

VAT changes 1 January 2011

Admission charges to European conferences, exhibitions, and events

1 January 2011 sees a change to the EU VAT rules for business-to-business (B2B) supplies of cultural, artistic, sporting, scientific, educational, entertainment and similar services. Supplies to private individuals are not affected, but it will impact on:-

- businesses in the entertainment, educational and conference/exhibitions sectors; and
- businesses which are involved in these services as part of their general business activities. For example, who organise or send their employees to overseas conferences or training courses.

What's changed?

Prior to 1 January 2011, most services connected with cultural, artistic, sporting, scientific, educational, entertainment and similar services were subject to VAT in the country where the service was performed.

This meant that, for say a concert tour, the band, the roadies, the electricians etc. were potentially liable to register for VAT in every EU state where a concert took place. (Some states, such as the UK, did not require registration if all trades invoiced a locally VAT registered business-e.g. the promoter. The promoter would then charge VAT to concert-goers.)

From 1 January 2011, as part of the ongoing changes to the cross border VAT rules most business to business (B2B) supplies will be taxed where the customer is established, under the B2B general place of supply rule. However, supplies of admission to cultural, artistic, sporting, scientific, educational and entertainment events, and services ancillary to admissions (such as cloakrooms) will remain taxable where the event takes place. Business to consumer supplies (B2C) will be unaffected.

Admission will cover any payment that gives the right to attend an event even if it is covered by a season ticket or subscription. This includes payment to attend conferences, exhibitions and seminars even if they are of an educational nature.

What are the issues?

Businesses will need to consider the impact of the changes on a country-by-country basis. For example, HMRC has stated that the normal tax point rules will apply in the UK, whereas other countries may treat any payments for events which take place in 2011 as subject to the 2011 rules, regardless of the invoice or payment date. Further, some territories will allow a customer to account for the VAT, some will not. A training supplier belonging outside the UK will not have to register for UK VAT nor charge VAT on UK training courses supplied to a UK VAT registered customer. The UK customer will have to account for VAT under the reverse charge.

Businesses will need to identify the correct VAT treatment of the particular services they supply. For example, land-related services (such as room hire or granting of exhibition space) are not affected by these changes and will continue to be taxed (or exempted) in the country where the land is. So businesses need to be clear on whether, say, charges are for the right to attend an exhibition or the right to occupy a stand at the exhibition. Businesses must then account for VAT correctly, and report any B2B services falling under the basic rule on EC Sales Lists. This will also mean identifying whether customers are businesses or consumers and in the former case obtaining their VAT numbers.

Businesses receiving cultural, artistic, sporting, scientific, educational and entertainment services; other than admissions; from a supplier in a different country, will need to account for the VAT under the reverse charge.

Just in case you had forgotten

The standard UK VAT rate increased to 20% on 4 January 2011

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