

Are you missing a cash saving opportunity?

Pharmaceutical and Life Science update

This publication reviews some of the recent VAT trends and opportunities for companies operating in the pharmaceutical and life sciences sector

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Welcome to the latest edition of our Pharmaceutical and Life Sciences Newsbrief. This publication reviews some of the recent trends and opportunities for companies operating in the pharmaceutical and life sciences sector.

The complexity of product lines and supply chains in the sector presents compliance challenges. In this edition we focus specifically on VAT, looking at both recent legislative and industry developments which have presented planning and in some cases cash savings opportunities for pharmaceutical and life sciences companies.

We examine a number of areas which have attracted focus from both local and international Revenue Authorities and explore what actions companies in this sector are taking to ensure that they are fully compliant coming into the new year.



Are you missing a cash saving opportunity?

You can find out a little more at

www.pwc.com/ie/vat

Have you made changes to your supply chain arrangements?

Changes in a company's supply chain are usually driven by the commercial needs of a business for example reducing cost, introducing or discontinuing product lines, down-sizing, expanding to new markets etc. Many companies however, fail to consider if such changes have a related VAT impact for example, expansion into a new market may require a new VAT registration or IT system updates.

All changes in supply chains should be assessed to ensure that product flows are not impacted and that VAT risks are minimised. We have reviewed how VAT is captured and managed across the supply chains of a number of pharmaceutical clients, which in many cases have identified trapped VAT and duty costs which were subsequently eliminated through planning. We have also identified areas of VAT compliance risk and opportunities to reduce the compliance burden.

Many companies in the sector are responding to increasing payor demands by adding support services to their core product offerings for example active monitoring of patient compliance rates. Similarly, very few companies are focusing on the substantial impact that this change will have from a VAT

perspective. Any introduction of service-based offerings needs careful consideration from a VAT perspective.

How much are paper invoices costing you?

The administrative costs associated with paper based invoicing for businesses in the EU is estimated to be €18 billion per year. A new EU directive will simplify the VAT rules around electronic invoicing and will create a significant cost saving opportunity for Irish companies.

The IT or systems changes required to move to electronic invoicing often prevents companies from taking action on this opportunity. Our recent experience is that a move towards electronic invoicing is fast becoming a business imperative for companies in order to keep pace with their competitors.

We would be delighted to share with you our recent insights on minimising the IT systems changes required while also maximising VAT and other cost saving opportunities around the set-up of e-invoicing systems.

Are your cross-border transactions fully VAT compliant?

Revenue authorities are taking a more strategic look at VAT transaction management and the reporting of cross-border movements

of goods and taxable services in the respective Intrastat/VIES (ESL) returns. The testing of random samples of transactions of mixed value (rather than solely focusing on larger transactions) highlights the importance of VAT compliance across all cross-border transactions.

We have reviewed Intrastat and VIES/ ESL reporting obligations of a number of our pharmaceutical clients in the context of their commercial operations. We have also performed a number of VIES/Intrastat training workshops to help companies to fully understand their obligations in respect of VIES and Intrastat.

Have you considered outsourcing VIES/ ESL reporting to us? This can include both the completion and filing of Intrastat and VIES/ ESL information. We have identified both efficiencies and cost savings for several companies who have recently outsourced to us.

Are you applying the correct VAT rate to locally supplied products?

A zero-rate of VAT applies to oral medicines and certain medical equipment/appliances. In working with a number of pharmaceutical and medical device companies we have identified products to which the standard rate of VAT (currently 21%) has been applied in error. This has given rise to significant cost savings

Are you missing a cash saving opportunity?

Who should you contact?

We would be delighted to share our recent experience and insights with you in this area.

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particularly where the goods are supplied to exempt entities (i.e. hospitals) who cannot recover VAT incurred.

Have you claimed back overseas VAT from 2009?

An electronic system for companies to submit VAT refund applications for business expenses incurred in a Member State in which they are not established or required to be registered for VAT (8th Directive reclaim) was introduced on 1 January 2010.

The application for a VAT refund is now submitted via a web portal developed by the Member State in which the claimant is established. An Irish established company can therefore now submit its 8th Directive / foreign trader refund claims directly to the

Irish authorities via Revenue Online Services who will in turn liaise with their EU counterparts to process the claim.

A number of technical problems occurred in getting the web portal up and running in some Member States. In order to safeguard the company's right to deduct VAT, the deadline for submission of refund requests for 2009 expenses has been extended from September 2010 to March 2011.

Are you selling goods to customers in the UK?

If you are supplying standard rated goods to customers in the UK who do not have full VAT recovery (e.g. hospitals, NHS) opportunities exist to minimise costs for these customers in the lead up to the 4 January 2011 deadline and introduction of the 20% rate.

Are you registered for VAT in Italy?

Italian VAT registered entities are required to report, by electronic means, all sales of goods and services to certain listed countries where the value exceeds €3,000. Failure to comply will be subject to a range of penalties.

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