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European Meetings

A Planner's Primer on VAT Recovery

Aside from virtually guaranteeing a chorus of oohs and aahs among group members, European meetings pose another perk. In many cases, you'll be refunded the value-added tax, or VAT. But in this, as in all areas of event planning, forewarned is forearmed.

BY ANNA HUDDLESTON

WHEN SELECTING A NEW INTERNATIONAL site for his events, Philip Arbuckle, association and conference manager with MeetingTrack Inc., looks for a winning combination of a unique destination experience and inspiring business ideas. "My clients enjoy meetings abroad because they like getting a different perspective and can spot trends in other markets that are heading their way," he says. "And in many cases they become energized when they step outside of their home territory and engage with their peers from other countries."

European destinations can be a gem when it comes to event planning thanks to their cultural and historic appeal as well as developed infrastructure and proven dedication to the meeting and tourism industries.

TAX RETURN

One cultural (and financial) difference that U.S. planners should factor in to their offshore-event plans is the value-added tax (VAT). Sometimes reaching 27 percent, it is imposed on most goods and services in Europe and around the world. It is often charged on hotel, venue, food and drink, professional fees, car rental, and other conference-related services. What's more, the percentage varies from country to country, and so do the rules of how the tax is levied. The good news is that many foreign tax systems often allow for a refund of the VAT to nonresident business entities, which means that U.S. companies can get a hefty share of the expenses back.

"There is generally no reason VAT paid in Europe, Japan, and Australia should be absorbed as a cost by your company," says Britta Eriksson, president of Euro VAT Refund Inc., which works with many U.S. companies holding meetings and events abroad.

Eriksson urges planners to consider local taxation rules as early as possible in the event planning process, because it is much easier to recover the VAT if the company follows the right procedures from the get-go, rather than trying to patch things together later.

STEPS TO SUCCESS

First, keep in mind that incentive trips and related services are generally not eligible for VAT reimbursement.

Once you've determined your event's eligibility, check to see if your potential destination refunds to the U.S.—some of the countries that do include Austria, Belgium, France, Germany, Ireland, Scandinavia, the Netherlands, and the United Kingdom.

Next, check to see if your company needs to register for VAT before it begins to collect any registration fees. Registration usually is not required for events where no fees are collected.

Finally, since expense reporting processes may vary from country to country, learn about the invoice requirements before signing contracts with vendors and venues.

THINK GLOBAL, ACT LOCAL

Recently, the European Union introduced a new set of VAT rules that apply to the meetings and events industry with the idea of simplifying the process and making its member countries more attractive to global planners. The result is that many vendors now charge VAT on fewer services and items, which can translate to substantial savings. However, different countries can have their own interpretations.

"For trade shows in Germany, for example, if an exhibitor purchases more than three services, no VAT is charged," Eriksson says. "But in the UK, you don't have to charge VAT if the services included in the price of the booth were more than 70 percent. The rules can be unclear, and some tax authorities, such as in Italy, haven't fully decided yet what conference services are subject to VAT."

That's one reason why local expertise is imperative to getting your money back. A good place to start the research may be local CVBs, destination marketing associations, as well as groups on LinkedIn or other professional resources where you can find experts who have held a meeting in the desired destination in the past year.

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ASK AN EXPERT

"Get professional help with VAT and don't try to do it yourself," says Arbuckle with MeetingTracks. "I try to remember that my core function is planning the event. Outsourcing some functions is a reasonable move. We get help with transportation, we hire caterers, we go to an expert to get insurance for our meetings, and getting help from a tax expert is an item I keep on that list."

Nabeel Hasany, budget manager for Rotary International, takes this a step further and for every international destination hires a local tax consultant who can help navigate the laws and also obtain a tax ruling from the local authorities, if necessary. He says, "The best-case scenario is when local authorities can waive the taxes on revenue, such as the registration fees, and expenses. The worst is double taxation when you have to pay taxes on



revenue and can't reclaim any taxes on the expenses because you are a foreign entity. Somewhere in between is when you pay taxes on revenue and reclaim taxes on expenses. That's often the most realistic scenario."

That was the case in Portugal, where for its convention Rotary was allowed to pay VAT on expenses but got a waiver on revenue. Part of what made it possible: The organization started the process early and then presented Portuguese authorities with a similar ruling obtained for its event in Canada. Rotary did the homework and focused on tax-related issues years before the event, which allowed it to get the best deal possible for their event in a new destination.

"VAT may seem challenging since many planners don't deal with it every day," Arbuckle says. "We are familiar with varying requirements that change with each city, such as sending room diagrams for approval by the fire department—not necessary everywhere or for every meeting, but something that we are used to dealing with. I think of VAT in the same way, as an item for which I need to determine the local requirements."

THE REWARDS

Arbuckle says it all becomes worth it when he hears from clients how much they benefit from seeing what solutions are being implemented in other countries and from understanding the differences as they move from one culture to another.

"The payoff is far greater than the time or expense of complying," he said. "Plus Berlin, Paris and Barcelona have so much appeal, they are always an easy sell." ■

Keys to VAT Recovery:

- Learn whether the destination refunds VAT to the U.S.
- Consult with a local VAT expert on specific rules and regulations
- Find out invoice requirements before signing venue and supplier contracts
- Received a special tax rate in another country? Try to get it in the new destination
- Save original invoices during the event
- Connect with meeting professionals who have worked in the desired market for the latest best practices