

# VAT Partial Exemption Review

All businesses and organisations want to cut indirect tax costs whenever it's legally possible. For partially exempt businesses this is a major area where it is possible to make VAT efficiencies. It's a complex area of VAT, and one where it's easy to make mistakes. Major financial loss can occur if a partial exemption (PE) method is not put in place; and fines and penalties can result if the method is operated wrongly. It makes sense to get expert assistance with partial exemption.

Accordance VAT consultants are highly experienced in the handling of partial exemption issues. We can provide detailed advice on partial exemption problems, work with you to develop new methods, help you implement procedures that maximise the commercial benefit of PE, and suggest improvements to existing methods where appropriate. The aim is to assist in minimising the cost to the business of irrecoverable VAT. And we can negotiate, on your behalf, with HMRC and tax authorities round Europe to secure the strongest possible financial outcome for you.

## Key industry sectors

The following sectors undertake exempt activities:

- Land and property
- Financial services
- Group treasury functions
- Pension funds
- Health and welfare
- Education
- Betting and gaming
- Charities

It's crucial to have a clear and robust partial exemption method. We can work with you to make sure that the method is strong and simple for you to operate.

Partial exemption costs businesses money in terms of:

- VAT paid to suppliers that cannot be recovered
- Finding the information to perform the partial exemption calculations
- Satisfying HMRC that the method is fair and reasonable

## Aims and methods

- Analyse income, including intra group recharges, to determine the VAT status and to identify exempt income
- Analyse expenditure to maximise VAT recovery
- Review existing partial exemption method to see if it is the most favourable and if its application could be simplified

- Review directly attributable VAT to maximise VAT recovery
- Review cross border transactions to ensure they are correctly dealt with for VAT
- Review capital goods scheme adjustments
- Draft revised partial exemption method if appropriate
- Negotiate with HMRC

## Issues

- Are you identifying exempt income correctly?
- Is your partial exemption method effective and easy to operate?
- Are your supplier contracts creating unnecessary VAT liabilities (e.g. by charging VAT on supplies that could correctly be classified as exempt)?
- Has your partial exemption method been challenged by HMRC?
- Are you correctly making capital goods scheme adjustments?
- Are you correctly dealing with cross-border transactions?
- Are you treating intra group supplies correctly for VAT?



## Our credentials

Accordance is a leading provider of cross-border European VAT services. We offer an experienced pedigree and can draw from a team that includes senior industry personnel, ex-blue chip European VAT compliance managers, VAT legal specialists, and VAT savings experts. All major European languages are represented at our head office in Brighton. This means we can cater for VAT permutations covering any number of the EU zone countries.

The senior-level VAT Consultants delivering our partial exemption review programme have almost 60 years combined VAT experience. The team have held senior positions in Big 4 practices, multi-national plcs and national tax authorities, and bring a wealth of VAT understanding to Accordance, particularly in the field of partial exemption. Team members have carried out extensive work in this area; partial exemption projects have covered a wide range of business sectors including international finance, the automotive industry, optics and healthcare.

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