

## Where do services take place for VAT purposes (B2B)?

The place of supply of services determines in which country VAT is due. In order to determine where a service takes place, the VAT Code contains a number of localization rules. For internationally active VAT payers, these rules are very important. They should know where they should charge VAT. The main rule is that a service takes place where it actually takes place. However a number of exceptions exist. We take a look at the B2B localization rules.

### What is B2B?

B2B is 'business to business': your customer is in this case another VAT payer. Opposite to this is B2C or 'business to consumer' whereby your customer is a genuine consumer. When a VAT payer receives a service for its private purposes (e.g. the repair of the plumbing in the house of an entrepreneur), he is not acting as VAT payer, but as a normal consumer and the B2C rules apply.

For B2B- and B2C-situations, other localization rules apply. In this contribution we will focus on the rules in a B2B-situation.

### Why localize services?

Every service should be localized. This means: it should be determined where it takes place, in order to levy the correct tax. These rules are of course more important when you perform services in another EU country. In that case different criteria may apply: e.g. the place where your client is established, the place where your company is established, the place where the services are physically provided, ...

### Example

A Belgian painter/paperhanger renovates a restaurant in Germany. Is German VAT applicable because the recipient is established in Germany or because the services are physically performed there, or should he charge Belgian VAT because he as service provider is established in Belgium?

### Main rule: place where the client is established

Services performed for another VAT payer are localized with the client. You should therefore look at the place where your client has its established headquarters. When no such headquarters exist, it is his address or normal residence.

Below we briefly comment on the most relevant exceptions.

### Exception (1): place of the immovable property

Services relating to immovable property are localized at the place of this immovable property.

This exception applies to a number of services: renovation and refurbishment of immovable property, letting of storage space (garages, stowage, warehouses), rights to use immovable property, activities of real estate brokers, interior designers and architects, studies by land surveyors, toll in tunnels, disposition of a room in a hotel, ...

**Exception (2): passenger transport**

Passenger transport services take place where the transport is actually performed. The distance covered (in each country) is taken into consideration: this service can consequently take place in different countries.

**Exception (3): cultural, sporting and educational events**

The service consisting in giving someone access to an event (be it of cultural, artistic, sporting, scientific, educational or entertaining nature) takes place where the event physically takes place.

Note: giving access to a sporting installation or sporting complex is not considered as 'giving access to a sporting event'.

**Exception (4): restaurant and catering services**

Also restaurant and catering services are localized where the service is materially performed. For restaurant and catering services on board of a ship, airplane or train special rules apply: these services are located at the place of departure of the passenger transport.