

19 VAT and the PCO

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Value Added Tax (VAT) is a tax that is implemented in many countries around the world. In principle VAT should always be refundable to companies; most of the VAT incurred on business expenses linked to organizing an event is refundable. In countries outside the EU this tax is also known as Goods and Services Tax (GST).

EU VAT laws have undergone comprehensive changes which have to be implemented by member states from 2010 to 2015. The 'Place of Supply' rules introduced by the EU are part of the most important VAT laws for the meeting and event industry. In simple terms, the regulation specifies that VAT is due where the actual event takes place. The delegate fee to a congress or an exhibition is always taxable where the event is held and will be charged with the standard VAT rate. This applies to all delegates, regardless of whether it is provided to a business customer or private individual.

When do PCOs need to pay VAT?

VAT registration is obligatory whether the event is organized by a private company or a not-for-profit association. VAT is payable if the organizer:

- Charges a fee to delegates attending the event (congress, conference...).
- Charges a fee for exhibit space (depending on the local regulation).

However, VAT registration is usually not required for events where the delegates or exhibitors do not pay a fee.

Why does a not-for-profit association register for VAT?

The European law maintains that state, regional and local government authorities and other bodies governed by public law shall be regarded as taxable persons in respect of those activities or transactions where their treatment as non-taxable persons would lead to significant distortions of competition.

If a not-for-profit association was permitted to invoice without VAT, it would lead to a distortion of competition with a private company. Not for profit associations are therefore required to pay VAT on their events.

(There are certain exceptions to this rule in some Member States)

Eg. Registration to a congress in Germany (VAT rate is 19%) is \$1,000 without VAT and \$1,190 with VAT.

Where is the VAT due?

The European law states that the place of supply of services is the place where the congress actually take place. Therefore if a congress is held in Spain the Spanish VAT law is applied.

What are the key issues for recovering VAT?

In principle, VAT can be reimbursed to event organizers. Nevertheless, under the 8th and 13th European Tax Directives, organizers may see their reimbursement refused in some instances as follows:

- Some European countries, such as Spain, Italy and Poland, do not reimburse US-based companies (due to a lack of a reciprocity agreement);
- European Member States apply different regulations

that make it more difficult for the organizer to recover the VAT.

Eg. A UK based organizer holds a corporate meeting in Denmark. They contract directly with the Danish vendors:

Net cost on hotel and catering: €100,000

25% VAT € 25,000*

Total cost €125,000

The local tax administration imposes restrictions, and only 25% of the VAT is recoverable: €6,250.

What is the reverse charge?

When organizers buy services from suppliers in other countries, they may have to account for the VAT themselves depending on the circumstances. This is called the 'reverse charge', and is also known as 'tax shift'. In this instance, the organizers act as if they are both the supplier and the customer. In essence, they charge themselves the VAT and subsequently reclaim it. Ultimately there is no net cost - both taxes cancel each other out. The reverse charge on services only applies when the supplier is in a different country to the organizer.

Are special conditions required on invoices?

Since an event is subject to the 'Place of Supply' rule, invoices shall be issued according to the law where the event actually takes place. The buyer (either organizer or participant) is responsible for the invoices received. Upon review by the tax administration, a request for reimbursement may be rejected if the required legal wording does not appear on the invoice. Thus, the organizer must issue invoices that enable the client to recover the charged VAT. The organizer must also personally ensure that his vendors' invoices are correctly established.

In conclusion, VAT should not be a charge for PCOs or their clients as long as the relevant laws are duly respected. An event falls under the 'place of supplies' rules whenever admissions are offered, regardless of status as a profit or not-for-profit. When applicable, the reverse charge principle entitles the organizer to issue invoices without charging VAT. Attention must be taken on invoices - both incoming and outgoing -, knowing that they are the first document audited by the Tax authorities. In the eyes of the Tax administration, the organizer is responsible for the collected VAT.

* Situation at 14th January 2013

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BC&A has been specialized in VAT management for Meetings, Incentive events, Conferences, Events and Housing since 2004. With international offices in Spain, Morocco and America, BC&A has developed a VAT recovery solution for both non-profit associations and professional organizers. For more information please visit: www.bc-a.com. The expert article has been edited and provided to you by INCON. For more INCON expert articles please visit: www.incon-pco.com/expert-resources

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