

# VAT on event organiser activities 3/23/22

With Covid-19 restrictions being lifted in Latvia and across Europe, companies are returning to their normal working arrangements, including staff education and team building events. Event organisers, too, are resuming their business activities. The VAT treatment is clear as long as the customer is a Latvian company and the event is held in Latvia. But what happens if the event is held or the customer established in another EU member state? This article explores key aspects of event organisation services.

## The place of supply

VAT treatment is based on the principle that VAT should be charged as far as possible where goods and services are used and enjoyed. The VAT treatment primarily depends on the place of supply of services, which is in turn affected by the type of services and the customer's status – a registered or unregistered taxable person, or a non-taxable person.

Section 19 of the VAT Act describes the general principle for determining the place of supply of services, while sections 20–30 provide for a special VAT treatment. We should also consider special VAT schemes prescribed by chapter XVII of the VAT Act. In each particular case, we need to determine whether the situation is consistent with one that qualifies for a special VAT scheme. In all other cases, services are subject to the general VAT treatment.

The type of services is determined according to the legal form and economic substance of the transaction. The VAT treatment of event organisation services is affected by the following questions:

- Will the event organiser deal with third parties in his own name or in the customer's name and interests?
- Can the parties be considered to have agreed on the supply of a single compound service or separate independent services?
- What is the central element of the compound service?

## The event organiser deals with third-party service providers in the customer's name and interests

If the company organising the event for the customer is looking for overnight accommodation, facilities, caterer, transport, training content provider etc and is dealing with those service providers in the customer's name, the company's services could be event organisation services or agency services (depending on the agreement). In that case, the service providers (including landlords, hotels, lecturers, caterers and transport service providers) will invoice their services to the actual customer, not to the event organiser.

If the economic substance of the transaction suggests that the services can be treated as event organisation services, then a separate consideration should be charged for those and taxed under section 19(1) or (2) of the VAT Act depending on the customer's status. If the customer is a taxable person registered for VAT in another member state, then regardless of where the event organisation services are supplied, the Latvian taxable person issuing an invoice will not charge VAT on the transaction, but the invoice will refer to "Reverse Charge". If the Latvian taxable person invoices another registered Latvian taxable person for event organisation services, then regardless of where the event takes place, the services will attract Latvian 21% VAT unless the Latvian company has a fixed establishment in another

member state.

Event organisation services could also be treated as agency services if planning and organising the event is not a key element of the services and the parties have essentially agreed that the event organiser will buy plane tickets for the customer, book a hotel, and register his staff, say, for a wine tasting or some other masterclass, according to the customer's instructions. The place of supply of agency services to a registered taxable person is also determined under section 19(1) of the VAT Act. However, agency services supplied to a person that is not a registered taxable person will be treated as supplied where the transaction involving the agent is carried out. For example, if an agent books a hotel for Kate's hen party in Spain, the agency services are treated as supplied in Spain. The OSS scheme can be used to report Spanish VAT (we have written about that before). Again, this VAT scheme is applicable only if the agent invoices the customer for the agency fee only (otherwise the special VAT scheme for tourism services comes into play).

## The event organiser is trading in his own name

If the event organiser deals with third parties in the customer's interests but in his own name and invoices the full amount to the customer, with the value of event organisation services including not only a consideration for coordinating and running the event but also for facilities, transport, accommodation, entertainment/culture/sports events etc, we need to assess whether the event organiser supplies his services as a single complex service or multiple independent services.

In any case, the event organiser and manager can supply some of the services for the event in his own name, while acting merely as agent on other services – this depends on the agreement between the parties.

(to be completed next week)