



VAT alert Belgium

Stricter rules for VAT deduction on gifts

On 29 May 2017, the Belgian VAT authorities published a Circular Letter on the VAT deduction rules for a number of situations where gifts are handed out for free. The distribution of free commercial gifts is strongly impacted. This stricter approach will also affect gifts offered within the framework of certain customer loyalty programs and employee rewards. Deloitte prepared a freely available hands-on impact assessment accessible via this [link](#).

Impact

The new Circular Letter heavily impacts the VAT deduction for products distributed for free as commercial gifts. Until the Circular was published, VAT was deductible and no VAT needed to be paid through a self-supply for gifts offered with a cost below EUR 50 (excl. VAT). The Circular now stipulates that the EUR 50 (excl. VAT) can be applied to only one gift per commercial relationship per calendar year.

Consequently, if several gifts are provided to the same person during a certain calendar year, then the EUR 50 (excl. VAT) threshold can only be applied to one gift. For additional gifts, the VAT on the purchase or production cost can no longer be deducted or should be paid through a self-supply in the taxpayer's VAT return, even if those gifts have a cost below EUR 50 (excl. VAT).

This restriction will also impact certain loyalty programs organised by companies for their customers, whereby

customers can receive a “free” item after redeeming a number of points accumulated through previous purchases.

Another change relates to the VAT deduction on employee gifts, where going forward, the EUR 50 (excl. VAT) threshold will also be applied per calendar year per employee. Only one gift is eligible for VAT deduction.

According to the Circular Letter, the EUR 50 (excl. VAT) threshold which would in principle concerns free goods should also be applied to Single Purpose Vouchers which are subject to VAT as they are deemed to represent goods or services. When such vouchers are given for free to a commercial relation or an employee (e.g. a gift voucher for a wellness treatment), the same rules as for goods should be applied.

The Circular Letter also deals with a number of smaller changes and clarifications for samples, advertising materials and goods donated to disaster victims.

The freely accessible “[impact assessment](#)” can be completed to assess this Circular letter’s impact on a company.

Timing

No specific date is mentioned, meaning that in principle the new rules apply as from the publication date (i.e. 29 May 2017).

Since no specific rules are foreseen for calendar year 2017, it is possible that VAT can no longer be deducted on gifts to a beneficiary for whom the threshold has been exceeded before the publication date.

Call for action

Companies are strongly advised to assess and calculate the impact of this new Circular letter, and if required, to revise their current process for the distribution of samples, commercial gifts, loyalty scheme and employee benefits.

Deloitte’s VAT and compensation & benefits experts remain readily available to discuss the above topic.

Contacts

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