



# VAT Health Check

March 2016

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VAT affects your everyday business transactions – both purchases and sales. It can represent a challenge, particularly as regards ensuring proper compliance and efficient cash flow management. It is particularly unsettling to have to deal with the authorities if your VAT processes are not up to the mark. Furthermore, even though VAT is theoretically meant to be a neutral tax for businesses, in practice VAT could possibly also burden your business with costs that are either irrecoverable or inadvertently not recovered.

## Where does your business stand?

A non-compliant business faces the very real risk of being assessed VAT penalties and interest. Considering the punitive nature of the VAT penalty regime provided for in our law, businesses should actively consider the question of how compliant their VAT-related systems and processes actually are. We strongly believe that the right time to do this is now – before any enquiries are made by the authorities. Indeed, by the time a VAT inspection or investigation is initiated, it may be too late in the day for the business to identify potential problems and to take remedial action. Such risks are in addition to potential income tax exposures that may stem from a VAT inspection.

Effective management of VAT can result not only in the correct reporting of VAT and hence prevention of potential VAT penalties and interest, but also the identification of opportunities to attain VAT savings and other efficiencies. It is not uncommon for businesses to lose out on recoverable foreign VAT that is left unclaimed because of the difficulty of the procedures and administration or because of the perception that the amounts incurred are not worth the trouble. Typical expenses with such VAT include attendance to trade shows and conferences, purchase of goods and personnel expenses like transportation and accommodation costs.



## The benefits

Our VAT Health Check service consists of a review of the VAT processes within your business. The purpose is to provide you with recommendations to streamline the VAT affairs of your business and minimise potential future complications with the VAT Department.

The process involves obtaining an understanding of your business and its VAT processes in relation to the key risk areas that apply to your business. Essentially, the main purpose is to ascertain whether you are accounting for VAT correctly in accordance with current VAT laws and practice, thereby reducing the risk of potentially costly mistakes.

It is also a purpose of the VAT Health Check to identify potential opportunities to achieve VAT savings and other efficiencies. To this end, the team of professionals in Malta works closely with KPMG in Luxembourg wherein KPMG's Global VAT Recovery Centre is located. Through this collaboration specialists use data analytics and automated processes to help you achieve the most beneficial results in your global VAT recovery effort.

## Why KPMG?

Our resources consist of experienced tax professionals specialised in VAT who are also supported by a unique set of technology developed by the KPMG network combined with centres of excellence, like KPMG's Global VAT Recovery centre, to assist in data analysis. We shall apply our understanding and experience in a wide range of industries with our strong knowledge of VAT law and practice.

The timing of our provision of VAT Health Check services can be arranged to suit your schedule, hence avoiding key times of pressure during your ongoing financial reporting and annual audit process.

We are willing to discuss your situation in an initial consultation free of charge - without obligation - and are also able to provide you with a fee estimate to undertake a VAT Health Check that is tailored specifically for your business.

Our VAT Health Check offering balances outstanding value for money with exceptional quality and service.

## Our approach

The comprehensive range of services available as part of our VAT Health Check offering is tailored to the specific requirements of each business. In general terms, however, the VAT Health Check is designed to:

- Ensure that your business has been duly registered for VAT under the correct type of VAT registration, and is operating any special VAT scheme that may apply to the specific type of business;
- Where partial input VAT recovery applies, check that the partial attribution calculations are being made correctly;
- Delve into specific risk areas of concern as identified by you;
- Where required, compare recorded turnover within your accounts to output VAT in your returns;
- Where required, check a sample of transactions to ensure their treatment is in line with applicable VAT rules;
- Where required, update you and/or your staff regarding the salient VAT rules which are relevant to your business;
- Flag identified VAT issues and recommend methods of addressing them;
- Highlight potential VAT cost savings including relevant planning opportunities;
- If required, analyse the company's expense data with a view of identifying VAT recovery opportunities; and
- Ensure that you are dealing correctly with any industry-specific issues that are likely to be subject to scrutiny in the event of a VAT inspection or investigation by the VAT Department and/or Tax Compliance Unit.

## Contact Us:

If you would like to know more about these services and how they can be of benefit to your business, or indeed to discuss any other tax matter, please get in touch on [vat@kpmg.com.mt](mailto:vat@kpmg.com.mt) or contact:



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