



VAT alert Belgium

Vouchers: new EU wide VAT rules from 2019

On 27 June 2016, the European Council unexpectedly approved a change to the VAT Directive providing for specific rules on the VAT treatment of vouchers. The changes are based on a European Commission proposal, dating back to 2012, for a draft Directive aiming to clarify and harmonise applicable rules on vouchers. The scope of specific rules for vouchers is significantly reduced compared to the initial proposal. However, it brings the beneficial creation of a level playing field, as current Member State specific rules on vouchers triggered undesirable consequences for the internal market's proper functioning. The Member States have until 31 December 2018 to transpose the Directive into their national laws and regulations.

Background

The VAT treatment of vouchers has been on the Council's agenda for many years. In view of their increased usage, there was a need for a common solution to avoid discrepancies on taxation between Member States, mainly when cross-border vouchers are supplied (leading to double taxation or non-taxation). This has become even more pressing following the new place of supply rules with respect to electronically supplied services (since 1 January 2015), whereby a supply takes place for VAT where the customer is located.

SPV or MPV?

The Directive defines a limited concept of 'voucher' and distinguishes two types:

- **Voucher** – Instrument serving as (part) consideration for a supply of goods or services, whereby the goods or services or the potential suppliers' identity are indicated on the voucher or related documentation. Discount and money-back vouchers are explicitly excluded from this definition.
- **Single Purpose Voucher (SPV)** – A voucher where the place of the goods or services' supply, as well as the VAT due (%) on the goods or services is known upon issuance. An example of a SPV can be a EUR 25 voucher for fuel uplifting in Belgium in a number of listed petrol stations.
- **Multi-Purpose Voucher (MPV)** – Any voucher other than a SPV. This concerns situations where the place of supply or the percentage of VAT due is not known upon the voucher's issuance. An example of a MPV can be a hotel voucher valid in multiple countries, or a gift voucher valid for the purchase of goods subject to different VAT rates.

SPVs and MPVs will be subject to different VAT treatments. For an SPV, VAT will be due upon voucher issuance and transfer, while for an MPV, VAT will only become due upon the goods or services' actual provision upon voucher redemption. Preceding MPV transfers will not be subject to VAT.

Remaining uncertainties

The limited scope of the final Directive leaves taxpayers with many unanswered questions. For example, the situation where a multi-purpose voucher is not redeemed is explicitly excluded from the scope and therefore remains a national topic.

Entry into force

The Directive will only apply to vouchers issued as of 1 January 2019. As a result, Member states will have until 31 December 2018 to transpose the Directive into their national laws and regulations.

Although Belgian authorities already apply the SPV/MPV distinction, the new definition differs from the current one. The new definition and classification of vouchers will therefore not only force businesses to review the current VAT treatment of their vouchers but also explore new opportunities offered by this change for their promotional schemes.

Contacts

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