

**VAT: Why the private sector
complain so much, and what
we may be able to do about it**

VAT background

- VAT operates in [150] countries
- Wide variety of rate structures and relief provisions
- Robust revenue source

What is different about VAT?

- Brings taxman into direct contact with business
- In their face – on invoices every day, monthly returns
- Can be complicated
- Is applied ‘aggressively’
- Carries compliance costs

Compliance costs

Fiscal costs

- registration
- employee costs of running day to day VAT accounting
- the cost of submitting VAT returns
- the cost of expertise (and time) to understand and keep up with changes in procedures, coverage and rates, and
- the cost of external accountants for operational and advisory services

Costs of the time

- of senior management in overseeing the function

Psychological costs

- caused by the onus being on the business to conduct their VAT affairs properly, with financial and criminal sanctions for failing to do so.

Compliance costs

For small businesses

Compliance costs = 20% of VAT
paid?

Things we can do

1. Help, advice, publicity
2. Easier registration
3. Less frequent and simpler returns
4. Reduce cash flow costs
5. Speed up refunds
6. Realistic penalties and interest provisions
7. Reduce non deductible input tax provisions
8. Audits – appointment; education
9. Investigation – effective for level playing field
10. Realistic record keeping requirements
11. Debt collection – realistic time to pay in genuine cases
12. Accessible appeal mechanism
13. Simplified schemes
14. Work with large taxpayers
15. Investors like ‘standard’ VATs

Things we can do

Tax policy

VAT is a tax on consumer expenditure – it should not be a cost on business.

Make VAT simpler - fewer complications mean less things to trip businesses up

More special schemes

Things we can do

Tax administration

Seek voluntary compliance - work with business not against them – less aggressive approach; give more help; and reward compliance

Efficient administration – good management – good integrity