Indirect tax in focus: VAT, digital services and EU trends

Transcript

00:05

DAVID SITES

Welcome and thanks for tuning in to the DC Dispatch. I'm David Sites, National Managing Principal of Grant Thornton's Washington National Tax Office. The DC Dispatch podcast provides quick insights on how tax policy developments could impact your business. Through topical discussions with thought leaders across our global network, we uncover opportunities and expose risks so business leaders can thrive in this dynamic environment. Today we're turning our attention to indirect tax, specifically how VAT and other indirect tax regimes operate in Ireland and across Europe. We'll talk about how policies developed and what businesses need to consider as global tax rules evolve. Indirect tax compliance is increasingly complex, with frequent changes in legislation and enforcement. We'll discuss the latest trends, challenges and practical considerations for multinational businesses. Joining me today is Emma Broderick, an indirect tax partner at Grant Thornton Ireland.
Emma has extensive experience advising clients on VAT and other indirect tax matters, helping businesses manage compliance, controversy and strategic planning across a wide range of jurisdictions. Welcome, Emma.

01:16

EMMA BRODERICK

Hi, David. Thank you for having me today.

01:20

DAVID SITES

So Emma, I've got to start with the obvious question. How do the real professionals refer to it? Is it "V-A-T," or is it "vat"? I like "vat." Do most people say "vat?"

01:29

EMMA BRODERICK

You know, it's a mix and increasingly it's "indirect tax" as well. You kind of have to stop and explain what it is. "V-A-T," I think. Yeah, "V-A-T." We'll go with that.

01:39

DAVID SITES

OK, we'll stick with "V-A-T." So that might be a good place to start. So for listeners who might not be familiar, can you give me a little bit of an overview on how VAT works and how it kind of compares with other indirect tax regimes globally?

01:54

EMMA BRODERICK

Yeah, sure. I think it's a good idea to kind of level set because there's so many taxes that get pulled in under this heading, nowadays in particular. So at its essence, VAT, is a consumption tax. It's, levied at the point of sale. The idea is that the final consumer is the one that pays the tax, suffers the tax, as we say. But it may be different to how sales tax operates from a U.S. tax perspective. It is a multi-stage tax. It's creditable along the chain. So that means as businesses operate VAT, they will charge VAT, they will recover VAT and it moves through the chain until eventually it's suffered by that end consumer.

02:34

DAVID SITES

So when I go to the store in the U.S. and I buy something, I get charged sales tax and it's very clearly laid out on the sales receipt that I get. This is how much sales tax you paid, and that's the first time sales tax has ever charged in our chain. Because that's how sales tax work. It just kind of pops up at the end. If I go in Europe a lot of times when I go to a store in Europe, I don't see the VAT separately stated. Do most sellers just kind of bake it into the price so that people see a final price that's inclusive of VAT, so the consumer doesn't necessarily see VAT as a separate line item. Is that how it works?

03:12

EMMA BRODERICK

Yeah, that's absolutely right. And I tell you, David, it's always a nasty surprise for me when I'm shopping in the U.S. and I remember then that there's going to be sales tax when I get to the counter because it's nearly always baked in from a, from an EU perspective. You would expect other than when your operation in a business capacity and you would see the VAT called out on the invoice so you know how much is there and how much you can actually recover from the tax authorities. But for consumers and other businesses who have to absorb and suffer VAT, it's baked in and that's just how we operate. You're working back from there to see really if. If the cost could be less for a business that's entitled to recover the VAT.

03:49

DAVID SITES

Got it. Got it. And similarly, when you travel around the United States, sales tax is different in a lot of different places. So talk to me a little bit about VAT policy in in Europe. So for example, you're based in Ireland, so talk to me about VAT policy and how it gets developed and implemented. Do you guys have a unified system? Does everybody have their own VAT? Will it differ as I go from country to?

04:17

EMMA BRODERICK

Yeah, it differs a bit. You know, from an EU perspective, VAT is what we call harmonized, so there's an EU directive and that dictates how VAT operates across the 27 EU Member States. But that's really just the framework. You know, the principles are there. The ideas are there and then each individual country can implement that with a little bit of latitude. Some things have to be implemented and you can rely on that directive and say this is the way it has to be. Other things, there is a degree of interpretation and latitude, flexibility for the local countries and you really see that in rates. So similar as you described, travelling around to the States and you see different sales tax rates, you're going to see different VAT rates across the EU. And that might be a standard rate of VAT in the range of 25%. We have some reduced rates talking about 10, 13, 15 and right down to 0 rates, which is when VAT is technically charged, but it's at a zero rate. So no one actually has to suffer any cost attached to it. So it varies. And you're going to see differences depending on what country you are operating in, but it all comes back to those core principles and the idea that really the VAT should be kind of neutral depending on what country that you are operating in, in the EU.

05:33

DAVID SITES

Perfect. So you mentioned rates of 25%, that's a pretty significant tax. I mean coming from a sales tax perspective in the U.S. where we typically see five, six, seven percent kind of sales tax. So VAT must make up a fairly large portion of tax receipts for a lot of European jurisdictions. Do you have a sense of what percentage of tax receipts, say, for example, in Ireland, you know, are made up of VAT versus say corporate income tax or? Individual income tax.

06:07

EMMA BRODERICK

Yeah. You know, I think in Ireland it starts at around 30% of the tax take is made up of that consumption tax, the VAT, and that increases in other countries like I know Germany and France have much higher percentages. And actually, when you go outside the EU, it's interesting. You go right up to 70% of the tax take in some LATAM region, India, they can have much higher percent and in part that goes back to the idea that VAT, it's a very stable tax base. So even though it's driven by consumer spending because of the fact that it flows along through the chain, it's a very stable and broad tax base that's very easy for a tax authority to administer then and they're increasingly replacing more and more reliance on that, particularly in countries where it might be more difficult to was they manage the collection of corporate tax or personal taxes. So you can see that trend as you look out across the globe of tax authorities putting more and more reliance on VAT or goods or sales taxes that might be known and in other jurisdictions, but putting that reliance on VAT as being a core part of the tax take and that recurring tax take.

07:15

DAVID SITES

Yeah, it certainly seems to be the tax that's trending towards being more popular. And I think tax authorities recognize that maybe there's less opportunity to kind of manipulate the system. I mean, you buy something, you pay VAT, it gets submitted, right? But it's actually very complicated, right? There's different layers of VAT for different types of products. And I know you guys have had some interesting cases in Europe about classification of things as certain types of products. And so, talk to me a little bit about how complicated is it for businesses and consumers to figure out what the VAT is going to be. And are there gray areas of things?

08:00

EMMA BRODERICK

Yeah, yeah, for sure. I think that's where sometimes we as VAT practitioners have the most fun. You know, there's some cases that went right through the courts in the UK, right up to the most senior levels of jurisprudence, where they were talking about whether a Jaffa cake, which is like a cookie or a cake, whether that is a cake or a biscuit, and the VAT rate that attaches to that. So there's some real quirky stuff that has taken up a lot of airtime. And it's the stuff that, you know, we kind of laugh about a little bit because it's not really the core part of what we do. But amongst VAT practitioners, we'd always have a bit of a, I suppose, a giggle at it and the idea that you'd spend so much time talking about VAT rates for a cake or a biscuit. But certainly you do get these outliers. It comes a little bit because originally when the VAT rates were introduced, there was the idea that the higher rates were for luxury items and the lower rates were for staple items. So you're talking about things like, you know, bread should be at a zero rate because that's something that everybody needs, whereas you don't really need a chocolate covered cookie. So therefore it was going to be at the higher rate. And that's what led to some of these, these kind of funny twists and turns of cases and different tax parity interpretations. And you still see it sometimes, you know, I'd be walking down the aisle in the supermarket sometimes and I spot something and think, are they doing that just from a VAT perspective? And then I think, no, just, yeah, just do your shopping, get on with it. And yeah, but yeah, it can be funny.

09:30

DAVID SITES

So I don't know if it's a cake or a biscuit or a cookie, whatever you want to call it. I know that it's delicious. I've had one of them, and I know that I know that it's delicious. So that is very interesting. So that's the way I think, from what I understand, you also deal with some of the regressive concerns that come with a consumption tax. Right. You don't want the goods that everybody needs, which make up a larger share of, say, people who might have a lower income, right? The larger share of their spend is on kind of staple items, right? And so is it true that a lot of those items will generally be lower rated, like you said, whereas opposed to going to, say, shopping and buying luxury items or goods, those are going to be the higher-rated items, right? So I suppose in this case, it would have been preferable to be a cake as opposed to a biscuit. Is that right?

10:24

EMMA BRODERICK

Yeah. You ask me now, and I think which way to the case actually go. I think it was to be it was whether it was chocolate covered or not. That was the difference. If it was chocolate covered, it was going to be a chocolate-covered biscuit. And that was the higher rate. Whereas cake. Yeah. Closer to bread somehow was making its way back into being more of a staple item. And, but you know, you do see it in other, in things that matter a lot more, right? For example, Ireland and the UK have always operated lower rates for children's clothing and children's shoes. And there was, it actually led to the fall of the government in Ireland back in the 1980s, because they tried to introduce a higher rate of VAT on children's shoes. And people felt that was such an aggressive step that was really going to hit low-income families that, yeah, the government collapsed on the foot of it. But so, of course, that's a rarity, but it does show the impact, the real impact. And the idea of luxury items and categorizing something as a luxury when it really is a staple item, that doesn't sit well with consumers. That's where we feel it in our pockets. So that's what governments get worried about. More recently, I think you see quite a lot around governments using VAT rates as a policy tool. So to either drive health agendas or it could be around the green economy and trying to support, you know, sustainability. So you do see things tinkering around with VAT rates. So the idea that there might've been a standard rate that would apply for building materials, but introduction of zero rates or reduced rates for solar panels or electric vehicle charging points. And then in the health space, you know, introducing other indirect taxes, not necessarily VAT. And we have excise duties on cigarettes, alcohol. There's a new tax just introduced in Ireland on vaping products, so the e-liquid tobacco. And you do see a lot of that from tax authorities using VAT and other indirect taxes as a measure to drive how the public operate, I suppose, drive health agenda, green agenda, other items like that.

12:34

DAVID SITES

Yeah, and I suppose it works quite well because a change in a VAT rate just looks to the consumer like an increased price, right? You walk into the store and all of a sudden your vaping product is 35% more than it was before or whatever, right? And that should curb some of the behavior, similar to how traditional excise taxes work, right?

12:54

EMMA BRODERICK

Yeah, that's exactly it, yeah. And it's a useful tool for the government to be able to shape policy by that. There's a lot of pressure then around VAT rates in the hospitality sector. VAT rates for housing, is there scope they can reduce VAT rates to support housing development or to support the hospitality industry? There's a lot of political pressure. And for a long time, you know, EU tax parties didn't have that much scope on rates. It used to be around. Well, was there a VAT rate introduced before you joined the EU? you held on to and your hands were tied really by the EU, whereas now there's a lot more flexibility come back into that and acknowledgement that there's items within domestic economies that the tax authorities would like to drive by reference to VAT rates.

13:43

DAVID SITES

So, Emma, you mentioned policy, and we've talked a little bit about policy around how you might impact consumer behavior. Talk to me a little bit about broader trends that you're seeing in European indirect tax policy, kind of, you know, hot items that are being talked about in the indirect tax space.

14:06

EMMA BRODERICK

Yeah, sure. You know, I think it's interesting, actually, as we spoke a little bit earlier on about VAT being a broad and stable tax base and governments having visibility on where they're getting to collect VAT, but certainly tax authorities feel that they don't have great visibility on collecting VAT and making sure that the VAT that's due and payable is getting collected. So there's a lot of focus now around what's been called the VAT gap, and that's around businesses operating predominantly cross-border and taking advantage of different credits and exemptions and the mechanics of VAT to not pay VAT essentially. And what tax parties have been doing over a long number of years is moving towards an increased demand on businesses to report their information. And more information going into month-end VAT reporting, better quality information, more reconciliation across VAT returns back to say your transfer pricing files, your corporate tax returns, and that's all very driven on, well, where's the tax going missing? What are we missing? What else should be getting collected? So from a policy and a directional point of view, what we're seeing now around the globe, and then more focused on the EU, is a focus on real-time reporting and e-invoicing as a measure to try to get businesses to give better information on a more real-time basis to tax authorities to allow them to close that VAT gap you know and and there's some, there's some good numbers there that. Some countries have put out, like Italy said they closed their VAT gap by something like 20% when they when they introduced and some of their real time reporting and e-invoicing requirements. Now it's always hard to get a steer on those numbers, right? statistics, who knows? But certainly there's there's a belief, I would say amongst tax authorities that this type of real time reporting is what's really going to close that VAT gap for them and give them that better quality information to make sure that the tax is paid where it needs to be.

16:06

DAVID SITES

You mentioned e-invoicing and and you know every indirect tax person that I ever have a conversation with talks about this e-invoicing concept and I know clients are really interested. Give the listeners a prime exactly what is e-invoicing at a very high level and again, maybe tie it into why it's important for data gathering.

16:27

EMMA BRODERICK

Yeah. So e-invoicing is a replacement to commercial invoicing. It doesn't mean sending your invoice by e-mail or, you know PDF invoice or anything else like that. What it means is. What it means is sending information in a standardized machine-readable format. So the idea is, put very simply, you have a business who's issuing its invoice to its customer, and instead of generating that invoice and you know, posting it or sending it by e-mail, that there is a subset of data that comes out of your ERP system and that gets sent to the tax authorities and it gets sent to your customer. In that same machine-readable format and you get variations of this all around the world around whether it needs to go to a tax authority portal or whether it's just the two party sharing the information. But at its very essence you have the same machine-readable information being issued and received and reported to the tax authorities all in really a real-time basis or in near-real-time, as we call it, because you're talking about maybe four days later, five days later.

17:32

DAVID SITES

Right. So, the idea is if everybody shares the data in a common format, it becomes much, much harder, to manipulate things because there's a real-time sharing, that's the VAT amount, the government sees it, or it goes into a database with the client and again kind of helps close these gaps that that you mentioned. So, speaking of gaps, you mentioned that cross-border transactions can lead to gaps. Maybe for for again I have a lot of listeners here in the in the U.S. how does a cross-border transaction work? If there's goods exported from Europe to the United States, are those goods VAT exempt or does the European seller handle the VAT? Are we being charged VAT on those goods? Our current administration has intimated in some instances that they feel like the VAT can lead to unfair taxation of American consumers that import products and things like that. So talk to me about what the general framework is for that, and then I want to move on and have a question about digital services, which I think is fascinating.

18:42

EMMA BRODERICK

Yeah. So VAT is not a tariff, right? It's not something that you're going to get hit with at the border and it doesn't distort competition at its very essence. The idea of VAT is actually that it should work so well in a globalized economy because it's fiscally neutral. Everyone is put on the same level playing field. So if you're an EU business and you're operating VAT day-to-day, when you send your goods out of Europe to the U.S., it's there's a zero rate that applies to that. You don't have to pay any VAT there. And likewise, if you're a U.S. business coming into the EU, your goods may have VAT operated on them as they get sold in the EU, but that puts you on the same level playing field as an EU business. So it's an equalizer. It actually means that people transacting cross-border in a globalized economy are operating and selling at the same level with the same level of tax attaching to it?

19:35

DAVID SITES

OK, perfect. So what about digital services? Is there concern around the VAT application of digital services? So if I buy, I don't know, an online book and it's from an EU seller versus a US seller. Does VAT differ in in those cases necessary?

19:55

EMMA BRODERICK

Yeah, this is where it starts getting a bit more complex, right? Because VAT and its rules were really written long before the digital economy explodes in the way that it has, you know, like VAT was in operation since the 50s. It was long before we had the Netflix of this world and all those other types of consumption. So in around 2010, there was a shift in how VAT is operating in the EU and there was a move away from tax at the place where the supplier is located to what we call the destination principle. The idea is again that we're trying to tax the final consumer. So of course you look at where that final consumer is sitting and if that's someone sitting at home and they're consuming that online media, the tax is going to get paid where they are according to the VAT rate in their jurisdiction.

20:42

DAVID SITES

Interesting. OK. All right. So it's the location, got it, location of the consumer. Well, I want to shift gears. This all sounds very complex and it sounds like things are moving fast and I know you advise multinational businesses all the time. Talk to me a little bit about how businesses react and adapt to these changes and what technology investments need to be made and generally, you know, what are you seeing as businesses kind of tackle their global VAT exposures? And I imagine it's an immense amount of money for a lot of businesses at the rates that you kind of mentioned. So how are businesses adapting to these changes?

21:27

EMMA BRODERICK

Well, I think it goes to a lot around tech investment, not necessarily tech investment just to support VAT reporting, but almost that a business is looking at its tech investment, it's figuring out what resources it has, and then how to better leverage those to make operation VAT that little bit easier. You know there's a lot of demands on businesses now around that type of real-time reporting and e-invoicing that I mentioned and more to come, right? The EU has a lot of mandates coming down the track over the next few years and it all goes back to your data and your reporting. How are you pulling information? How are you getting it to the tax authorities? So businesses really are looking at their global supply chains and their domestic supply chains and and saying to themselves. Well, what information do I have? Do I have the right information to report to the tax authority? And will that still be the same information in a couple of years when more mandates around electronic invoicing and digital reporting come down the track. So for me at the moment, I'm talking a lot to clients around. Well, how are you managing the operation of VAT at the moment in your business? When you get information from your finance team that you need to transpose into a VAT return. What does that look like? What manual adjustments do You need to make? How many source systems are you going to try to pull all the information from and get it ready? And how long does it take you in terms of man hours or FTE hours to actually get your return filed at the end of the month? Because it's a big lift on businesses at the moment. So I think where the future is going for VAT is around looking at tech tools to automate some of that data extraction, data interrogation to so that you can get ready and quickly be able to move to the VAT compliance at the end of the month and instead of spending the time on the manual adjustments to be able to step back a little bit and say, “Well now I can actually read the information that's here and do some analysis off the back of that.” Because in the globalized economy we're operating in, there are so many sources of information in different transaction flows of businesses are dealing with.

23:32

DAVID SITES

Yeah, absolutely. So most clients I talked to, it sounds really simple when you explain things to them in the concept of having one ERP system and a couple of products in one ERP system. It sounds easy to get data and do that type of stuff, but realistically, businesses have sometimes a dozen ERP systems, if not more, especially if they were very acquisitive and they've got tons of different product lines and tons of different applicable rates, and I imagine it's a challenge. You've got to get the rate correct at the time you sell the product. It's not like you can come back later, right? And figure out, did I sell it enough to cover the VAT rate? So I imagine the implementation of technology is super important. So is that changing the jobs? I mean, typically right, the old tax person, right, was somebody who was heavily involved in computing taxable income or computing income taxes or filing of returns. I imagine now the typical tax person is shifting more to be a tax technology person. Is that right?

24:36

EMMA BRODERICK

Yes, for sure. And you can even see that in terms of, you know, you see job advertisements and that kind of traditional the VAT manager role is shifting a lot. There's a lot of ask there around well, what's your tax technology experience as well, you know and in this particular VAT compliance software tools and VAT technologies that come up, but more broadly than that, it's a little bit about using other technology tools. You know, we talk about using Alteryx just to pull all of those ERP systems together and get the information into one place or using data sniper to look at invoices coming from various suppliers so that you can get that that ingestion of data correctly into the system. And yeah, it's very much has shifted it. I think that that are well-equipped tax manager now who's responsible for VAT has to be very OK with data sources. They have to understand ERP systems and how data gets pulled out and be able to speak to the IT professionals in the business about the data points that they need, what that looks like when, when do they need it. How soon can they get it? What are what are they going to need in a couple of years. So the job around you know, month-end, looking back historically and reporting, that's changing, and it's very much about well how do you get your tax determination right day one when you take on a new contract, what are you setting up in the system so that you know you're. Going to get that right going forward. And that the data is going to flow through and that you'll be able to meet the filing requirements when the time comes.

26:08

DAVID SITES

Yeah. So you made me think of a topic, you know you mentioned setting things up on day one when you take on a new contract and there have been massive supply chain changes in the U.S. partially related to sudden changes in U.S. trade policy. We've seen globally company looking to change suppliers, sometimes customers looking for new vendors and so I imagine as this accelerates you probably the supply chain challenges that businesses are having are also VAT challenges, right, because they create new VAT flows that managers need to react to real-time going back to like Brexit, right. And I imagine you guys have a ton of cross-border flows with the UK and you being in Ireland. And talk to me a little bit about the companies struggle with supply chain challenges, customs challenges and now trade challenges under the Trump administration. And what are they doing to kind of react to that real time?

27:14

EMMA BRODERICK

Yeah, it's really difficult one, you know, I think with Brexit and in some degree with the recent tariff announcements, there's a little bit of hope value that everyone's kind of going, "oh, maybe it won't happen. I won't have to deal with it." But then it comes as a bit of a shock and people are on the back foot. Because, yeah, those changes are really seismic, for businesses VAT and tax tariffs have really gotten more baked in. I think to the commercial psyche, it's less about saying, OK, it's going to be 20% at the end of the day and it's more about well, what are the other trade barriers that these taxes are putting up? And practically, how do we manage this and make sure that we cannot let the commercial ball drop while also managing the tax piece?

27:58

DAVID SITES

Yeah, there's a lot of factors, right. I think there's tariffs, there's your customer, there's timing, there's VAT, there's production capability. You might find that the best solution is one that you just can't physically do because they're they don't have the production capacity where where you need to do it and things like that. So yeah, lots of obstacles, lots of challenges. Let's, let's look forward here. I want to ask you about there's some upcoming directive in the European Union around VAT in the digital age, I believe. Can you talk a little bit about what that is and how that's going to work and how that might impact listeners out there?

28:39

EMMA BRODERICK

Yeah. And talking about acronyms, you know, you, you asked VAT. So VAT in the digital age, the acronym is VEDA and uh, yeah, we talk a lot about VEDA and there's a lot in it, to be honest, right. There's an awful lot in it. There's basically this is an EU directive. So it's almost an update to the existing EU directive. And it is a really big change from an EU perspective because it's focused on changing how we operate that and how we report VAT in order to bring it into the digital later, so a little bit late to the party, but I admire where they're going. And so VEDA has three main pillars to it. Two are probably a little bit less wide application to the listenership. One is about selling goods through platforms and the other is about managing cross-border trade and operationally being able to do that through more neat compliance mechanism. But the really big one is the real-time reporting supported by e-invoicing and this is the one that's going to affect every single business, because what it's trying to do is introduce for any business operating in the EU that is selling goods or services, cross-border that they will need to on a real-time basis issue their VAT e-invoices. So not the PDFs, but that subset of data that I mentioned and they will need to issue those to their customer on a near to real-time basis. So within broadly five days of issuing the invoice, the information needs to go to the tax authority and needs to reconcile with what your customer is posting to the tax authority as well and and that's really seismic because we just haven't had that before from the EU perspective and it's going to change entirely how businesses operate. The idea of getting all of the EU tax authorities together to do it and to introduce the kind of centralized reporting that they need that that's another big lift. But that's certainly that's the direction of travel. That's what we're all talking about and within the next five years, the ambition is that this is going to be in place.

30:42

DAVID SITES

Yeah, you, you mentioned that there's three pillars to that directive and you also mentioned getting all of the tax authorities together to agree on one path forward. We have some other places in the tax law where we have pillars and we have taxes solutions trying to get together to adopt something and it's it's not going swimmingly in that area at the moment.

31:00

EMMA BRODERICK

Yeah. No, it takes the time it takes the time it takes time. Yeah.

31:04

DAVID SITES

It sure does. It sure does. Alright. So you you live in this world you talked to clients every day you serve multinational business. Says tell me when you look ahead. What do you think the biggest challenges or opportunities are in the indirect tax space for multinational businesses? What should they really be focused on? I imagine a lot of the things we talked about today, but you know, share with me kind of what what your pitch is when you're out in the market and you're advising people and you're saying this is where you really need to be focused. This is where the biggest opportunity is. This is where the biggest challenge lies.

31:43

EMMA BRODERICK

Yeah. You know, in some ways I'm going to do myself out of a job, right? Because I think the opportunity is that we won't be doing VAT returns anymore and that that idea of month end VAT compliance that that should fall away. Now, I don't know if that's in five years or 10 years or when it might be, but we will get to a point where VAT will just happen in the background, all the work will go in at the setup to determine you know the

the place where the transaction is subject to tax, the VAT rate and once you get all of that determined and you map your data, then everything else will flow from that. And I mean, who doesn't like the idea of month-end compliance falling away, no more VAT returns like it sounds absolutely fantastic. And and the opportunity that attaches to that then of course is what replaces it. You're going to have qualified professionals who can do analytics on that tax data. They can look at VAT cash flows, they can look at opportunities for things to be just streamlined and easier and less of that headache, less audits. To me, it just sounds fantastic. I say to many of the people on my team who are training with us and and starting out their careers that they're just going to have a completely different career. To me, it's all going to be about opportunity for tax planning and efficiency and saving time, you know. We all talk about AI, agentic AI, taking over our jobs, but in a way, it's just relieving some of that pain that's attaching to it. I think that's the most exciting thing that's happening. The biggest opportunity that's coming for businesses over, like I said, I don't know, five years, 10 years, maybe longer than that, but certainly it's it's happening, it's coming. It's it's exciting.

33:18

DAVID SITES

So so. You know, it's funny, we don't obviously have VAT in the United States. We also have a staggering deficit and and and national debt that continues to grow and it's become increasingly difficult to raise revenues through an income tax system. So I find myself having a lot of discussions when I talk about looking forward. In that five-, 10-, 15-, 20-year range, will the U.S., you know, have some sort of VAT or national consumption tax at some point in the future and I think all the things that you just talked about, the opportunity to kind of achieve real-time, not back-end compliance, something that's very flexible, something that maybe doesn't impact, you know, something that that that's not susceptible to a lot of planning and structuring around like the income taxes can become very attractive now. We would never call it VAT the United States, because politically, everybody's like, “Oh, that's that bad European tax that nobody wants, right?” So we'll come up with another fancy name and act like we invented it ourselves. But my prediction is at some point we will see some sort of national consumption tax or some sort of unified sales tax and I know other places call it goods and services tax. I can't wait to see what our acronyms going to be. But I agree with you, I think I think we're going to have an interesting future for tax professionals in this space. Well, listen, that's about the time that we have. I really appreciate your insights. This is a fascinating area and I hope to have you back again on the podcast to talk about VAT when some of this plays out. I want to thank all of our listeners for tuning in today. If you have questions or want to learn more about how your business might be impacted by indirect tax developments in the EU and beyond, please visit grantthornton.com and be sure to follow the DC dispatch for timely updates on tax and regulatory developments that matter to you.

Until next time, thanks for listening.