

## VAT on catering expenditure for publicity events is deductible

The discussion is going on for a long time: how about catering expenditure made by a company for publicity events? Are these advertising costs for which VAT is deductible? Or are these reception costs, so the VAT is not deductible. The tax authorities were of the opinion that it concerned non-deductible reception costs. But now they admit: the VAT is deductible.

### Reception costs versus publicity expenditure

*Reception costs* are costs made by a company for the welcoming, reception, entertainment and recreation of people not belonging to the company (a.o. customers, suppliers, shareholders) in order to improve or to strengthen the professional and commercial relationship. VAT on such costs is not deductible. On the other hand *publicity or advertisement expenditure* made by a company mainly serves to inform the end consumer about the existence and characteristics of a product or a service in order to increase sales. These costs are fully deductible as professional expenditure for direct tax purposes and the VAT is also 100% deductible. The distinction between these two kinds of costs is not always clear. What about the costs for an event organized by a company: is this to strengthen professional relationships or to advertise (e.g. the launch of a new product)? The answer depends of the actual facts.

### Tax authorities: broad definition of 'reception costs'

The tax authorities always used a broad definition of 'reception costs'. As a consequence deduction of VAT was always refused. According to the tax authorities, hotel and restaurant expenditure, catering costs, purchase of beverages, food, flowers, room decoration, etc. were to be considered as reception costs. However the tax authorities were more and more put in the wrong by the courts.

Initially the tax authorities continued to refuse deductibility for food and beverage expenditure, even when they were made for an event, e.g. an event for the launch of a new product for which the company invites press and consumers.

### The tax authorities now concede

The tax authorities now concede that VAT on the costs for organizing a promotional event is deductible, even when it contains catering costs (food and beverage). In this case the event should be organized for the existing or potential clients and mainly and directly serve the promotion of sales of certain products or services. The VAT payer should prove that these conditions are met. If he can prove it, VAT is deductible.

COMPTAFID-Benelux NV SA  
Brussels

Bld. Edmond Machtensl. 180/100  
B-1080 Brussels  
Tel: +32 (0)2 410 75 75  
[www.comptafid.be](http://www.comptafid.be)

COMPTAFID-Benelux NV SA  
Antwerp

Schijnparklaan 45  
B-2900 Antwerp (Schoten)  
Tel: +32 (0)3 658 89 02  
[www.comptafid.be](http://www.comptafid.be)

COMPTAFID (Schweiz) AG  
Zürich

Seefeldstrasse 19 – Postfach  
CH-8032 Zürich  
Tel.: +41 44 250 2929  
[www.comptafid.ch](http://www.comptafid.ch)