



US Inbound Corner

US indirect tax considerations for inbound companies

With all the various considerations involved for entering the US market, state indirect tax might not be the first thing that comes to mind. However, indirect tax matters are not as simple as one size fits all.

Unlike a countrywide Value Added Tax (VAT) or Goods and Services Tax (GST), US state-level sales and use taxes are currently imposed by 45 of 50 states plus the District of Columbia. Many states also have local-level sales and use taxes, in addition to the state-level taxes. The local-level sales and use taxes generally mirror the state sales and use tax structure and are remitted on the state return. However, there are several states where the local-level sales and use taxes do not mirror the state sales and use tax structure and are remitted separately to local jurisdictions.

Following the Wayfair US Supreme Court decision in June 2018, which changed the sales and use tax nexus standards across all states, many state auditors have been scrutinizing non-filers, even those not physically present in the state.

As a result, many companies need to evaluate economic nexus and whether they have a collection and filing responsibility for sales and use taxes in the various jurisdictions where they are making sales and the taxability of their sales. If tax exposure is identified, remediation steps may reduce penalties, as well as simplify registrations and return filings to bring the business into full compliance. In some cases, sales and use tax overpayments on purchases may also be reviewed for potential refund opportunities. When a company determines that it

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has nexus that creates a collection and remittance responsibility in a jurisdiction and that their product is taxable, it will also need to address customer exemptions and may consider an exemption certificate management system or process.

Nexus and taxability analysis are also crucial considerations for mergers and acquisitions (M&A) where the target is conducting business in the United States because there may be historic sales and use tax exposure that may warrant M&A purchase price adjustments.

Tax technology is becoming more integral within the tax function to address complexity across multiple jurisdictions. Tax technology can address business needs for tax determinations as well as compliance. With constant legislative changes, having an automated tax system in place can address rapidly changing taxability and tax rates across multiple jurisdictions.

Indirect tax can be dauntingly complex, but with the right strategies and experience, it can be tackled one state at a time.

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Calendars to watch

Each edition, be sure to mark your calendars for some of the more important events (recent and upcoming) as well as tax developments making an impact on businesses investing in the United States.

Deloitte US Inbound roundtables

Inbound Client Roundtables are being scheduled in cities across the United States and globally. These are in-person events with guest speakers on a variety of tax technical topics. If you would like more information about the event closest to you, please email us at usinboundservices@deloitte.com.

| City | Date |
|--------|--------|
| Boston | 31-Jan |



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