand for?

VAT stands for value-added tax and is also referred to as goods and service tax.

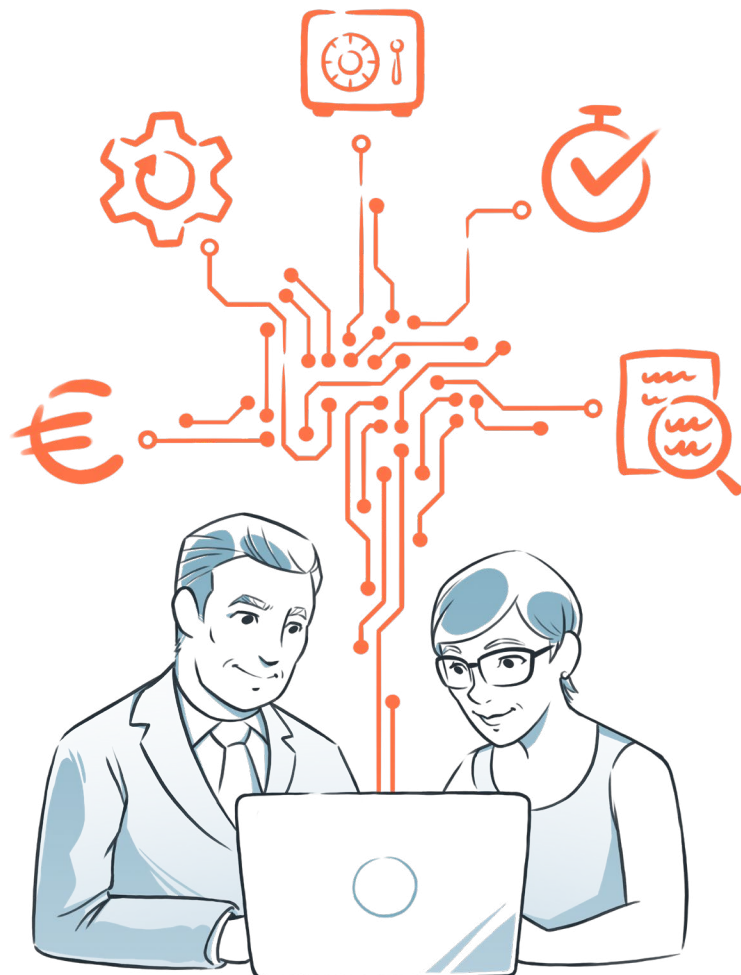
This tax is applied to the purchase of various goods and services and generally included in the final price paid by the business or consumer. VAT is most common in the European Union but also exists in 100+ other countries such as Singapore, Canada, USA and so on.

What are VAT rates?

VAT is recoverable in more than 180 countries around the world. Each country has different rules and approaches, making VAT compliance and reclaiming a complex process. Different VAT rates are applied by the countries and for different types of goods, but overall, the average VAT rate is about 15%. For example the VAT rate in Singapore is 7 % while the lowest VAT rate in Europe is 17% in Luxembourg.

Interesting Facts:

1. VAT is destination-based, the price of the tax depends on the location where the employee makes an expense;
2. 166 countries of VAT-related countries are found in the European Union;
3. Depending on the country, VAT may vary between 15%-25%.



Why is VAT important for your business?

VAT is not only an important source of income for the government, but also is particularly beneficial for your business as well. Do you know that companies, globally, are missing out on \$30 billion (€26.6 billion) of potential refunds every year? Therefore, not being able to reclaim VAT can increase the cost of expenses dramatically, especially if your employees do not know the necessary steps to submit documents successfully.



Types of VAT

Intra-Community VAT

Intra-Community Value Added Tax (VAT) is the tax applied to commercial transactions between the different member countries of the European Union (EU).

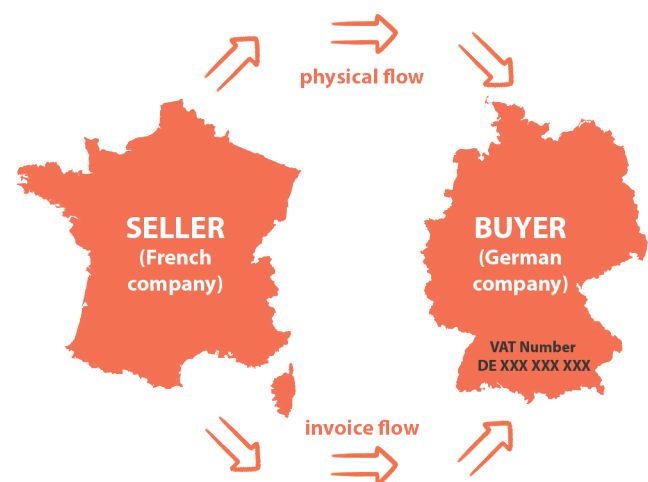
It concerns both trade in goods and trade in services, and complies with specific standards that differ from one member country to another.

How does the Intra-Community VAT work?

The functioning of the intra-Community VAT is identical in all EU member states, however the rate applied, according to the goods or services concerned, may vary from one country to another. In any case, the basic rule is the following: if a company sells a good or a service from France to an EU country, then the sale is exempt from VAT in France, however the buyer must pay the VAT of his country; If a company purchases a good or service from an EU member country to France, then the purchase is subject to VAT in France.

Example

A French company receives an order from a German company that provides it with its German VAT number. The French company delivers the goods from France to Germany. In this case Germany is exempted from Intra-community VAT in France.



Good to know:

Always remember to check the intra-community VAT number of your European business partners via the European Commission's VIES system, in order to make your transactions as secure as possible!

International VAT

Not many companies are aware of the fact that VAT is recoverable in 180 countries around the world.

For companies who have employees that travel to any of those countries, there is a percentage of tax in many expense types that can be re-claimed when business travelers return to their home country.

Interesting Facts:

24%

of senior finance leaders aren't confident that they understand how to claim back international VAT.

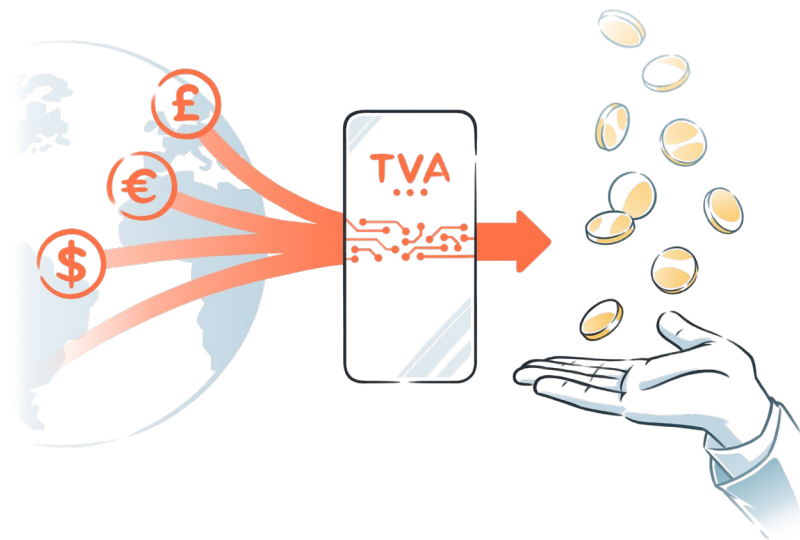
This is despite the fact that three of their top four business priorities are:

- Cutting costs;
- Improving the bottom line;
- Increasing cash flow.



VAT Recovery

Opportunities for companies by VAT reclaim



Cash-back rewards

One of the biggest opportunities by recovering VAT is to win some money. Because of using a connected expense management system to a VAT archive, it allows companies to get reimbursed every quarter with winning cash back. With a SaaS tool - like an expense management software - your expense receipts and invoices are already scanned and stored in the system. By simply giving access to your expenses, the expense management platform can transfer these documents into systems like Ayiming and TVA Council, enabling tax experts to claim back your VAT from the different tax authorities.

Insightful Data

The next opportunity for VAT recovery is collecting insightful data. By tracking VAT refunds companies are able to have a look at In-Depth expense analysis. By having the expense management solution, companies can toggle between high-level insight and detailed invoice-level information. Advanced features allows them to zero in on spend problem areas and VAT leakage. This opportunity makes it able to take control, calculate VAT potential and manipulate the data to fit companies needs. Companies should remember that actionable insights mean higher returns for your business.

Rules for VAT recovery

First and foremost, for the employer to recover VAT on any of the employees' expenses, these need to be professional expenses. Indeed, not all the employees' expenses qualify for reimbursement by the company. Some rules and constraints apply. At first, a company has to check **if expenses meet some criteria:**

- Check these expenses **are in the company's interest and necessary to its activity;**
- Expenses must come with **written proof (invoice, receipts, etc.) featuring VAT paid;**
- Written proof must feature **the name of the company, not of the employee;**
- The **company** issuing the invoice **must be VAT registered.**





Furthermore, companies should be aware of the list of expenses that can be claimed depending on the country and its legislation. But some of the **common claimable expenses are:**

- Business travel;
- Professional training/seminars;
- Exports;
- Events and conventions;
- Supplier invoices;
- Additional business expenses.

Finally, it is important to keep in mind that not all the expense categories are eligible

for VAT recovery. Because each country has its own rules on what's allowed and forbidden for refund. The rules may vary considerably from country to country. For example, some countries may not allow recovery on fuel costs or accommodation.

Even though the type of expenses on which VAT refund is eligible differs, some common expenses that cannot be reclaimed are:

- Any personal expenses like food, transportation, and accommodation;
- Any kind of business entertainment;
- The cost incurred on VAT exempt-supplies.

Pain points by or with VAT Recovery

The first step to improving VAT reporting is to assess what are your challenges by or with VAT recovery. To list the most common pain points and provide each of them with a solution, we talked to Per Hällerstam, President of the French VAT IT Reclaim Company TVA Conseil.

About TVA Conseil:

TVA Conseil is the French subsidiary of the VAT IT group, a global expert in VAT recovery with offices in 38 countries. TVA Conseil has been present in France since 1996 and has offices in Paris and Lyon. Their mission is to help taxable businesses optimize VAT refunds and improve their cash flow.

Jenji:

Mr. Hällerstam, we know that if the tax authorities find errors in the VAT reporting, they are likely to flag it and put a business through an exhausting and expensive audit. Surely nobody wants it and instead of getting a VAT deduction, companies can end up having to pay punitive fines. Can you share with us your opinion on what in this case should businesses do to protect themselves from anomalies?

Per Hällerstam:

It is true that VAT presents a challenge to businesses. You should know that the world of VAT compliance is filled with all little details, snags and pitfalls.

As an entrepreneur growing a business, it is often not feasible to spend your days learning every nuance. It is often the case that with VAT reclaim and compliance, small errors can come back to bite your company hard. If there are discrepancies or anomalies in your VAT return, from the perspective of the tax authorities, it won't make a difference if they are due to a slip of the finger such as when you type a 9 instead of a 0, or if it was a deliberate and fraudulent expense entry.

This is why I find it necessary to digitize and automate VAT operations. Digitization and automation can ease companies' workflows, reduce the chances of making mistakes, spare them the grief (and fines!) that can ensue due to an audit, and allow them to concentrate on growing their business.



Some of the mistakes that companies make are avoidable, but it is quite difficult to detect these given the effort required. You can imagine a scenario where you have specific deadlines, hundreds of bills and invoices, on top of changing regulations on VAT reporting. This can take your accounting team forever to fill out the relevant documents and double check to ensure that there are zero mistakes.

Jenji:

Speaking about the next pain point of VAT recovery, despite harmonisation at the EU level, the VAT recovery procedure remains cumbersome. Different guides exist for each country and different forms must be filled following the national rules of each. **Can you share with us what businesses are losing by not chasing after international VAT refunds? How can businesses simplify this procedure?**

Per Hällerstam:

It is a very important note about chasing the international VAT! Yes, VAT regulations vary from country to country and it may happen that many regulations change in each country as well, so it is important to keep track of it and hold on to all rules. And it is a mistake for companies to see some VAT refunds as not high enough to chase after. Small streams make big rivers, and there is about 4 to 7 percent of missed VAT refunds that companies lose yearly. Regarding the fear of dealing with a complex international VAT system, companies don't have to worry

about VAT recovery, they can have VAT just in their system and it will just automatically be saved to their accounting. I think digitizing the VAT workflow makes it easier for a VAT reclaim service to process refund applications. But I also think that digitizing does not solve everything yet because 13th directive claims still require paper invoices. But we are seeing a shift towards digital and online submissions like France and Belgium.

Jenji:

Another blocker when attempting to recover VAT is incomplete documentation. If an invoice doesn't feature the supplier's VAT number for example, VAT won't be claimable on that expense regardless of whether it is eligible. **So, what can help businesses to have surely completed documentations in your opinion?**

Per Hällerstam:

In my opinion, this issue can be solved as external as internal. Companies should do internal meetings or training to explain certain steps and rules for VAT recovery: showing important information about the bill and how to read it right. Additionally, new employees should be aware during onboarding how to fill out VAT documents, so it can help companies to have better VAT reclaim later. As an external activity, it is important to have control over invoice compliance and contact suppliers. In this case, companies should get the VAT service system, which can take care of it.





VAT Compliance

How to claim VAT?

Becoming (and remaining) compliant is much more about understanding the rules, working out how they relate to your organisation and then finding a way to incorporate them into your systems and processes.

In order to reimburse VAT on employee expenses, a company has to provide proof of expenses. Such proof can be either a VAT invoice or a receipt. It must be clearly proven that the goods/services purchased are only used for business purposes.

From a VAT point of view, the rules around recording and paying expenses are fairly easy.

Tax officer only want to be able to answer four questions:

- Did you actually pay the money?
- Was there VAT on the payment?
- Have you recorded it correctly?
- Was it for business or personal expenses?

How can Technology help with VAT compliance?

We live in a world that becomes more and more connected. The digital economy comes of age through mobile technology, cloud computing, business intelligence and real time reporting. So, we see an increasing number of tax authorities and businesses around the world adopting or reforming their VAT compliance systems thanks to technological developments. It should be noticed that

It takes 27% less time on average to comply with VAT obligations in countries where businesses pay and file VAT online.

So, we can see that with digital automated VAT recovery companies can increase their savings. And Jenji solutions can help ease the challenge of VAT reimbursement by:

- Removing hours of manual work, such as transmitting data and managing reports and collecting all your documents in a digital vault;
- Minimizing tax risks with high-powered data analysis that verifies travel and expense (T&E) operations across multiple VAT reimbursement parameters, including organizations, transaction dates, countries of origin, and countries of expenditure and foreign currencies;
- Helping your organization partner with international VAT reimbursement firms who can help you with VAT reimbursement through integrated applications;
- Offering direct integration with other Jenji accounts in a few clicks. This feature allows you to configure the experience of each portal user according to their project, their profile, their group;
- By real-time monitoring of expenses and all transactions in the interface. For the finance department, cash outflows can be managed instantly and without time lag.



Key Learnings

Today, when our businesses expand globally it is important for companies to keep track of VAT recovery and be sure everything is correctly reported. Doing it still manually in digitized seems to be a big mistake for your budget, for your employees and for your business growth. Based on provided information previously, there are highlighted three the most significant benefits of integrad VAT recovery for your business:



Accuracy

Large volumes of invoices are reviewed with the help of **OCR** and rules to ensure only accurate data is captured and used for VAT recovery claims.



Global compliance

Even for multinational entities: your VAT recovery partner understands the VAT laws and regulations applicable in the jurisdictions where you operate and keeps up to date with changes, so you don't have to.



No human error

Through the use of OCR and AI, user input errors and discrepancies are audited out of the data to ensure that it's perfectly clean.





Appendix



Companies Lose \$20 Billion In
Unrecovered VAT Globally



Where to tax?
Taxation and Customs Union



VAT compliance: The impact on busi-
ness and how technology can help



Eligibility for VAT
refunds



TVA Conseil is the French subsidiary
of the VAT IT group



OCR software: convert scanned docu-
ments into searchable files instantly

A customised portal

Intelligent analysis

Jenji Vault, our paperless solution

JENJI

