



Meijburg & Co  
Tax & Legal

# Impact VAT rate changes

**“Being prepared when  
VAT rate changes  
come into force”**

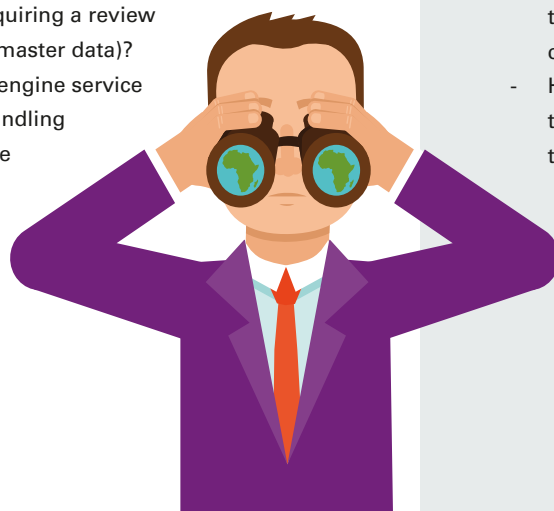


# VAT rate changes and the impact on your business

VAT rates globally are changing time by time. These changes are economically or politically driven and will have impact on your business. When a VAT rate change comes into force, businesses should review their existing tax codes and if applicable generate new tax codes tax codes to cover the transactions impacted by the VAT rate change. Generally, multinational companies use many different tax codes and risk running out of available tax codes required to cover all transactions in scope of their business. This goes for both AR and AP transactions. In practice we see that a simple VAT rate change could have a significant impact on the ERP set-up and processes.

## What are the biggest challenges?

- Did you identify all AR and AP transactions impacted by a VAT rate change?
- Have you reviewed the pricing methodology impacted by the VAT rate change?
- Are the new prices also updated towards third parties? *E.g. websites, contracts.*
- Did you analyze which existing taxcodes are available and used for the old tax rates?
- Are you able to determine which new tax codes should be created?
- Did you make appropriate changes to tax determination logic to be able to use of new tax codes?
- Are you aware of the specific transitional legislation in place?
- Is it a mere VAT rate change applicable to all products, or a specific service VAT rate change (requiring a review of product master data)?
- Is your tax engine service provider handling the VAT rate change in time?



## System impact of VAT rate changes

A VAT rate change will have impact on your systems. Below we have set out some checks to identify the system impact:

- Have you considered which systems will be impacted by the VAT rate change? Also take into consideration for example tax engines, P2P and invoice scanning software.
- Have you considered the tax codes impacted by the VAT rate change?
- Is the VAT determination logic updated with the correct tax codes/VAT rate?
- Have you tested the system with the new set-up?
  - Have you educated your staff to enter the correct data?



## Attention items during transition period

During the transition period of a VAT rate change we see several key attention items that have to be considered. A VAT rate change is more than a simple change of the VAT rate in your (ERP-)systems. Set out below are some of these key attention items:

Will the VAT rate change also lead to an adjusted VAT return template?

Do you have processes and controls in place to identify invoices from suppliers with an incorrect VAT rate?

- E.g. is your AP department aware of the VAT rate change?

Do you know the correct date of effectiveness of the VAT rate change?

- E.g. is there a transitional period where two VAT rates can be applied?

Do you know the correct VAT rate for transactions around the transition and is this properly configured? Please pay special attention to transaction types like:

- Continuous supplies vs. one-off supplies;
- Prepayments and vouchers;
- Debit notes and/or credit notes;
- Return and replacement of goods;
- Price adjustments (e.g. discounts and rebates).

## How can KPMG help

The impact of a VAT rate change is not always simple. Specific transition rules will apply, special transaction types need to be considered and your (local) teams have to be updated. We have experience with identifying the IT and business requirements and the subsequent implementation and can assist you to be ready for the VAT rate change on time. Feel free to reach out to our specialist or your KPMG contact to find out how we can help you in your specific business.

## Contact us



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