

VAT consequences of giving away goods for free

Do you sometimes give goods from your stock for free? In such case, you should be aware that when you give away gifts, this will have VAT consequences. If you have deducted VAT for these goods, you should correct this. In practice this means: you make a self-supply and pay VAT. On this general rule, there are a number of exceptions: supplying samples, business gifts of limited value, supplying food surpluses and gifts to good causes after disasters.

You give goods for free

As an entrepreneur, you sometimes take goods from your stock to supply them for free:

- You are a smartphone seller and give a smartphone from your stock to your daughter;
- You run a bookstore and give a number of books to a school for the annual lottery.

Loss of VAT deduction

For your investment goods and your stock, you have right to deduct VAT, since they are used for your economic activity. When you give these goods for free, they are no longer used for your economic activity. You lose your VAT deduction right. The good is used by a consumer who always has to pay VAT.

But you already deducted VAT. You should correct this by making a self-supply. You are deemed to make a taxable supply to yourself. You pay VAT such as every other consumer.

Free samples

A number of companies provided free samples or specimens of their product in order to let the public learn about it. The VAT on this expenditure remains deductible. The samples which are distributed should be of the same nature as the goods you produce or sell, but can be in smaller packages.

Business gifts

VAT on business gifts is deductible, as long as they have a limited value (maximum 50 euro per gift).

Giving away food surpluses

In principle, a company giving food surpluses for free should make a self-supply. At the same time the government understands that this is an important social goal. Therefore, the government has introduced an exception for producers and traders giving away food surpluses to the Foodbank or local welfare organizations. They take care of the further distribution. A direct gift to needy people does not qualify.

The measure applies to:

- Goods for human consumption, but not to spirits. Pet food is excluded.
- Goods which for commercial reasons cannot longer be sold through the normal distribution channels, because they will expire very soon or the package is damaged.

Gifts after a disaster

In the past only gifts of food surpluses was allowed. Nowadays companies can also give away other goods. The tax authorities allow for a new exception to give away goods to disaster victims. The VAT payer should not make a self-supply. This toleration applies irrespective of the value of the goods.

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