



Reclaiming VAT from International Meetings: Part I

By Michelle Bruno



Indirect taxes, such as the Value Added Tax (VAT) or Goods and Services Tax (GST) assessed on purchases made in the course of producing an international meeting, are important revenue components in many countries. The good news is that some of the tax paid by U.S.-based meeting and tradeshow organizers is refundable. The not so good news is that the amount of tax and the potential refund is a moving target. The services of a reputable tax refund company cannot be underestimated. One company with considerable experience managing overseas events and obtaining tax refunds offers some advice.

Countries depend on VAT/GST taxes

An Ernst & Young Report titled, “Indirect Tax in 2013: A review of global indirect tax developments and issues,” recognizes the increasing dependence of countries on VAT-type taxes and how they have increased in popularity. “It is probably unprecedented in the long history of taxes that a specific tax mechanism, such as value-added tax (VAT), has spread around the world in less than a half century. Limited to less than 10 countries in the late 1960s,

VAT — or, in several countries, goods and services tax (GST) — is today an essential source of revenue in more than 150,” the report states.

VAT/GST tax rates are increasing

Generally speaking, VAT and GST taxes are on the rise globally. The Ernst & Young report notes, “Around the world, many countries are relying more and more on indirect taxes to finance their budgets. Coupled with the ongoing economic crisis, VAT/GST rates have increased impressively in recent years as a result; at the same time, the scope of VAT has broadened in many countries.” The document also highlights many of the changes by country:

- Between 2008 and 2012 the average EU standard VAT rate increased from around 19.5% to more than 21%.
- Cyprus, the Czech Republic, France, Finland, Italy, Poland and Slovenia have increased rates recently or have announced increases later in 2013 and 2014.

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- Japan will increase the current VAT rate from 5% to 8% effective April 1, 2014 and to 10% effective October 1, 2015.
- Thailand will raise the VAT rate from 7% to 10% by October 2014.
- In the Dominican Republic, the rate is set to increase from 16% to 18% in 2013 and 2014.
- The scope of the zero-rate (0% rate) tax was reduced in 2013 in Croatia, Norway and Kenya.
- In the Dominican Republic, Jamaica, and Zambia, tax exemptions have been removed.
- In Iceland, Italy and Poland, the application of the standard rate has been widened to goods that were previously taxed at reduced rates.



What expenses are eligible for refunds?

While eligibility differs in each country, taxes paid on hotel accommodations, meals, entertainment, communication, transportation, conferences, fuel, advertising, marketing/promotion and printing are typically eligible for a partial refund.

Selecting a company to help with the reclamation process

Because reclamation is a complex process, experienced international planners rely on specialized VAT management companies to handle the paperwork. Phelps Hope, CMP, vice president, meetings and expositions of Atlanta-based Kellen Meetings, offers some advice on selecting a solid VAT management company:

- Check the countries in which the company is registered to reclaim VAT. “Each region of the world is so different when dealing with VAT reclamation, make sure you are choosing a company that has experience

in that region, if not the specific country you need,” he explains.

- “When asking for price quotes from the company, be prepared with an estimated amount of total spend in that country (most VAT companies charge 30% on the reclaimed amount, with a minimum fee threshold).”

- Ask for a commitment on turn around time for VAT number verification and invoice approval, and try to verify how their internal administrative support will offer redundancies if your key contact gets sick or takes vacation. “Most often, once the process starts with your members/exhibitors, you cannot afford an

additional day or two delay in their part of the process,” Hope says.

- Speak to VAT company representatives to assess your trust level. “Do they sound like someone who knows their business and will be there for you when that unusual situation arises?” Hope suggests.

Although the actual refund process can take up to two years, planners have to act early and build the reclamation requirements into the meeting planning process. Depending on the size of the meeting, the refunds can be substantial even after deducting the fees paid to VAT management companies. Understanding the impact of the VAT/GST expense as well as the potential of the refund can help meeting and exhibition planners budget more effectively. A professional VAT management company can be crucial to management the process.

Global View Notes will have more details on integrating VAT/GST reclamation into the planning process in our next issue.

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