

Report to the federal Parliament

VAT refunds



In 2016, the Ministry of Finance refunded more than 13 billion euros VAT. In its report to the Federal Parliament, the Belgian Court of Audit has verified whether the Ministry of Finance has organised the refund procedure in such a way that the National Treasury cannot incur revenue losses and that the VAT liable entities will not be prejudiced. The Court has also analysed to what extent the procedure ensures fair and equal treatment of VAT payers.

All VAT liable entities file their VAT return on a monthly or quarterly basis and then further pay their VAT contribution to the fiscal authorities. There might be circumstances when a VAT credit note is issued (it is rather exceptional, but it can be structural too). In that case, the VAT payer recovers an amount of VAT that is superior to the amount due.

The VAT credit note is usually carried forward to a subsequent return period. The VAT may also be refunded under certain, well-defined circumstances. The VAT payers who file a VAT return monthly and generate structural credit notes are entitled to ask for a monthly refund.

The Ministry of Finance performs targeted checks based on risk analyses so as to guarantee that the VAT credit notes refund does not incur revenue losses for the National Treasury. Its risk policy is well designed.

However, there is still room for improvement as to the feedback information to the Tax Audit & Compliance Management (TACM) Service – the central service overseeing the operations – and the electronic file update by the local inspection services. There is insufficient transparency too between the TACM Service and the local inspection services, which hampers the verification efficiency and the sound communication from the inspection services. For an optimal performance of the risk analysis, the Court recommends to monitor more carefully the electronic files quality as well as the information feedback. Furthermore, the Court advises to increase transparency between services.

Equal treatment of the VAT liable entities wishing to obtain or retain an authorisation of monthly VAT return is not always guaranteed. As a matter of fact, some inspection teams apply a certain tolerance policy towards the companies that do not achieve the minimal

standards whereas others perform tighter controls. In the Court's opinion, it would be advisable to set uniform guidelines so as to ensure equal treatment of all VAT liable entities.

Several problems remain to be solved concerning the current databases integration and the real time data accessibility to ensure the optimal return on the tax account (compensation system between all fiscal debts and certain non-fiscal debts and credit notes). The Court deems it necessary that, when developing new databases, the Ministry of Finance gives more weight to information exchange with the existing databases.

In its reply to the audit findings, the Finance Minister indicates he has no further remark regarding the report.

The report *VAT Refunds* is now available (in either French or Dutch) on the Court's website (www.courtofaudit.be).