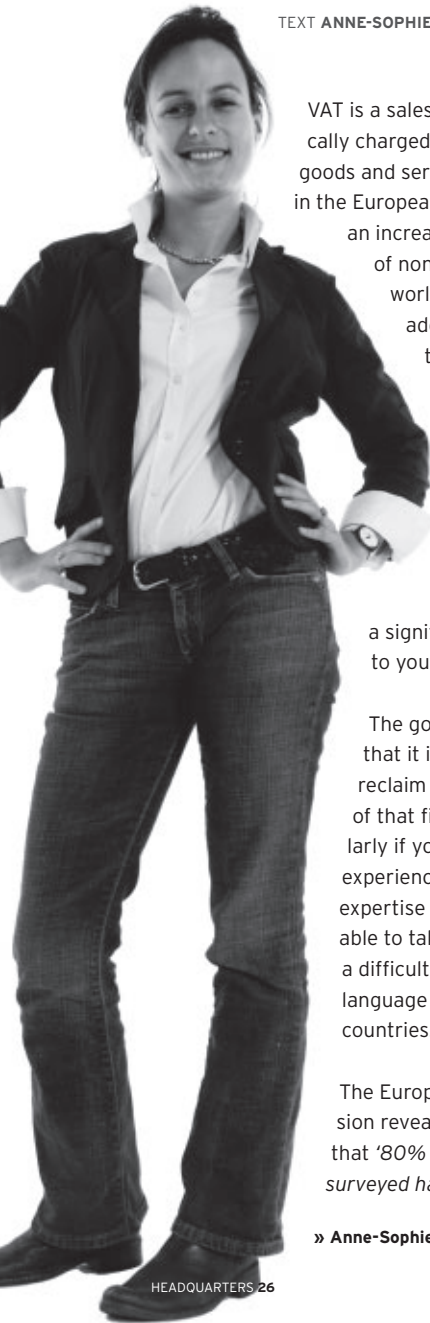


ENHANCING YOUR EVENT'S BOTTOM LINE THROUGH THE VAT RECLAIM PROCESS: LEGAL IMPORTANCE AND POTENTIAL BENEFITS

WE ALL ENCOUNTER VALUE ADDED TAX (VAT) IN OUR DAY-TO-DAY LIFE, WHENEVER WE PURCHASE SOMETHING FOR PERSONAL USE, BUT IT IS SURPRISING HOW MANY ASSOCIATIONS AND ORGANISATIONS DON'T CHOOSE TO TAKE ADVANTAGE OF THE POSSIBLE RETURNS WHEN ORGANISING AN EVENT IN THE EU.

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VAT is a sales tax automatically charged on virtually all goods and services sold within the European countries and an increasing number of non-EU countries worldwide. It can add up to 25% to your bill but the average is around 20% in Europe. When organising a large event, VAT can therefore add a significant amount to your expenditure.

The good news is that it is possible to reclaim a large chunk of that figure particularly if you work with an experienced PCO with expertise in tax reclaim able to take you through a difficult process across language barriers and countries.

The European Commission revealed in 2004 that '80% of SMEs surveyed have in the past

*failed to apply for foreign VAT refunds due to the complexity of the process** while a European legislation was adopted in the 1990s to allow companies to reclaim VAT on eligible overseas business expenditure. Common reasons for failing to reclaim VAT include being unaware of the possibilities, language and location barriers and the long and complicated process that can bog down finance personnel.

THE LEGAL SITUATION

The European Council Directive** on the common system of value added tax states that it is compulsory to charge VAT in the country where a supply of services relating to cultural, artistic, sporting, scientific, educational, entertainment or similar activities is held. Associations based outside the European Union can have difficulties grasping the VAT concept on our shores, as sales tax for example in the United States cannot be reclaimed and is commonly much lower. Many US based organisations choose to work 'under the radar' and ignore the legal obligation to charge VAT on registration fees, exhibition and sponsorship packages and other sources of income.

As an association, you take on a lot of risks if you choose to ignore European legislation, and as we've seen with likes of the Microsoft case, the EU is not afraid to levy serious fines on businesses which as a non-profit association could be enough to cripple your organisation.

Becoming legal in organising an event in Europe for a non European based organisation means to have legal representation in Europe as well as freezing a large amount of money in the country of the event as a guarantee to the local administration that they will pay what is due at the end of the event. A PCO can avoid this by organising the event for your organization under their name.

THE VAT APPLICATION AND RECLAIM PROCESS

In order to charge VAT and to recover VAT on purchases, the PCO - under the name of the association - will have to register with the local administration to obtain a temporary VAT number that will identify the event (if the country is one used regularly it may be worth obtaining a permanent number). An experienced PCO will be able to contact the local fiscal authorities and produce a detailed memo or snapshot of the event that summarises the event for the government. This will contain primarily the budget and estimated revenues and expenses.

The PCO will then have to follow strict criteria set by the local authorities to ensure all invoices issued are correct and all local invoices paid are correct. It is important to note that VAT is only reclaimable on suppliers that the event planner hires in the country of the event. For example, working with a French audiovisual company in Spain will mean that the VAT will not be reclaimable on audiovisual expense as the VAT will be paid

» Anne-Sophie Snyers

