

The 13th Annual Americas School of Mines

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*connectedthinking

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Agenda

Total Tax Contribution – a focus on Indirect Taxes

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What do we mean by Indirect Taxes?

Where do Indirect Taxes impact your business?

How can you minimize your Indirect Tax burden?

Common benefits to having an Indirect Tax strategy

Contacts

What do we mean by Indirect Taxes?

- Two principal tax types
 - Value Added Taxes (VAT, GST, JCT, IVA, etc)
 - Customs Duties and Excise Taxes
- VAT is a tax on the entire supply chain
- Imports, exports, sales and purchases are all in the scope
- VAT rates can range from 0 to 40%
- Customs/Excise taxes can be over 100%

What do we mean by Indirect Taxes?

- Charged on most goods and services
- By most businesses
- Final consumer usually pays the VAT cost
- Self assessed compliance
- Multiple exemptions and zero rates available
- LATAM rules can be complex and have significant administration

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Where do Indirect Taxes impact your business?

- Sales & purchases
- Working capital & cash flow
- Balance sheet v P&L
- Administration

Where do Indirect Taxes impact your business?

- Sales
 - Do we need to collect VAT on our revenue?
 - Who has the statutory liability for VAT on sales?
 - Do our contracts protect us in the event of a dispute?
- Purchases
 - Does the PO issued to the vendor include VAT/Customs?
 - If charged VAT, can we recover it?
 - How do we bring efficiencies to the Procurement process?

Where do Indirect Taxes impact your business?

- Working capital & cash flow
 - Gross throughput of VAT can be significant
 - 30% of non-US sales & purchases is a good rule of thumb for total VAT under management
 - Customs/Excise taxes can raise this further
 - Expansion of new operations can bring opportunity and risks

Where do Indirect Taxes impact your business?

- Balance sheet v P&L
 - How do we know that recoverable taxes are pushed to the balance sheet?
 - Can we assess the overall recoverable nature of the total indirect tax burden?
 - Can we go to the local Tax Authority and ask for rulings, exemptions or other benefits?

Where do Indirect Taxes impact your business?

- Administration
 - VAT is a very self assessed and policed tax
 - ERP systems bring some level of automation
 - Certain countries require substantive compliance investment
 - Often difficult for the Tax Department to see the global status
 - Tax Authorities need cash and you are an ideal target

How can you minimize your Indirect Tax burden?

- Put in place a methodology for dealing with high risk areas of your business
- Bring a balance between obtaining total indirect tax compliance and tax risk
- Actively pursue exemptions and zero rates wherever possible
- Work with vendors and customers to utilize their VAT infrastructure

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Common benefits to having an Indirect Tax strategy

- Minimize P&L VAT costs
- Identification of issues at an early stage
- Reduction in administrative burden
- Bring value to the business

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Wrap Up

- VAT and other indirect taxes play a significant part of your Total Tax Contribution
- Significant opportunities do exist with forward looking planning and historical reviews
- Build an indirect tax strategy that supports your business aims and objectives

Total Tax Contribution

Contact

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