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STATSAUTORISERTE REVISORER



Indirect tax GGI Warsaw

An agenda

- Importance of indirect tax in general
 - To society
 - To companies
 - To private individuals
- Why there is a need for cross-jurisdiction expertise on the subject
 - Each country has its own rules
 - Within the EU
 - Towards countries outside EU
 - Tax planning as regards indirect tax



Tax individuals (mostly income)	356,7 BNOK
Corporate income tax	60,8 BNOK
Indirect tax	290,7 BNOK
Of which VAT is 194,4 and other is 96,3	
Petroleum tax	181,4 BNOK

The race to the bottom

Government deregulation of the business environment or taxes in order to attract or retain economic activity in their jurisdictions.

Corporate tax rates goes from 28% to 27% to 23% in Norway. Other countries lead the way downwards.

Corporate tax vs indirect tax

- The Norwegian government can eliminate business income tax by increasing the VAT from 25 % to 33 %.
 - Transfer pricing discussions will be eliminated
 - Governments might have a problem collecting VAT on distance sales.
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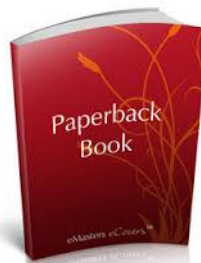
Indirect tax and corporations

Sales	100
Expenses	90
Profit before tax	10

- 25 % of sales must be more important than 25 % of profits
- Indirect tax hits the consumer not the company – not entirely true since increased price results in reduced demand
 - Sugar
 - Production processes
 - Car design
- Obtaining a lower rate than the competition is a huge advantage

Indirect tax on an individual level

The devil is in the details



The details catch bigger fish

Sales as basis for 25 % VAT	750
Sales 15 % VAT	50
Export sales	100
Sales outside VAT area	100
Total sales	1 000
Equity	100

Business

- Mail order
- Collectors of plates, cups, food recipes, needlecraft, gardening tips etc.



The Norwegian father of the devil

- Thor Refsland
- The VAT law of 1969 was called LEX Refsland
- Retired in 1990 at age 70
- Employed by EY immediately after retirement
- Have had an office EY ever since



A trip with a ML300



ML 300 CDI 4MATIC 2010 ed. Price: NOK 843 500

ML 300 CDI 4MATIC Grand Ed. Price: NOK 990 000

How much fun can you have on a short trip?

Ship ohoi!!



Continental coast line 25 148 km. (with islands 100 915 km)

How expensive can you make a small stop along the way if you make the trip from Sweden?

VAT and the world outside EU

- Customs clearance of all goods
 - Complicated procedures
 - Cash on the border
 - Complicated reporting requirements
 - Turn key construction projects is a challenge
 - Companies outside EU have to meet EU reporting when moving goods within EU.
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Carousel fraud

- **Missing trader fraud** (also called **missing trader intra-community, MTIC**, or **carousel fraud**) is the theft of Value Added Tax (VAT) from a government by organised crime gangs who exploit the way VAT is treated within multi-jurisdictional trading where the movement of goods between jurisdictions is VAT-free.
- According to the Kittel principle, **a trader is liable for VAT fraud** and HMRC may refuse a company's right to deduct VAT if, "it is ascertained, having regard to objective factors, that the taxable person knew or *should have known* that, by his purchase, he was participating in a transaction connected with fraudulent evasion of VAT".



Explanation of carousel fraud

- This allows the fraudster (person who commits fraud) to charge VAT on the sale of goods, and then instead of paying this over to the government's collection authority, to simply abscond, taking the VAT with him. The term "missing trader" refers to the fact that the trader goes missing with the VAT. "Carousel" refers to a more complex type of fraud in which VAT and goods are passed around between companies and jurisdictions, similar to how a carousel goes round and round.
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VAT tax planning

- Rate differences creates opportunities for planning
 - Creating banking service organizations in Luxemburg have been a popular solution
 - Low VAT rates in Luxemburg
 - Operating company with branches all over Europe
 - Local subsidiaries of bank registered jointly with the branch of the operating company have saved lots of money for big banks
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Closing

- Indirect tax likely to be the most important source of income to governments
 - Important to all companies – high risk and huge consequences
 - Brings lots of surprises to private individuals
 - Impossible for us to handle international clients without detailed knowledge of indirect tax
 - Indirect tax can be a solid source of income for accountants and lawyers
 - Please join the indirect tax group and get others to join in – it is likely to become a bigger income earner than direct tax
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Closing

Please join the indirect tax group and get others to join in – it is likely to become a bigger income earner than direct tax

Thank you for listening

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