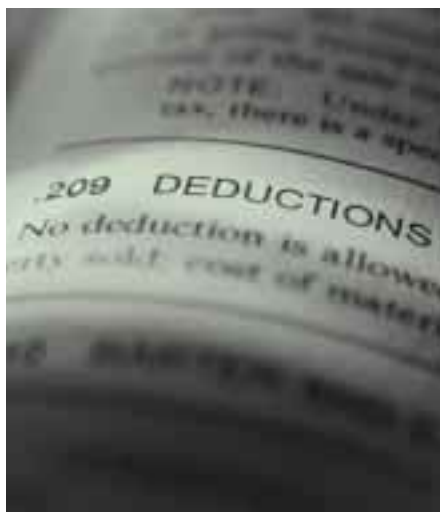


Indirect Taxes

A Factor to Consider for a Centralised European Supply Base

Location, Location and Location, the reason given by real estate agents to explain the enormous differences between the sale prices of apparently similar properties in close proximity to each other but where some essential feature is missing in one of them. The lesson is that choosing the exact right location for your own purposes is not just an art, but also a science.

In today's global economy, suppliers find it cost-effective to centralise certain operations. One of those bases is likely to be within the European Union. It may just serve European Union (EU) countries. It may also serve Europe generally. Sometimes it is suitable for both the EU and the additional countries (Iceland, Norway, Switzerland and Liechtenstein) that together with the EU, form the European Economic Area.



A factor to be taken into account for some operations will include the ability to recruit staff locally who speak the languages of the main countries with whom they must deal. Several companies have chosen a Scandinavian country or the Netherlands

where it is relatively easy to hire people who speak several languages. Ireland too has a good reputation for turning out a high percentage of school and university leavers able to speak French or German. In this respect, the UK lags behind.

Transportation is another consideration. EU funding has greatly improved the roads and other transport links in Southern Europe (and is now doing so in Eastern Europe). Ireland and Scotland have similarly benefited.

The direct tax regimes of the various EU states vary and are widely understood making it relatively easy to make necessary choices, bearing in mind the dangers of agents creating a taxable presence.

Still often ignored, or misunderstood, are the indirect tax consequences in choosing a hub for a business's operations. Value added tax is the main culprit and is widely believed to be a uniform tax in its concept and execution throughout the EU (and even the EEA) with only the variation in the rate at which it is levied to consider. This is not true.

Taking the UK as an example, up until the 1980's, import VAT was technically payable by those bringing goods into the UK. However, it was also immediately reclaimable. This was achieved by two entries on the same VAT return. This was called postponed accounting. As it became apparent that some businesses were avoiding the cash flow disadvantages of paying out VAT to their UK suppliers and waiting to reclaim it on their next VAT return by sourcing goods from outside the UK, postponed accounting was scrapped and deferred accounting introduced. This provided for import VAT to be payable by no later than the middle of the month following importation by direct debit from a bank account. Only if VAT returns are submitted monthly (only allowed for some taxpayers) and submitted



early, can the cash flow be restored to somewhere near "nil".

The introduction of the single European market pushed back the boundary for import VAT to the first point of entry for goods into the EU. It is payable (and reclaimable) just once whichever route goods take on their journey into the EU and irrespective of where they finish up.

This has highlighted the imbalance between the UK and the Netherlands or the Republic of Ireland, where postponed accounting (simultaneous payment and reclaim) still exists.

All transfers of goods beyond the EU member state of entry to other EU countries (or indeed to other countries beyond) should have no VAT consequences if the arrangements agreed between member states are followed.

All EU countries (except the UK) require a representative to be appointed when the business liable to pay the tax is not established in that EU state. This is a heavy financial burden. The representative assumes financial risk and reflects it in his fees (typically commission-based). The UK, by contrast, is willing to register a taxpayer in his own name and, therefore, send VAT returns to a foreign address for completion and return with payment. The import VAT will remain payable by direct debit (although, by separate arrangement, another agent can pay this on behalf of the importer).

(continued on page 2)

Indirect Taxes

(continued)

Most non-EU businesses with a UK base appoint someone to deal with the UK VAT authorities on their behalf. This can be achieved by having the appointee calculate the tax figures that the foreigner needs to enter on his VAT return. This leaves the foreigner responsible for meeting time limits for both payment and statistical returns (to avoid very stringent penalties). A half-way house is for the tax registration to be in the name of the foreign business but for the address to which returns are sent, and at which audits by the authorities are performed, to be that of the appointee. The main practical difference is that registration is effected by the relevant regional office of the authorities rather than the national Non-Established Taxable Persons Unit in Aberdeen which is used to dealing with often non-compliant foreigners and has to resort to impounding goods quickly when a time limit has been exceeded. Also, audits need never be performed in the territory of the foreign taxpayer by UK officials in co-operation with officials from the taxpayer's country. Such audits are at the taxpayer's expense and frequently lead to questions being raised by the two authorities.

This half-way house is not to be confused with the Dutch limited tax representative. The two categories there are more to do with the nature of the business and its trading; one is not an alternative to appointing a tax representative (and paying for it) who will still be at risk financially.

A typical solution for some is to import into Ireland or the Netherlands en-route to the UK where the base will be located. This avoids any substantial risk for the Irish or Dutch representative.

Finally, the above concerns goods as defined in European legislation. Some sales are defined as services even though to the layman they have all the characteristics of goods. Particular examples exist around computerised or electronic products, but also some discs and tapes. Advice should be taken since the tax regimes for these may be completely different. Installed goods are still classified as goods but special rules exist to determine if assembled on site goods are to be treated as if sent assembled from their source or, alternatively, it can be treated as if not assembled at all.

Speculation that new E-commerce rules will be introduced by the EU to allow goods to be taxed in one country by choice of the taxpayer is premature.



Paul de Beresford
Partner, VAT Practice
Chantrey Vellacott DFK
London, UK

Holtz Rubenstein Welcomes Affiliate from DFK in Tokyo

In November Keiju Kubo, a partner of DFK member, Kato Audit Corporation in Japan, visited Holtz Rubenstein & Co., LLP, the DFK member of Long Island, New York, who assists Kato Audit Corporation in connection with several of their US clients.

The primary purpose of Keiju Kubo's US visit was to extend his international experience and qualifications by sitting the US CPA exam.



FROM LEFT TO RIGHT
KATO AUDIT CORPORATION PARTNER, KEIJU KUBO
HOLTZ RUBENSTEIN PARTNER, JOHN R. MCATEER
HOLTZ RUBENSTEIN SENIOR TAX PARTNER, ALAN E. WEINER



SPEAKERS AT THE SEMINAR, FRANS KAMPHUIS, MIRJAM SCHUIT, MICHAEL CANNON AND HARRIE VAN HOUTS

Expanding your Business into the Netherlands

Dutch member, FoedererDFK, combined with London member, Chantrey Vellacott DFK, to produce a seminar in September for businesses considering establishing an operation in the Netherlands.

Mirjam Schuit, Executive Director at the London office of the Netherlands Foreign Investment Agency told delegates that not only has the Netherlands the biggest air cargo hub in Europe, it also has the largest ports. She went on to demonstrate that in the outsourcing of warehousing and distribution, the Netherlands is substantially ahead of the rest of Europe with 74% outsourced compared to the rest of Europe where the figure is 57%.

When looking at the labour market, Mirjam Schuit highlighted the flexibility of the Dutch market, where 37% of the labour force are part time workers.

Professor Nico Douben, Professor of Economics at Eindhoven University,

explained to delegates the shift over recent years from bulk production in the traditional agricultural and industrial sectors towards knowledge and technology driven activities. Nevertheless, he suggested that potential investors in the Netherlands should look carefully at the various regions since certain specialisations are limited to only small parts of the country.

Frans Kamphuis, a fiscal lawyer with Foederer DFK, explained the attraction and relative simplicity of the taxation system from the establishing of a business to the repatriation of profits.

Further information on expanding your business in the Netherlands can be obtained from Harrie van Houts of Foederer DFK (h.houts@foedererDFK.com) and Michael Cannon at Chantrey Vellacott DFK (mcannon@cvsdfk.com)

Fraud, Fraud and More Fraud!!



There is a lot of fraud about these days. No one knows quite how much, but estimates indicate that in the United Kingdom alone it is in the region of £16 billion pa.

You cannot hope to prevent all that fraud, but you can take steps to reduce the risk that you or your business become victim to. The best way to do this is to know some of the “popular” methods of fraud.

In this article we will look at advance fee fraud, also known as 419 (after the US section of the law that deals with it) or the Nigerian scam (as much of it originates there). This originated in Nigeria in a large number of cases. A letter is received (often all or partly in capital letters) asking for someone with a bank account and whether they are willing to use it to receive large sums of money (millions) from Nigeria, in exchange for a large cut of the money. Some examples refer to the money being

a surplus on government projects. More recent letters purport to be from widows of Nigerians killed in an air crash, whose husbands had millions in secret bank accounts.

ADVANCE FEES AND BLACK MONEY?

If you take the bait, you will be asked for an advance fee to “oil the wheels” in Nigeria in order to get the money out of the country. Sometimes the amounts involved are substantial, say £30,000 in fees. Later you will be asked to provide further fees, in some cases you will receive a trunk full of “black money” as your payment. Black money is basically black pieces of paper cut and packed as if they are dollar bills. You are then told that you need to “clean” the bills with special fluid, which will of course cost more money!

PROTECTION FROM THE FRAUD

If you receive letters offering cash in return for some service, beware if any advance fees are required or if the request seems strange in any way.

If in doubt, show your Chartered Accountant and take it to your local police station. The Internet has a number of helpful sites, many with example letters, here is one:

www.scambusters.org

Julia Penny
Technical Manager
Chantrey Vellacott DFK
London, UK

DFK Member in Advertisement for Accountancy Profession

Dawn Lay-Flurrie, a partner with Butt Cozens in Colchester, UK, has been selected by the Institute of Chartered Accountants of England and Wales to be featured in a brochure promoting the profession to young graduates.

Dawn Lay-Flurrie Age: 33 Title: Partner
Present firm: Butt Cozens (Management Consultancy)
Degree: Accountancy & Management,
University College Cardiff

At school I chose accountancy because I was good with figures. Little did I realise how much more there was to it! Technical aspects, while crucial, are only a small fraction of the overall equation. Chartered Accountancy is really about people and business. A key part of my role is advising clients from every walk of life on business strategy – analysing company structure and performance, presenting findings, making recommendations to maximise their potential and communicating a watertight commercial rationale.

What the ACA offers, above all, is choice. Although I've already moved into management consultancy and made Partner - one of three heading up a team of 25 – it's by no means the end of the line. Right now the firm has ambitious plans for growth, so I'm taking a front-line role in spearheading our development, winning new clients and raising our

profile. With responsibilities for areas including IT, Administration, Business Advisory and Marketing, I'm using my personal skills to the fullest. And it's still a challenging learning curve.

In the long run, the ACA qualification provides me with a whole host of future options, from going overseas to moving into industry. For the moment, I have more than enough to get my teeth into. I love meeting new clients and working with them to further strengthen their businesses. I also enjoyed my involvement in forensic accountancy which lead me to testify as an expert witness in court. Another bonus is the frequent European travel when dealing with multinational groups.

First and foremost, I'd say it's the human aspects of accounting which are all-important. If you can build and maintain client relationships, the business world will be your oyster."

As featured in the *Institute of Chartered Accountants in England and Wales, ACA magazine.*





DFK Mexico Firms Hold Mid Year Meeting in Mazatlán

18 partners from the 10 firms that make up DFK Mexico held their mid-year meeting in September. The meeting was also attended for the first time by Stephen Wiseman (Taylor Leibow, Ontario, Canada) the recently appointed DFK Vice President – The Americas. The directors responsible for Audit and Fiscal matters, Training and

Quality Control presented reports. In the year ending September 2000 the group recorded 24% growth in fee income.

Ernesto Costemalle (De la Paz, Costemalle y Asociados, S.C.) was unanimously re-elected President of DFK Mexico for a further two years.



FROM LEFT TO RIGHT CHARLES CHEN, TONY CHEN, STEPHEN FELDMAN, JERRY LEE AND DAVID LAI

Sun Rise CPAS' Firm, Taiwan, Hosts DFK Asia-Pacific Meeting

Members from DFK firms stretching from Mumbai, India, in the west to Sydney, Australia, in the east met for the 10th Asia-Pacific meeting which was held in Taipei at the end of October.

During the meeting The DFK International President, Stephen Feldman (Feldman Sherb & Co., P.C.), and DFK Vice President – Asia-Pacific, Jerry Lee (Ng, Lee & Associates – DFK) visited the offices of Sun Rise CPAS' Firm and met some of the partners.



PIERGIUSEPPE FERRI (CENTRE), EXECUTIVE DIRECTOR, DFK ITALIA, MODERATES THE PANEL DISCUSSION AT MILAN TAX CONFERENCE

DFK Italia Host Milan Tax Conference

70 delegates from both the private and public sector attended the conference that examined in particular the fiscal implications on the Italian tax system of the 2000 "Bill".

Delegates also heard a presentation by Dott. Vincenzo Palitta of the Lombardy Region,

Department of Tax on recovering VAT from companies in receivership. Enrico Pian, Financial Director of Schering S.p.A. told delegates how his company is operating with the Euro as a functional currency.

The meeting was chaired by Enrico Nicolini of DFK Italia.

DFK International World Statistics 2000

At the end of 2000, DFK International was represented in 72 countries throughout the world by 154 individual Member Firms and 6 Correspondent Members.

The total number of offices relating to Full Members and Correspondent Members was 284.

Other statistics for the year 2000 relating to Full and Correspondent Members were as follows:-

Number of Partners	780
Number of other professional staff	4,047
Number of support staff	1,355
Total staff (including partners)	6,182
Fee Income	US\$371 million

USA Partner Elected New President of DFK International

Stephen Feldman (Feldman Sherb & Co., P.C., Manhattan, New York) has been elected President succeeding Geoff Lane (Chantrey Vellacott DFK, London, UK). Bernhard Winterstetter (Peters, Schönberger & Partner, Munich, Germany) has been elected Deputy President.

The meeting of the Board of Directors in New York in July was also significant as bringing to an end distinguished service by Board members Gerald Levitz (Ginsberg

Gluzman Fage & Levitz, LLP, Ottawa, Canada), whose roles had included that of President, and Erik Rydstrom (Enskilda Revisionsbyrå AB, Stockholm, Sweden) who was for many years Vice President – Europe, Middle East & Africa.

DFK INTERNATIONAL Board of Directors 2000-2001

Stephen Feldman (*President*)

Bernhard Winterstetter (*Deputy President*)

Geoff Lane (*Immediate Past President*)

Stephen Wiseman
(*Vice President – The Americas*)

Harrie van Houts
(*Vice President – Europe, Middle East & Africa*)

Jerry Lee (*Vice President – Asia-Pacific*)

Simon Fraser (*Executive Director*)

Andrew Chavkin Ernesto Costemalle

Demetris Demetriou Norbert de Montety

Michael Gray Andrew Ma

Ray Mack Kenneth McQuillan

Nigel Mundy Enrico Nicolini

Alan E. Weiner



GEOFF LANE (LEFT) CONGRATULATES STEPHEN FELDMAN ON SUCCEEDING HIM AS PRESIDENT OF DFK INTERNATIONAL



THE NINE PARTNERS OF THE MERGED MUNICH FIRMS

German Firms Merge to Increase Expertise

Peters, Schönberger & Partner, DFK's long standing member firm in Munich, have merged to form a new professional partnership.

The merger is with the auditing company BTP Treuhand Prüfungs-und Beratungsgesellschaft mbH and BTR Beratung Treuhand Revision GmbH as well as the affiliated law firm of Maierhofer, Best & Partners.

The new firm is now located at Schackstraße 2 in Munich with the unchanged name of Peters, Schönberger & Partner.

Maierhofer, Best & Partners bring to the merged firm expertise in venture capital advice and wide experience with foundations and charitable organisations. Commenting on the merger, Senior Partner, Christopher Schönberger, explained, "With 100 employees, we will be able to develop more effectively our multidisciplinary consultancy activities especially in the areas of stock exchange introductions, succession planning for businesses and mergers and acquisitions.

Since the merger, the firm has created a new division, PSP Consultants. The consultancy is headed up by Ralph Wonnemann, who has joined PSP following a 15 year career in corporate finance with Deutsche Bank. The consultancy is assisting companies undertaking a restructuring of their business and advising medium sized successful companies on funding for expansion.



PICTURED FROM LEFT TO RIGHT ARE:
JEFF STEPHENSON, LEE WANG, DIANE WILSON, STACEY MOULD AND ALANA SAFRAN

Canadian Firm Participates in Ottawa's First Day of Caring

A Day of Caring was introduced for the first time on 5th October in Ottawa, Canada. DFK member firm, Ginsberg Gluzman Fage & Levitz, LLP, was one of 25 firms who allowed employees to take paid leave for the day to do volunteer work for 21 local community agencies.

The firm's team under the leadership of Leslie Milton were assigned a project to paint a room at the Billings Estate Museum using a special formulation to restore the original colour. Money saved by the use of volunteers will be spent on programmes to help people in need in the community.



DFK DIARY OF EVENTS

JANUARY 25-27, 2001

European Partners' Meeting
Vienna, Austria

JULY 11-15, 2001

DFK International Annual Conference
Marbella, Spain

NOVEMBER 4-8, 2001

DFK/USA Annual Conference
Maui, Hawaii

NOVEMBER 12-16, 2001

DFK European Training Seminar
Reading, UK



Portugal



THE PARTNERS (STANDING) PAULO FERREIRA AND CARLOS VIEIRA, (SEATED) ROSALBA FERRO AND MANUEL BRITO

Manuel L. Brito & Associados joined DFK in September. The firm operates from offices in Lisbon and Faro (Algarve) with four partners and ten professionals.

The firm whose clients' activities include insurance, media distribution, real estate and retailing has recently been appointed by a Portuguese insurance company to provide insurance consulting services in assessing business loss claims. The corporate finance division of the firm has been appointed to act as sole adviser in a major cross-border transaction in Brazil.

Germany

Detlef Schulz und Partner GbR became the latest firm to join the expanding DFK Germany network. The Berlin based firm comprises auditors, lawyers and tax advisers. It has a total of 90 employees including seven partners. The firm's clients cover a wide spectrum including hotel chains, real estate, biotechnology and telecommunications.

USA

DFK International/USA has continued its expansion programme by admitting two new member firms.

In **New Hampshire** the eight partner firm of **Nathan Wechsler & Co.** was elected in July. The firm's head office is in Concord, with additional offices in Laconia and Portsmouth.

Calderon, Jaham & Osborn with headquarters in San Diego and an office in El Centro joined DFK in October and brings to three the number of DFK member firms in **California**.



DFK International

At their annual conference, held this year in New York, the members of DFK International honoured John Powell by appointing him Honorary Vice President in recognition of the contribution he has made to DFK International over 27 years.

During the 1980s, while Managing Partner of Kidsons, he served as President of DFK International to be followed by eleven years as Executive Director of the association, a period marked by substantial growth in membership of the association.



JOHN POWELL, HONORARY VICE PRESIDENT

United Kingdom



VICTORIA EVANS RECEIVING HER AWARD FROM HEATHCOTE & COLEMAN PARTNER VIC LYTTLE (A FORMER PRIZE WINNER HIMSELF)

Victoria Evans has recently added to her academic achievements by coming second in the Auditing & Professional Issues paper, which is taken by all students in the UK qualifying to become Chartered

Accountants. Victoria joined the Birmingham office of Heathcote & Coleman in September 1999, having gained a first class honours degree in Accounting and Finance at the University of Wales, Aberystwyth.

Singapore

Koh Lian Huat (Ng Lee & Associates – DFK) has been appointed by the President of Singapore to serve for five years as Justice of the Peace. Before receiving this title, Koh Lian Huat, had twice previously been honoured in National Day Awards for his public and community service.



KOH LIAN HUAT (RIGHT) WITH THE PRESIDENT OF SINGAPORE, MR. S. R. NATHAN