

International Business Review

Did you know that VAT on your business related costs can be reclaimed?

Value Added Tax (VAT) is a general sales tax, imposed on the consumption of goods and services in Europe.

VAT Reclaim is the process of recovering VAT (without having to become registered for VAT) incurred within Europe. Examples include undertaking a business development trip to visit prospective clients, participating in a trade show, researching the market for product/service entry or even carrying out initial marketing of a product in a specific territory.

Who can reclaim?

Any business incurring VAT in a European country can make a claim if:

- The expenses are incurred for business purposes.
- The business is not registered, liable or eligible to be registered for VAT in the country where the expense is incurred.
- The business has had neither the seat of its economic activity nor a fixed establishment from which business transactions are effected in that country.
- The business has had neither a permanent establishment nor domicile/place of residence status in the country it wishes to reclaim.
- The business has not supplied any goods or services in the country where the claim is being made.
- The business is EU based and registered for VAT in its home country, or the business is non-EU based and registered for business purposes in the country of its origin.
- For non-EU companies only, a reciprocal treaty arrangement must be in place between its own government and the government of the country in which the claim is being made.

What can you reclaim?

Eligible items for reclaim vary from country to country depending on a local adaptation of the European Directives. As a rule, many countries offer refunds on:

- Trade shows
- Accommodation costs
- Meals
- Car hire
- Intercompany charges
- Professional fees
- Telecommunication charges
- Outsourced services
- Training courses, etc.

Case study A

Company A from France exhibited at Farnborough International Airshow in the UK. Its stand costs, hotel bills, lunches and dinners, car hire and petrol costs amounted to £57,882. All of these costs were subject to UK VAT at 17.5% (VAT will rise to 20% from 4 January 2011) and were recoverable from the UK authorities under the 8th Directive Reclaim. BRAL undertook the recovery process for Company A and consequently reduced its marketing costs by £8,621.

Why should you reclaim?

Millions of Euros go unclaimed every year. Did you know that employees' travelling costs and expenses are one of the largest controllable corporate expenses? With VAT rates of up to 25%, recovery can potentially run into thousands of pounds for many companies. Unfortunately, VAT is often left unclaimed, as most companies write off VAT on expense as costs, as they are unaware of the real VAT refund potential.

What are the deadlines for making a claim?

European governments impose a submission deadline of SEPTEMBER 30 for VAT reclaim on the expenses incurred in the previous calendar year.

The UK has a separate submission deadline for non-EU, including US based, companies of DECEMBER 31.

Some authorities may allow retrospective submissions, based on individual circumstances.

Case study B

Company B Inc, a US based company, made a decision to enter the European market with its existing product portfolio. Prior to setting up an office/permanent establishment in Europe, Company B Inc decided to send its business development team to Europe for an extensive market testing exercise. For ease of operations, it has chosen the UK as its entry market into Europe. A team of business developers have travelled mainly around the UK, but also in some other European markets, attending various trade shows, meeting with potential clients, etc. The company's total expenditure amounted to around £30,000. As the development team retained all original invoices for their expenses, BRAL was able to recover UK and European VAT, thereby reducing the costs of this business development exercise by £4,468.

In the first instance, please contact:

Nilesh Shah

Telephone: +44 (0)20 7544 8866

Email: nilesh.shah@blickrothenberg.com

Alan Pearce

Telephone: 44(0)20 7544 8884

Email: alan.pearce@blickrothenberg.com

12 York Gate
Regent's Park
London NW1 4QS
United Kingdom

Tel: +44 (0)20 7486 0111

Fax: +44 (0)20 7935 6852

Independent
Member of  BKRI
INTERNATIONAL