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VIALTIS

Press release

VAT 2010, new challenges for transporters

Recovery of VAT is a strategic issue for the transport industry. 2010 marks a major step for the market due to the new measures which have been introduced.

Aix en Provence, France, 25/08/2010:

International transporters are able to recover all VAT paid in other (EU) countries, at tolls and on fuel. The rates of VAT applied by the member states vary from 15 to 25%. This device is standardised and framed by various European directives which set out the specific rules governing the refunding of VAT (regulatory framework, eligibility of claimants, etc).

The current system was relatively stable until 2008, the date when the European Union introduced a major reform of the taxation regime for services provided within member states, by adopting EC texts from 12th-16th February 2008, which came into force on 1st January 2010. This was the largest tax reform since 1993, when the European Single Market came into being. This new taxation regime applied to VAT on services provided within the EU, generally known as the "VAT package" is designed to:

- Change the place of taxation for VAT on services, switching to the place where the "service" is consumed instead of the place where the service provider is based;
- Reform the VAT refund procedure (8th Directive) for those EU members liable for tax but not based in the member state for refund.

In theory, the reform of the refund procedure was supposed to bring a range of major benefits: introduction of an electronic system with a simplified structure which is easy to use and provides support for appeals, etc. The system was intended to simplify and speed up refunds, thanks in particular to the paperless procedures.

An online portal has been developed by each member state. Requests are made via the portal for the member state where the customer is resident, relating to an annual or quarterly period. The deadline for registering refunds with the member state is 30th September of the year N+ 1. The decision must be taken within 4 months of the request being received.

25/08/2010

In practice, the reality is somewhat different. The current situation is catastrophic and heavily penalises those working in the transport industry.

We have noted numerous obstacles from various standpoints, particularly technical and administrative. The procedure is particularly complicated and the tax portals for the various countries differ greatly from one another (difficult to access, complicated layout, languages, etc.). We have also noticed that the directive is being applied quite differently in the various national legislations.

Another area of difficulty is the coding of products, which is supposed to be highly standardised... In fact, this is far from the truth. The reliability of the systems put in place is another area which could be improved. At the moment, this paperless system offers little or no traceability when companies send or receive their tax packages.

The processing and management process is also extremely complex.

A major impact on transporter's competitiveness

Road transporters are being hit with major delays in refunding. Since January 2010, a large number of requests have not been able to be put through, which has had a detrimental effect on companies' cash flow. As the road transport market remains strained, the potential effects on cash flow is causing some concern. At this point in time, more than a hundred million Euros have not been deposited or processed...

Switching exchanges to a paperless process has also generated additional costs: companies have to invest in IT systems and professional scanners so that their documents can be digitised and sent!

Hence, companies are deluding themselves if they think it is easy to register a request for a VAT refund directly! At first glance, the portal system seems to encourage transport companies to insource the VAT recovery service, but this is without taking into account the knowledge of taxation required, and the investment in terms of resources (IT, personnel) and time.

This new reform does not seem to translate into an increase in productivity for professionals in the transport industry, who need to up their game every day to stay competitive. Now more than ever, it is necessary to ensure the closest attention is paid to astute management of VAT refunds. This complex and time-consuming process can have a serious impact on company performance. This explains why large numbers of companies are choosing to outsource this type of service to specialist providers.

Spurred by reports of failure and facing pressure from tax agents, the European Union and its member states have put back the cut-off date for refund requests to 31st March 2011, instead of 30th September 2010, for VAT refunds relating to charges paid in 2009.

We expect that in time greater standardisation of the system will enable the reform to keep its promises.

Libéria JAMAIN
Director of the "Corporate Services" unit



About Vialtis

VIALTIS is a service company dedicated to international road transport companies. As a privileged partner of the IRU (International Road Transport Union), the Group has 10 offices in Europe with 6,000 customers in over 40 countries.

Since 1982, VIALTIS has developed lasting relationships with carriers of all sizes, thanks to its professionalism and expertise and by offering its customers substantial reductions in their charges.

An independent road services expert, its business activities revolve around seven areas of competence: fuel, recovery of foreign VAT, tax refunds on diesel fuel, tolls and road taxes, ferry and train bookings, financing and the RoadPass service card.

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