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Trade association seminar VAT

The Supreme Tax Court has held that trade association seminars are, as such, VAT-free, although opulent meals in the interests of networking are not.

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A trade association ran seminars for its mainly middle-market members on subjects of general business interest, such as marketing, personnel management, employee representation, law of contract and public relations. One of its purposes was to enhance contact between members and encourage them to share their views on matters currently of interest in the industry concerned. To that end the seminars were deliberately kept low-key and the atmosphere informal. The location, a hotel, was chosen to promote a sense of well-being among participants with catering to match. The association organising the event saw the networking objective as of equal importance as the formal training aspects and took the view that the fees for participants were not free of VAT. It invoiced accordingly. The tax office saw, however, the seminars as training by a professional association for its members, with the fees being primarily to cover costs. They were therefore VAT-free. The unfortunate consequence was that the VAT charged remained payable because it had been shown openly on the invoices, whilst the input tax suffered was no longer deductible because incurred in connection with tax-free turnover. The association then pointed to the large proportion of catering costs in its overall seminar overhead and asserted that networking rather than training was, in reality, the main point of the meetings.

The Supreme Tax Court has now found a compromise. The seminar organiser was a trade association ranking in this connection for public body privileges. The seminars were organised with a full day's programme for imparting knowledge and skills. The fees charged were mainly to cover costs, inasmuch as the outlays were more than half the receipts. Neither the low level of the subject matter presented, nor the high proportion of catering in the overall cost detracted from the overall conclusion that the seminar charges qualified for VAT exemption. On the other hand, opulent, as opposed to basic, catering was not essential to the seminar as such. It was therefore more than a mere ancillary element. As a service in its own right, it did not qualify for VAT-exemption. Thus, the court referred the case back to the lower court for settlement of the split of the attendance fees between the VAT-free training and the VAT-able „jolly".

Supreme Tax Court judgment V R 12/10 of October 7, 2010 published on January 26, 2011

Schlagwörter

Seminar, ancillary service, catering, networking, trade association seminars, training seminars