

HOW TO TURN VAT INTO CASH FOR YOUR BUSINESS

As businesses look to Covid-19 recovery plans, here are some practical suggestions of where to find cash flow opportunities through VAT.

The Covid-19 pandemic is far from over, and countries are reopening their borders and businesses at different rates.

Businesses that have survived the global shutdown have one thing in common: a need for cold, hard cash to get them through the recovery phase.

The last couple of months have proven that acting fast in securing cash reserves can be the difference between continuing to trade and having to close the doors of your business – maybe for good.

Governments across the world have set up [various schemes and support measures](#) but, many of these are loans or repayable grants that businesses will need to return at some point.

VAT represents a great opportunity to potentially access cash quickly, or at later stage. Here's where you can find VAT to support your business.

FOR A QUICK CASH FIX

- 🕒 **Review your domestic expenses** in all jurisdictions where you may be incurring them

Business travel, subsistence and other expenses incurred by staff can be recoverable. Many businesses think it's not worth the hassle, but these costs do add up.

By reviewing and including what can be recoverable, your business is likely to either pay less tax or get a refund in the next month or two, which no doubt will come in handy. This could have an impact in as little as one month to a quarter!

- 🕒 **Review all importing documentation**

If you were – or are still – importing goods, ensure you have all the relevant paperwork. Check that you are actively including all eligible import transactions in your VAT returns to reduce your tax bill or get a refund from the government.

- 🕒 **Domestic and foreign tax / VAT credit status**

Countries handle VAT credits differently. Some have accounts where the credit sits, some allow businesses to carry credits forward but many countries only refund VAT credits upon request.

It's essential to take the time to investigate whether any input VAT credits are tied up in either a tax office account or your VAT return.

You should also check for any VAT credit applications in progress, as governments may be slower to process refunds. Ensure you follow up with them regularly.

LONGER TERM

🕒 Foreign VAT refunds

Check for any foreign expenses incurred by your business, as these can add up significantly over the course of the year. You may be able to get cash back in your bank account 3-5 months after submitting a VAT reclaim. If you act fast, you can have your 2019 refund in your bank account before the end of this year.

More information: Listen to TMF 'Free' Money [podcast episode](#) or [download the FAQ sheet](#).

🕒 Import VAT relief

Investigate if countries you import goods to allow businesses to defer import VAT at the point of entry. If you can account for the import VAT in the VAT return instead, it results in zero cash spent. At the same time there is no VAT refund to wait for (in some cases six months or more!), so you don't have to worry about spending money and then waiting to get it back.

🕒 VAT Bad Debt relief

VAT Bad Debt relief allows companies to recover the VAT paid to tax authorities when their customers did not pay them in full, or at all.

Countries offering these schemes set certain conditions for reclaiming the VAT, but if you can meet them, do apply for this relief as it decreases your costs related to unpaid invoices.

🕒 Check for incorrect treatment of transactions by your suppliers

Companies frequently process supplier invoices that are incorrect, which leads to an issue when a VAT credit is requested. Tax authorities can reject an invoice on the basis that its treatment is incorrect and state that the VAT on that invoice is not recoverable from them, but from the supplier through a correction.

With many businesses struggling to continue operating, making these checks can help ensure you capture any problem transactions now, so you can ask for a credit from your supplier before it's too late.

These conversations can go on for a while, with suppliers reluctant to provide a credit. Starting early is key to getting the cash as soon as possible.

🕒 Check local legislation for other opportunities

Investigate if countries where you operate offer other options or simplifications that could benefit your business. These can include:

- cash accounting schemes
- annual accounting schemes
- group registrations
- accelerated refunds



- other country-specific relief.

All of the above can significantly boost your business cash reserves and, in the future, help you to repay any Covid-19 government loans or schemes that you may have applied to.

Want to know more about TMF Group services and how we can help your business?

[Contact us.](#)

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