

# **Law and Management in implementation of processes regarding indirect taxes.**

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## **Abstract**

During the last 50 years there is a strong trend around the globe for implementation and extension in base and in rates of Indirect Taxes and more specifically of Value Added Tax, Goods and Services Tax and Business Tax. In the same time many corporations are increasing in size and are extending the reach of their operations far away from the region that the base of their activities was focused. In parallel the global economy and the global trade, are entering a stage of transformation both due to the fact of an ever-changing geopolitical balances but also since information technology is becoming an integral element and component of operational process flow. Of course, from the other side, the governments and the organizations above them, are also driving the public sector more and more in a modernization that will allow to increase the level of its effectiveness and, at the same time, meet and face the challenges that are occurring from the globalization and the implementation of new technologies. This paper is examining the possible challenges for the Tax and Legal departments of corporations involved in trans-state and transcontinental activities and the possible risk and opportunities deriving from this new global business environment.

## **Introduction.**

The first country that decided to opt for a VAT / GST system was France back in 1950's but during that last 70 years more than 165 countries in the world decided to adopt and implement similar systems of indirect taxation. The last two countries that decided to go to this direction

was Angola and Bahrain. Of course, the countries that have already introduced systems of indirect taxation are in the process to improve the enforcement, the depth, the extend and the effectiveness of those systems. We must note that towards this direction the governments of global economic forces of global trade and of the financial system, are working and we need to mention that most indicative are the cases of Brazil, of the recent developments in India and finally of China. In the previous cases the reforms to this end are significant and important.

Currently, in many different places around the world, mainly though in China, Brazil and India, profound reforms are taking place related to value added tax and or Tax on goods and services. The final aim of those reforms is to improve the efficiency, the extend of application and the results that those taxes are yielding. In parallel, the course that the Brexit is taking can have a groundbreaking effect on the UK's VAT landscape and of course on the relationship of UK and of the remaining member states for many years to come. Also due to the globalization of many business activities and, without losing the focus of the importance of direct taxes and most predominately of corporate tax, the importance of indirect taxes is increasing in the consideration and planning of service providers, consultants and executives. This is a condition influenced by opportunities generated by proper planning of indirect taxes that can lead to generation of additional revenues and positive cash flow but on the other hand, indirect taxes as VAT and GST can be the root cause of disputes, penalties, challenges that are the results of audits from local authorities. (1)

## **Historical Overview**

The origins of VAT can be traced not far back in the past and is attributed to two different people that independently conceived and designed the indirect tax concept. So, we must mention that from one side the German entrepreneur Wilhelm Von Siemens in 1918 and from the other hand the American economist Thomas S. Adams during his work between the decade of 1910 – 1920 (2), are considered the two people that conceived this construction. Of course, the origin and the purpose of the design of Value Added Tax was much different in the above two cases. Wilhelm Von Siemens was proposing a practical technical system that would be an improvement of the sales tax and was trying to make a current system better. On the other side Thomas S. Adams was approaching the subject from the view of the economist that was seeking to reform the basic concept of taxation and was working on setting forward the direction to an alternative system opposing or replacing the system of direct taxes, as the corporate tax, but from the fiscal reform point of view (3). After the second world war and, due to the need of increased financing for the European states, that were emerging from the devastation of second world, VAT was implemented for the first time in France in 1957-1958, in parallel with the implementation to Ivory Coast (4). The implementation was successful and therefor this system was starting to spread to many more countries. In Europe the implementation, through relevant directives (5) was much faster, because the harmonization and the adoption of VAT system was standing as a

prerequisite of the acceptance of membership to the European Union. The sixth directive was the main document on harmonization (6) And on an extended view, it is very important to mention that in 2018, 166 of the 193 countries with full UN membership employ a VAT, including all OECD members except the United States. In the case of United States of America, a system based on sales tax is still in effect. (7).

### **The mechanism and the success of the VAT system**

As we have seen above the system of the implementation of VAT, despite being conceived quite recently, was a huge success. In the field of implementation is not only the number of States that decided to make the relevant reforms in the fiscal and the legal systems to be able to achieve the functionality of the indirect tax taxation, but also the enhancement of its base. In 2017 in EU total revenue from taxes and social contributions was standing at 40,2% of the Union's GDP, while VAT was standing at 7,1 % of GDP. It is evident that VAT is becoming a source of revenue for governments equal or like the amount of taxes on income and social contributions. (8). Based on that facts and of the calculation of GDP in 2017 (9) for the EU, VAT is representing a revenue of trillion euro. The mechanism that the VAT implementation and concept is structured on, is not the same everywhere. The basic mechanism of Value Added Tax is based on the principal that the last consumer must pay value added tax to all goods purchased and all services that are rendered. Of course, as it mentioned VAT in European Union has standard rules on the VAT, but it might be the case that those rules are applied differently by member states. One important element of VAT is that is not applicable on exports to countries outside European Union (10). So, the VAT is cascaded from the producer to all parties that are acting as intermediate with a system that also includes credit and debit calculation of vat declarations. The last consumer consequently will undertake the burden of payment. If the product or the service will be exported or rendered outside the country member, then the process will include an intercommunity transaction. Last part of the aspects of value added tax that it is very important to understand why it has been so successful is that, when a product is exported from the European Union, there will be no calculation of value added tax during the process of dispatching the product. As it is evident from the above brief description, the value added tax is not hindering the economic activity and is not affecting the export effort of a nation or of a group of nations.

### **Globalization**

In the beginning of the last decade of the previous century an analysis of the global trade would have demonstrated that the flow of products was heavily dominated by the developed countries. From this era and on and until 2010 there was a tectonic switch to the balance of the participants and of the weight of the trade. Now, the impact that developed nations have on the world trade is less than years ago. In 2010 the percentage of the involvement of the advanced economies in the world trade flows was less or around 60 % of global merchandise exports. (11). The focus of

interest for expansion and development is moving to new markets and companies are more and more keen to develop channels and products with the aim to export to new regions and new territories far away from their traditional bases. China is a global powerhouse and one of the major trade partners for countries like Australia, India, South Korea, Japan and Russia. The same trend is obvious also for EU and US. The extend of modernization of supply chains and the induction of new technologies in the industry of transportation and logistics permit a new wave of further expansion. From the above analysis it is evident that the increase of the world trade is interconnected with the phenomenon of the globalization. According to the definition proposed by WHO: “Globalization, or the increased interconnectedness and interdependence of peoples and countries, is generally understood to include two inter-related elements: the opening of international borders to increasingly fast flows of goods, services, finance, people and ideas; and the changes in institutions and policies at national and international levels that facilitate or promote such flows. Globalization has the potential for both positive and negative effects on development and health “(12). So, corporations are now acting in an international environment, with access to information, interactive development, flow of information and the need to cover more extended areas and activities than before.

### **Current Trends of indirect taxes.**

During the last years there are some very distinctive trends that are marking the evolution of Value Added Tax (VAT) and of Goods Service Taxes (GST) very important. There is a strong current of increasing the VAT and the GST rates in many countries all over the world. Legislators have been lowering their corporate tax rates to attract business, but they still want to increase spending year over year, so they it is more likely to raise their indirect taxes rates. However, even if legislators are convinced that indirect taxes are the best way to raise substantial new revenue, individual taxpayers often disagree. If their protests can prevent the rate increases, the tax administrators will find themselves in a tough situation: they are expected to collect much more without a substantially higher rate. (13). Achieving a broader base of taxation and achieving a refinement of the taxes, are also an aim of the legislators in their effort to increase the base of the calculation of the tax and the to this end we can see that the effectiveness of the administration is a key element. It is important to see the value and the importance that the European Commission is investing on those factors. Not to mention that the rise or the decrease of those indirect taxes rates are becoming essential instrument in the global trade (14)

### **Technology and Indirect Taxes**

As it is common, in most of the case of the relationship between legislation and technological advancement, current legislation in place for Value Added Taxes and Good Services Taxes, is dated much before the implementation developments of the recent technology and the rise of new schemes that are changing profoundly the old models of business. Legislation is following

in time technological progress. The consequence of this unbalance is that the lawmakers are trying to keep the relevant legislation updated and current (15). In the respect many guidelines are trying to support this effort and create a conformity. Principals are set as concepts. According to the 2017 International VAT/ GST Guidelines, the Organization for Economic Cooperation and Development (OECD), is proposing the destination principal “VAT neutrality in international trade is generally achieved through the implementation of the “destination principle”. the destination principle is designed to ensure that tax on cross-border supplies is ultimately levied only in the jurisdiction where the final consumption occurs, thereby maintaining neutrality within the VAT system as it applies to international trade. (16) Of course, the development of new technologies is posing new challenges in treating cases like the digital services that by nature, those services could be sold across borders. Models like that are comprised by sales performed by non-resident vendors, in any form that this could be structured including platforms and are requiring the registration for those entities locally to the place where the services are offered and obtained, with the consequence to charge local Value Added Tax or Goods and Services Tax. This is very common in sales B2B. Already EU is requesting the application of VAT on B2B supplies related to telecommunications, broadcasting and digital services in the place of consumption, regardless of the supplier’s location. The same treatment is endorsed by countries such as India, New Zealand, Russia, Taiwan and Serbia that are implementing similar rules. In the same time the legal systems of other countries are working to the same direction and with the aim to implement similar forms of taxation. It is evident that the new technological achievement that is creating a new digital era and new non-tangible goods, is demanding a new approach from the side of implementing and collecting indirect taxes as value added tax and goods services tax. The same challenging environment is creating new conditions for the traditional commerce, since new methods of sales, on line platforms and services are changing the landscape radically, rendering the old fashion trans-borders deliveries less easy to monitor. Also, in the past, it was possible to import goods of non-significant value without paying indirect taxes. This is an exemption that now is under questioning with the aim to abolish those regimes. The reasoning behind is not to create unfavorable competition for the local producers. So, many countries are entering inter-state agreements to make those processes more rational and tax administrations are working together, in a collective way to cross examine and control those deliveries. Of course, many countries are in favor of increasing the control online retailers, check logistic providers and homogenize the obligations that could arise from interstate deliveries of goods (17)

### **Technology and Tax Authorities**

This new landscape, the introduction of new technologies, is changing also the way that the Fiscal and Duty House administrative operations of control are contacted. In the past the regular process of audit was done by preparing documents and declarations with custom brokers being physically present to the Duty Houses to contact required clearing operations. Also, the payment

and the return of Value Added Tax and of Goods Services Taxes was processed based on paper applications, declarations all submitted to the competent authorities. The same was the way that shipping documents, invoices and Bill of Landings were handled. In the same way the audits of the relevant documentation were conducted by the physical inspection of the documents themselves in the archives of the legal entities involved. In case a cross boarder audit or cross checking of information was required, the petition was submitted to the authorities by mail and the time of reaction could be of several months or years. During last few years many countries are adopting an electronic system of filling and payment of indirect taxes (Value Added Tax and Goods Services Taxes) but as well of payment of Duties. This is an evolution welcomed not only by the authorities of the countries, but also for the business community since this is a process decreasing significantly the administrative cost, diminishes the possibilities of fraud and deception and finally is creating an environment of competition without non-ethical practices. This is a trend that will continue and lead to harmonization of the relevant processes and systems. Not to mention that will allow the authorities, with the mandatory implementation of e-invoices, electronic submission of documents, the expansion of Authorized Economical Operators (AEO) to make the access to this information easy and of course make equally easy the way to inspect and complete an audit without creating a big burden both on the auditors and the private legal entities.

For example, many countries in Latin America are introducing e-invoices in a mandatory frame. Chile was the pioneer, introducing electronic invoicing in 2003. By mid-2017 Argentina, Brazil, Ecuador, Mexico, Peru and Uruguay all had advanced and mature EI schemes. EI allows for the simultaneous, reliable and traceable registration of taxes on sales and income, as well as social security contributions, making it possible for the authorities to exercise control over 75 percent of tax revenues (16). In Europe, with effect from 1 July 2017, certain Spanish taxpayers will be required to electronically report specific sales and purchase invoices within four days of issue and maintain their VAT books and records on the tax authority's website. (18).

Tax authorities increasingly use technology and data and analytics (D&A) techniques to improve their audit capabilities. To assist with this, some countries require taxpayers to maintain their records in specific data formats such as the standard audit file for tax (SAF-T). This new requirement may also trigger the submission of specific SAF-T reports in addition to traditional VAT returns, resulting in an increased compliance burden for business. Because of these developments, VAT reporting is no longer solely a matter for the tax or the finance department in a business. It now also requires focused involvement by the IT department. Finance systems and tax engines must be adapted to these new requirements and controls put in place to identify tax determination and reporting errors. Recently also the Greek Duty House Authorities simplified the booking keeping process of bonded warehouse, rendering the old paper-based system obsolete.

## **Legal and Tax Structure of Companies related to Value Added Tax.**

Further to the tremendous evolution in the concept and operations related to indirect taxes ( Value Added Tax – Goods Service Tax – Business Tax), and of course further to the changes of the scope of the operation of corporates, it was only inevitable that the companies themselves should have also change the way that a tax department is organized. In response, some leading companies have made a fundamental shift in the way they operate tax departments, transforming the tax function into a strategic business partner across the enterprise. In fact, when participants on a recent Deloitte webcast (The Transformation of Tax: Something Big Is Happening Here, July 2014) were asked, “What is the biggest advantage to transforming the corporate tax department?” 26% of the 2,182 respondents indicated “having an enhanced ability to reach strategic and financial goals.” Another 24% reported “enhanced business partnering across the organization,” such as greater alignment between the tax and finance functions, and 22% cited “sustainability and efficiency of the tax function through cost savings.” (20) From the previous research is becoming evident that a Tax department is becoming more important than before in the setup of the organization below a Chief Financial Officer (CFO) and is becoming a department responsible for not only responding to current challenges within an organization, but in the same time, in collaboration with the Legal department of the corporation is becoming part of the strategic planning of the organization. During the last years the way that global tax environment is evolving, has an impact on the modus that tax and legal tax departments are organized and will require the extension of their current functions well beyond the traditional responsibilities of the past, where tax functions were related to the company’s tax profile and planning of tax, reporting and risk management. So currently Tax and Legal departments are re-organized to achieve this goal.

To this goal currently tax departments are implementing global tax processes based on technology and data mining. Utilizing the available platforms provided by Information Technology, combining multiple levels of business functions, retrieving data and extracting valuable conclusions, tax and legal departments of corporations are in position to have a better overview of the tax requirements and to be able to plan better. Setting though the processes, with the data that can be conceived by the results provided by the IT and the functions of the corporation, the tax and legal departments must not forget that those processes will be successful, if they are yielding the best possible result with the lower possible cost. That said, it is important to mention that the quality of the delivering services must be high and simultaneously being in an alignment with the statutory accounting and increasingly complex tax requests that are met across the corporations. Since the resources in any business are not unlimited, it is very important tax and legal departments to be able to set internal goals and priorities, aiming to define the subject of responsibilities on which to focus producing highest potential value for the organization. Also, in that respect to request and require the necessary resources internally and to be able to amplify the impact of their effort. It is necessary though for the tax and legal

departments to be able to analyze and being able to achieve in depth understanding of root causes and chose the best possible path forward to deal with any long- or short-term challenges by developing an action plan and allocating responsibilities without losing the required impetuous internally. For being able to mobilize the existing resources and request for additional resources it is important the head of the tax department to know the strength and the weakness of the organization and exploit the former, avoiding the latter. That is achievable only with constant internal assessment process regarding the ability to deliver on tasks, set up tax models, understand complexities and being able to react fast and efficiently by creating, updating or canceling existing tax operating models. Those models are essential to develop and keep that high expectations of maintaining an improve the traditional position of the tax department but in the same time to decide on the proper way to collect and acquire resources either internally or outsource or through hiring consultants and shared services. It is very important to mention that despite internal or external barriers that a tax department must overcome, relying on its proprietary processes, technology and data is mandatory specially as many organizations often are not as structured as it should be with respect to data and the integration of tax processes with related business processes. Many of the internal initiatives of organizations are not focusing on a cross department tax-oriented solutions. Of course, sometimes the interaction between the Tax and the Legal department with other departments of an organization is not structured in a way that allows the tax professionals to be able to have full access and understanding in really time for the information flow from other sources. So, it is imperative that tax and legal departments must maintain enough baseline of tax technology, not neglecting the will to implement new models, that will not only be capable to meet the local requirements but will allow the possibility of scaling up, being also able to function as standardizing tax processes globally and integrating tax and statutory accounting with tax.

### **Risks of operation in an extended environment of indirect taxes**

The first step in the risk management process is the identification of risks. During the phase of risk identification, potential risks that threaten the objectives of the organization are recorded According to the analysis of EU in the Risk Management Guide there are four categories of risk

(1) Register Risk: Risk that tax yield is reduced by: – persons ineligible for tax registration becoming registered or remain registered when eligibility ceases, or – that those that fulfil the requirements to register fail to do so, or – incorrect information being held on the register. Three distinct risks fall within this category: – those that are on the register but have no entitlement to registration: within the first category the full range of taxpayers can be found, ranging from ‘Carousel’ fraudsters and classic repayment frauds through to potentially compliant taxpayers who by act of error or omission have remained registered when entitlement ceases. – those who should be registered but who are not: this encompasses the informal economy and those taxpayers who use avoidance devices to remain unregistered. – wrong information about a



taxpayer being held on the register: whereas data quality will always be an issue, this category shows that there is also the potential for tax loss due to incorrect information being held.

(2) Filing Risk that tax yield will be understated/reduced by taxpayers not filing their returns by the due date. To provide the correct preventive and corrective treatments there is a need to be able to target those taxpayers likely to file their returns late, or not at all. Although this risk cannot be ignored during an audit, there are many other treatment options available to tax administrations.

(3) Payment Risk that tax yield will be reduced by non-payment of amounts due on tax returns and assessments. Payment risk and filing risk could be closely related but it is important to analyse them separately since the treatments may vary.

(4) Declaration Risk that tax yield will be affected where the amounts shown on the tax return are incorrect by error or deliberate act. Traditionally, many tax administrations concentrated on this risk area with the intention of determining which cases should be selected for conducting audit activity. It is now being increasingly recognized that other treatment options are available to verify that the declarations made by taxpayers are correct and where error or fraud is discovered, to allow for corrective action to be taken. By classifying risk under these headings, any tax administration will be in a stronger position to determine the appropriate treatment technique. Within each of these genres, there is a wide spectrum of sub-sets and individual risks.

(21)

So, the above four risks are risk factors that the tax and legal departments must monitor and check on a regular base. The question must be to identify the impact for an organization in case intentionally or unintentionally there is an infringement. Also, a risk element could not only be the infringement of regulations but could be a simply mistake in the calculation or the design of the system. The cost base in the above cases will increase either due to the inability to streamline cash flow due to audits, prohibitions and penalties. The cash flow of the operation is stretched as it is due to current financial conditions and the overall economical climate. Indirect taxes, especially now that are representing a significant percentage of the value of the sales or the services provided (can be up to one fourth of the transaction) and the subsequent penalties, could pose a serious obstacle to proper cash flow management. On the other hand, a VAT audit is a process that is most certainly time consuming and the cross checking of the archives may not only focus on the indirect taxes but as well extend to other aspects of the tax operations including direct taxes since it is highly probable that a mistake in indirect tax registration might have also impact on the direct tax.

An example of the potential penalties from UK. HMRC cannot reduce a penalty unless there are "special circumstances". For example, if HMRC discovers an error or there is a prompted

disclosure the minimum penalty will be 15% of the potential lost tax regardless of how much mitigation is secured by cooperating with HMRC. Type of behavior Statutory minimum penalty with unprompted disclosure Statutory minimum penalty with prompted disclosure Careless 0% 15% Deliberate but not concealed 20% 35% Deliberate and concealed 30% 50% (22).

And of course, there is a long list of obligations regarding the archiving of the relevant information. Tax authorities may consider the measures and aspects when designing the record retention requirements for foreign suppliers under a simplified registration and collection regime: Ensuring that the usability and readability of data be preserved throughout the required retention period. Adopting a reasonably short and proportionate period for the required duration of the storage to keep the associated costs at a reasonable level. A retention period from 5 to maximum 10 years is generally considered a reasonably short and proportionate storage duration period (recognizing however that tax authorities may wish to opt for a shorter retention period, for example, in line with pre-existing rules); Suppliers must be expected to have appropriate safeguards in place to ensure the secure storage of their records regardless of whether the records are stored electronically or otherwise. However, jurisdictions may consider not requiring sensitive information to be stored for a long period as this is likely to put the sensitive information at risk (e.g. hacking to acquire payments details; identity theft etc.). (23) It is evident from the above the maintaining a proper status required for an audit is a demanding endeavor requiring internal preparations. European Union has made an estimation of the cost of having indirect taxes in places with the following model. According to this study removing all VAT obligations beyond EU requirements would increase intra-EU trade by 2.6%, GDP by 0.2% and consumption by 0.2%. A 10% reduction in the dissimilarity of general VAT obligations would increase intra-EU trade by 3.7%, GDP by 0.4% and consumption by 0.3%. A 50% reduction in the dissimilarity of rates for specified goods and services would increase intra-EU trade by 9.8%, GDP by 1.1% and consumption by 0.7%. Moving to identical VAT rates across countries on specified internationally-traded services would increase intra-EU trade by 6.5%, GDP by 0.7% and consumption by 0.5%.

To achieve a plausible magnitude of the effect of VAT compliance costs on trade, two further simulations could be considered that do not suffer this problem and that show the effects of eliminating all VAT compliance costs under illustrative assumptions as to their size. These show that: if the VAT compliance costs associated with intra-EU trade were equivalent to 1% of firms' sales, eliminating them would increase intra-EU trade by 4.3%, GDP by 0.4% and consumption by 0.3%. If VAT compliance costs were 3% of turnover, eliminating them would increase intra-EU trade by 13.3%, GDP by 1.4% and consumption by 1.0%. It is also possible to assess the impact of compliance costs on the international price competitiveness using a different model. The analysis is confined to the four largest EMU countries and finds that complete elimination of compliance costs would reduce the price of tradable goods by 0.9% in France, 0.7% in Germany, 1.3% in Italy and 1.7% in Spain, although this effect may reduce in the long run as exchange

rates adjust. A retrospective evaluation of elements of the EU VAT system Clearly, VAT policy could potentially have quite significant effects on trade patterns and the wider economy. In principle, harmonizing procedures and limiting differences in VAT rates, and more generally reducing compliance costs, therefore look like worthwhile goals. (24)

## **Conclusion and proposals**

During the last 50 years there is a strong trend around the globe for implementation and extension in base and in rates of Indirect Taxes and more specifically of Value Added Tax, Goods and Services Tax and Business Tax. Currently in many different places around the world profound reforms are taking place related to value added tax and or Tax on goods and services. The final aim of those reforms is to improve the efficiency, the extend of application and the results that those taxes are yielding. As we have seen above the system of the implementation of VAT, despite being conceived quite recently, was a huge success. In the field of implementation is not only the number of States that decided to make the relevant reforms in the fiscal and the legal systems to be able to achieve the functionality of the indirect tax taxation, but also the enhancement of its base. So, the VAT is a cascaded from the producer to all parties that are acting as intermediate with a system that also included credit and debit calculation of vat declarations. The last consumer consequently will undertake the burden to payment. If the product or the service will be exported or rendered outside the country member then the process will include an intercommunity transaction. The value added tax is not hindering the economic activity and is not affecting the export effort of a nation of a group of nations. Of course, currently the indirect taxes are expanding so much due to globalization or the increased interconnectedness and interdependence of peoples and countries, including the opening of international borders to increasingly fast flows of goods, services, finance, people and idea and the changes in institutions and policies at national and international levels that facilitate or promote such flows. Also, the rapid development of technology is changing the landscape. Many countries are entering inter-state agreements to make processes more rational and tax administrations are working together, in a collective way to cross examine and control those deliveries, through new available means of technology. Tax authorities increasingly use technology and data and analytics (D&A) techniques to improve their audit capabilities. To assist with this, some countries require taxpayers to maintain their records in specific data formats such as the standard audit file for tax (SAF-T). In response to all the above, some leading companies have made a fundamental shift in the way they operate tax departments, transforming the tax function into a strategic business partner across the enterprise. To this goal currently tax departments are implementing global tax processes based on technology and data mining. Utilizing the available platform provided by Information Technology, combining multiple levels of business functions, retrieving data and extracting valuable conclusions, tax and legal departments of corporations are in position to have a better overview of the tax requirements and to be able to plan better. Of course, the aim is to battle the relevant risks as well that exist nowadays with the rapid expansion of indirect taxes. Risks that could arise are the risks of registration, of non or improper filling,

not payment and not making the proper declarations. Those mistakes can have severe impact on the results of a corporation like creating severe burdens on cash flow, cause administrative and financial penalties imposed on the organization, protracted audits been requested and carried by the fiscal authorities and of course infringement of compliance and business distribution. So now more than ever is imperative for the legal and tax departments of companies to be able to have a better overview of the tax requirements and to be able to plan better. Setting though the processes, with the data that can be conceived by the results provided by the IT and the functions of the corporation, the tax and legal departments must not forget that those processes will be successful if they are yielding the best possible result with the lower possible cost. So Tax and Legal departments should re-organized to achieve this goal. It is necessary though for the tax and legal departments to be able to analyze and being able to achieve in depth understanding of root causes and chose the best possible path forward to deal with any long- or short-term challenges by developing an action plan and allocating responsibilities without losing the required impetuous internally. For being though able to mobilize the existing resources and request for additional resources it is important the head of the tax department to know the strength and the weakness of the organization and exploit the former, avoiding the latter.

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