Value Added Tax
Richard T. Ainsworth
NYU Law – Graduate Tax Program
Spring 2020 – (March 12 – April 30, 2020) – Second 7 weeks
FH 214 (11:00 – 12:50 pm)
WRITTEN EXAM


Secondary Materials and Additional Cases: During the course students will be provided with additional cases (hard copy and web based) to consider along with the primary text.

Objectives/ Learning Outcomes:
(a) **Knowledge/ understanding of substantive and procedural law** - this course undertakes a detailed examination of global consumption tax regimes, with a primary focus on Value Added Taxation (VAT) in the European Union. It will however, not be limited to the EU VAT, as important variations outside the EU will also be considered. The Canadian and New Zealand GSTs as well as the Israeli and Brazilian VATs will provide important contrasts. The Japanese consumption tax, an annual non-invoice VAT, will also be considered, as will the technology elements in the Chinese VAT (Golden Tax Project). Depending on the resources available reference will be made to the new VATs being adopted in the Gulf.

The student should expect to acquire broad familiarity with global indirect taxation systems in sufficient depth to allow him/ her to participate in international tax compliance and planning dialogues in a corporate context. This course complements studies of direct taxation and provides important balance to direct tax planning strategies. The student should expect to be able to assess US proposals for a federal VAT.

(b) **Legal analysis and reasoning/ research/ problem solving with written and oral communication in a legal context** – this course will also introduce students to current research efforts directed at solving (with technology and statutory reforms) some of the major frauds (Missing Trader frauds) in the EU and similar VATs.

In this context students will be expected to respond in writing to potential fraud problems in various US consumption tax proposals (commonly on the final
exam). Specific focus for this analysis can include: (a) impact on the adoption of a EU style VAT in the US, (b) the anticipated response of the US States to a federal VAT, (c) reactions to the VAT-like attributes of the GOP’s proposed corporate tax reform, and (d) the impact of “border tax adjustments” as that concept is applied in VAT as opposed to the income tax.

(c) **Exercise of professional/ethical responsibilities to clients** – this course will teach, and measure the internalization of professional responsibilities consistent with the defense of individuals being extradited from the US for criminal and civil violation of VAT statutes overseas. The instructor’s role in two such extraditions and the ethical issues that were raised will be considered. Notably, the role of VAT fraud in the funding of terrorist organizations will be considered in this context. Student will be expected to assess the impact of an unsupported terrorist funding allegation in a VAT extradition.

(d) **Other professional skills for competency and ethical participation in professional activities** – this course will expose students to the developing technology interface essential for competent practice in this specialty. In particular the application of blockchain technology and Bitcoin-like cryptocurrencies in consumption tax enforcement will be considered. In this context the critical importance of technological advances (both for internal compliance measures, and government enforcement) will be examined. It is expected that students will make an effort to contribute to the field by publishing commentary and analysis, as will be demonstrated through the instructor’s work in the field.

**Grading Policy:** This course will have a written final examination. The exam will determine the course grade. This instructor has offered this course previously, but only in a two-credit format. Copies of previous exams will be available (with answers). To assure a level playing field these exams and answers will be posted on the class web site. The same web site will be used for both residential and on-line students.

**Comparison with two-credit course:** During the full two-credit course offered comparative analysis is heightened. In that course we consider variables from more VAT jurisdictions (notably the East African Community VATs, and the new VATs in the six Arabian Gulf states). In addition, detailed consideration of difficult problems that arise when real estate, insurance, gambling, and financial transactions are made subject to VAT become part of the course.

**Audio visual recording:** Please note that classroom proceedings for this course may be recorded by the Audiovisual Department.
<table>
<thead>
<tr>
<th>Class</th>
<th>Topic</th>
<th>Text</th>
</tr>
</thead>
</table>
| 1 | • Introduction to VAT – consumption taxes, direct v. indirect taxes, proliferation of VATs  
• Forms of Consumption-Based taxes & Altering the Base  
• Trump & VAT | Chapter 1 & 2 |
| 2 | • Varieties of VAT in use: EU, Japan & New Zealand.  
• Registration, Taxpayer & Taxable Business Activity | Chapters | 3 & 4 |
| 3 | • Taxable Supplies of Goods & Services, Tax Invoices,  
• Blockchain: Bitcoin & Initial Coin Offerings in Virtual Currency | Chapter | 5 |
| 4-4 | • Tax Credit Mechanism. Credit for purchases, Excess input credits, Used property, Post-sale price adjustments, Casual sales by consumers  
• Japanese system, calculations & special schemes | Chapter | 6 |
| 5 | • Cross-border aspects of VAT, and dealing with the Service Sector. Place of supply rules. The mobile service industry.  
• New Zealand’s response to services “NetFlix Tax” & “Amazon Tax” | Chapter | 7 |
| 6 | • Timing & valuation rules (accrual, hybrid, cash methods; taxable period; special rules) | Chapter | 8 |
| 7 | • Zero-rating & Exemption  
• Single price among multiples supplies | Chapter | 9 |