



THE BUSINESS TRAVEL GUIDE TO EU VAT RECOVERY

THE DEVIL IS IN THE DETAILS



EU VAT RECOVERY

THE BUSINESS TRAVEL GUIDE

€19.5
BILLION

VAT accumulated from business trips abroad by employees!

A significant portion of the EUR 19.5B unclaimed VAT was forfeited due to invoices submitted with: **incomplete information** or **incorrect information**

These funds could be **easily recoverable by following a few simple guidelines** that will ensure that your organization can reclaim the VAT rightfully owed to them.

While the company may choose to reimburse an employee for T&E expenses submitted on a faulty invoice, the company itself is unable to reclaim the VAT paid, leading to millions of dollars lost every year.

Based on our years of expertise in the field, we have culled a number of basic guidelines to help employees who travel for business, submit proper invoices for their T&E expenses.



HOTELS



RESTAURANTS



TAXIS



CAR RENTAL



FUEL



CONFERENCES



NON-EU BUSINESS (13TH DIRECTIVE)

VAT refund rules for non-EU businesses are largely the same as for EU businesses, however there are also some key differences. Some are;

- ➔ Original hard copies of all invoices must be submitted.
- ➔ A fiscal representative may need to be appointed in some member states.
- ➔ Non-EU businesses usually must support refund claims with a certificate of "taxable status" proving they operate a taxable business in their home country.
- ➔ Different deadlines for the submission of the refund applications apply.

EU BUSINESS (DIRECTIVE 2008/9/EC)

A business established in one of the EU member states could in principle reclaim VAT incurred in another EU member state. However, where the business is registered or otherwise liable or is required to register for VAT purposes in a particular other EU member state, it should VAT register in that country and recover VAT through such foreign VAT registration (periodic returns). Applications to recover VAT under Directive 2008/9/EC will be rejected if the business has its seat, its factual residence, permanent establishment or should be VAT registered based on the supply of goods or services as carried out in the EU member state in which the VAT was incurred.

REFUNDS AND APPEALS

The EU member state of refund has 4 months to decide on the EU application, starting from the day it confirms receipt of the claim. When additional information is requested by such member state of refund, it has at least 6 months to issue its decision on the claim. Once the tax authorities decide to approve a refund, it must be paid at the latest within 10 business days after expiration of the above deadlines.



TRAVELERS LIKE CORPORATE CARDS

Business travelers most preferred payment method, during their business trip, is a credit card. They are the firm favorites worldwide, followed by personal credit cards. One of the great points with credit card payments is that they suit digital technologies very well, are easy to use, and provide the ability to control exactly how each card can be used including blocking specific merchant categories and maximum spend.

STATS ON MOST POPULAR TRAVEL PAYMENT METHODS

2% PRE-PAID CARD

3% VIRTUAL CREDIT CARDS

6% LODGE CARD

25% INVOICE

16% TRAVELERS' PERSONAL CARD

16% CASH

32% CORPORATE CREDIT CARD



TIP Bring a pre-paid credit card for emergency back-up.

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GENERAL GUIDELINES

ORIGINAL VAT INVOICE ONLY

Unfortunately, it is very easy to pay by credit card and not pay any attention to the "invoice" that you get with your purchase.

- **Credit card slip/receipt – is not sufficient without the VAT invoice** you will often need to request the VAT invoice explicitly.
- **Make sure to bring back an original invoice** - an original invoice should have the word "Invoice" written in English or in the local language i.e. "Rechnung" (German), "Fattura" (Italian), "Factura" (Spanish), "Faktura" (Swedish), "Factuur" (Dutch), "SZÁMLA" (Hungarian) or "Factur" (French) "Kvitto" (Scandinavian).
- **Do not accept a copy/proforma invoice/bill/credit card slip** "Ricevuta" (Italy), "SZÁMLA MINTA" or "SZÁM" (Hungary).
- **Only in case the spend is below a certain value or for a specific type of spend**, for example public transport in most EU member states, not a full VAT invoice is required but a simplified invoice is sufficient. Nonetheless, also simplified invoices are subject to certain conditions.



TIP Check, check and recheck that all the correct information is mentioned. If you are not sure, ask at the registry if they can go over the invoice with you.



TRAVEL POLICY

A good policy covers what can and cannot be reimbursed to an employee when they're travelling for business. It sets up the ground rules: how your employees should travel for business and how you expect them to spend the company's money. It's entirely up to an organisation as to what goes into that policy, but it's best practice to use your company policy as the basis of your T&E process and take into account international or local policies to avoid potential bribery of government officials or business partners.

In summary, ensure your policy includes:

- Details of what is and what is not reimbursable,
- Business travel guidelines,
- Fuel costs reimbursement or mileage,
- Food & beverages reimbursement or per diem,
- Personal expenditure rules that cover circumstances and amounts as well as what is specifically excluded.

Very important is it to automate policy enforcement with clearly defined spending limits and automatic notification of policy violations to ensure compliance.



TIP 3 MUST-HAVES

- Put a company T&E policy in writing
- Train everyone (top to bottom) on the policies
- Commit to enforcing all T&E policies



TRAINING

38% of T&E expense invoices have missing/incorrect information!

Having a clear travel and expense policy and training easily explains what is and isn't expensable and VAT deductible, is vital in today's economic climate.

Every person that travels for business should get training before they are allowed on the road, from the executives to the new-hires.

Educate employees and consider making a VAT receipt a prerequisite for claiming certain type of expenses.



TIP Check the original invoice for incidentals not covered by your policy.



SIMPLIFIED INVOICES

Simplified invoices do not have to meet every single formal VAT invoice requirement, nonetheless a few items remain to be required. These requirements differ per country.

Under a certain threshold value, a simplified invoice is sufficient for VAT recovery. EU member states can set the threshold themselves as long as the minimum of €100 (or equivalent in national currency) is respected. Each EU member state can set the threshold higher, like Germany where the threshold for simplified invoices is €250.-.

EU member states may allow simplified invoices, irrespective of the invoice amount, for specific types of spend. Commonly, public transport including taxis benefit from this additional exception.

Simplified invoice requirements:

- 1) Invoice date,
- 2) ID# of supplier,
- 3) Description of goods or services,
- 4) VAT amount or gross amount with VAT rate.



TIP In the UK, VAT is not recoverable on meals you paid for quests. You have to request 1 invoice with the meals for your employees and 1 invoice for the meals for the guests.

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GENERAL GUIDELINES

FULL & CORRECT LEGAL ENTITY DETAILS

One of the key requirements of a compliant VAT invoice is to have the full and correct legal entity name and address included on the invoice. Especially for foreign or cross-border transactions also a valid customer's VAT identification number is required. Having direct connections with multiple T&E suppliers also saves employees a huge amount of time as expense claims are auto-completed with all relevant information – be it your Uber taxi ride, Marriott hotel or Lufthansa flight, for example. Today, more and more suppliers issue e-invoices and those can be directly uploaded to the expense report saving the traveler a lot of hassle. More importantly, company details and official company address will be auto-completed.

- Ensure that all invoices (besides simplified invoices – see section 3) clearly display the **correct legal name of your company and its official address**.
- An invoice displaying the name of another entity or business unit is NOT eligible for a VAT refund.
- Invoices with only the employee's name and/or the employee's address are not valid for VAT recovery.
- **Make sure you get clear scans in your system**, showing all details of the invoice and crucial elements are not covered by a credit card slip.
- In cases of a multi-page invoice, **ensure all pages are submitted**.



TIP When checking out of the hotel, provide the hospitality desk with your business card so that they can accurately put the official company name and address on the invoice.



SPECIAL REQUIREMENTS IN SPECIFIC EU COUNTRIES

Every EU country has its own rules and regulations for VAT recovery, and it is not easy to keep up with all the tiny details. How many times didn't we say; "if only I had known".

Make sure you're bringing back VAT compliant invoices, that can be easily processed for VAT recovery.

Your Finance and tax team will thank you!



TIP Before your trip, check with your Finance department if there are any specific rulings for your destination country.

Adhering to these guidelines will ensure that your organization has full control over its T&E tax spend and recovery, thereby ensuring compliance and data integrity, and ultimately boosting its bottom line.

To maximize eligible VAT refunds, many companies choose to implement VATBox, an automated, enterprise-wide, cloud-based VAT recovery solution, that streamlines the global VAT recovery process.

VATBox gives companies full visibility on VAT taxes paid on T&E expenses, including hotels, restaurants, taxis, car rental, fuel and conferences.

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