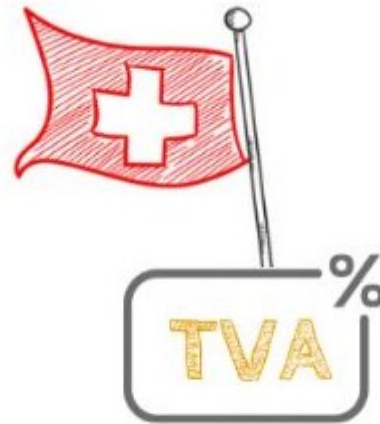


NGO Information session

How to disrupt and optimize VAT?



6 June 2023

La Pastorale

PROGRAMME

08:00 – 08:30 Welcome Breakfast buffet & registration

08:30 – 08:35 Introduction

Mr. Julien Beauvallet, Head of Civil Society Service, CAGI

08:35 – 09:20 Presentations

Ms. Betty Lynn Evans, Special Finance Projects Manager, ICRC
Mr. Olivier Comment, Director, PwC

09:20 – 09:40 Q & A

09:40 – 10:00 Coffee & Networking



NPO VAT Community

6 June 2023



Today's programme

Introduction / Swiss VAT registration consideration

Acquisition of services abroad

Recovery of input VAT

Swiss VAT de-registration consideration

Q&A



How comfortable are you with the subject of VAT

On a scale of 1 (lowest) to 10 (highest)?



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What are your main VAT challenges?

Choose one or more options



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Introduction / Swiss VAT registration



Swiss VAT registration

Definition of taxable person

Taxable person

“Any person, irrespective of its legal form, purpose and intention or not to generate profit, carrying out a business activity which is not exempt from tax liability”.

A person is carrying out a business activity when:

- it performs a professional or commercial activity;
- independently;
- and generates revenues on a continuing basis.

Intention to generate profit is not relevant.

Taxable persons can be:

- Private individuals;
- Companies established in Switzerland;
- Associations/charitable institutions;
- Public bodies;
- Foreign businesses supplying goods or services in Switzerland;
- Partnerships/joint ventures/consortiums.

Swiss fixed establishment of a foreign company is considered as a separate taxable person for VAT purposes (dual entity concept).



Swiss VAT registration

Relevant income (turnover)

Type of income (turnover)	Swiss VAT treatment	Relevant for VAT registration	
Supply of goods to individuals abroad	VAT exempt with credit.	✓	
Supply of goods to Swiss individuals	Subject to Swiss VAT.	✓	
Sponsoring – sponsor established abroad	Taxable at the place of establishment of the sponsor. VAT exempt with credit in Switzerland.	✓	
Sponsoring – sponsor established in Switzerland	Subject to Swiss VAT.	✓	
Entry fees for an event organized abroad (not VAT exempt according to art. 21 Swiss VAT law)	Taxable where the event takes place. VAT exempt in Switzerland.	✓	
Entry fees for an event organized in Switzerland	Subject to Swiss VAT/VAT exempt without credit depending on nature of event.	✓	✗
Membership fees – Swiss active member benefiting from specific supplies (eg. newspaper, access right, etc.)	No option to tax. VAT exempt without credit.		✗
	Option to tax.	✓	
Membership fees – Foreign active members	VAT exempt with credit.		✗
Subsidy received from a public body which is not consideration for a specific supply	Out of scope of VAT.		✗
Donation / membership fees – passive member	Out of scope of VAT.		✗
“Subsidy” received from private company for humanitarian project abroad	Taxable where the project takes place. VAT exempt in Switzerland.	✓	

Swiss VAT registration

Relevant income (turnover)

ACCOUNTS	DESCRIPTIONS	TRANSACTION DETAILS	TAXABLE					NON		
			7.70%	3.70%	2.50%	Excluded-CH	Exempt-Abroad	SECTION 910	Non-Taxable	Not Applicable
463000	Red Cross Museum Foundation	MICR Invoice for Museum energy consumption & postal fees.	●							
463400	Standing Committee	Commision permanent: Salaries HQ & Expat, vacations, social insurance, professional calls, printing fees, etc.	●							
700000	Contributions Cash	Contributions/Donations						●		
700001	Cash for kind	Contributions/Donations						●		
700002	Cash for assets	Contributions/Donations								
700008	NSIA Cash Contributions	Contributions/Donations						●		
700010	Contributions Goods	Contributions/Donations						●		
700015	Contribution Assets	Contributions/Donations								
700020	Contributions Personnel	Contributions/Donations						●		
700030	Contributions Rent/Transport	Contributions/Donations						●		
700080	Contributions DP	Contributions/Donations						●		
700100	Contributions previous years	Contributions/Donations						●		
700110	Contrib. kind previous years	Contributions/Donations						●		
700120	Contribution HR Services Prev. Years	Contributions/Donations						●		
709100	Write-Off pledges	Contributions/Donations						●		
709110	Write-Off Contributed Goods	Contributions/Donations						●		
709116	Carlton donation Adjustment	Contributions/Donations								
709120	Write-off Contrib. HR Serv.	Contributions/Donations								
710000	Income Joint Appeal other org.	Chargeback related expenses						●		
710500	Other Operat. income	Sale electricity (photovoltaic panels) / Have Pronovo	●							
		Nights of hotels in Switzerland		●						
		Nights of hotels abroad					●			
		Airline tickets / Train / Taxi (transport in Switzerland)	●							
		Air Tickets / Train / Taxi (International Transport)					●			
		Restaurants in Switzerland	●							
		Restaurants abroad					●			
		Translation costs (1) - CH	●							
		Translation costs - Foreign					●			
		Fees (eg: external event invoicing) - CH	●							
Fees (eg: external event invoicing) - Abroad					●					
		Amounts paid as damages or moral reparation or damages of the same kind - CH							●	

Swiss VAT registration

Up to December 31, 2022

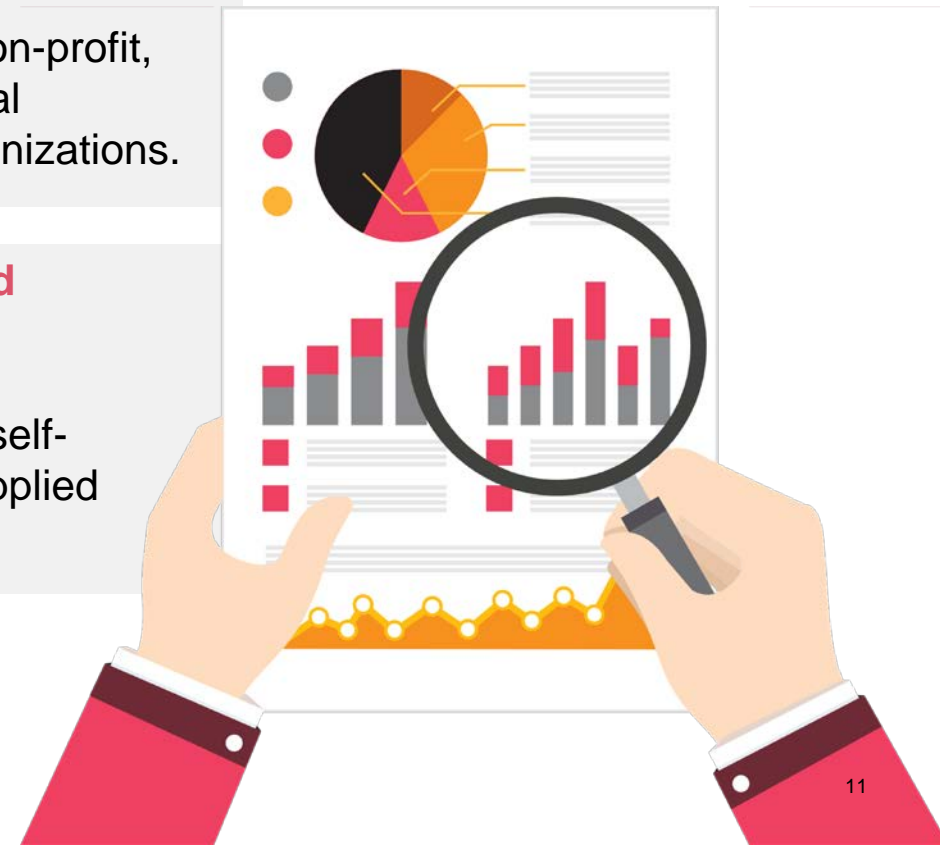
Threshold is **CHF 150,000** for non-profit, voluntarily-run sporting or cultural associations and charitable organizations.

As from January 1, 2023

Threshold is **CHF 250,000** for non-profit, voluntarily-run sporting or cultural associations and charitable organizations.

Businesses (association, foundation, etc.) established abroad are relieved from the obligation to register for VAT in Switzerland when:

- Performing only VAT exempt without credit supplies.
- Supplying services taxable in Switzerland for which the customer is liable to self-assess VAT under the reverse charge mechanism (exception: IT services supplied to non taxable persons).

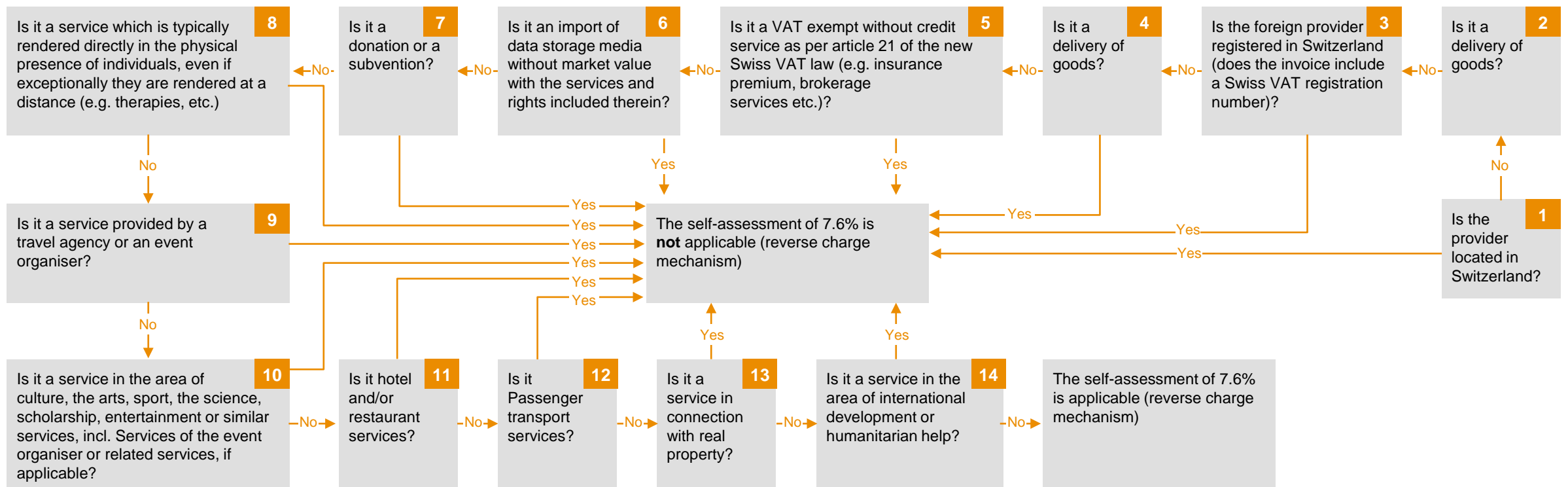


Acquisition of services from abroad



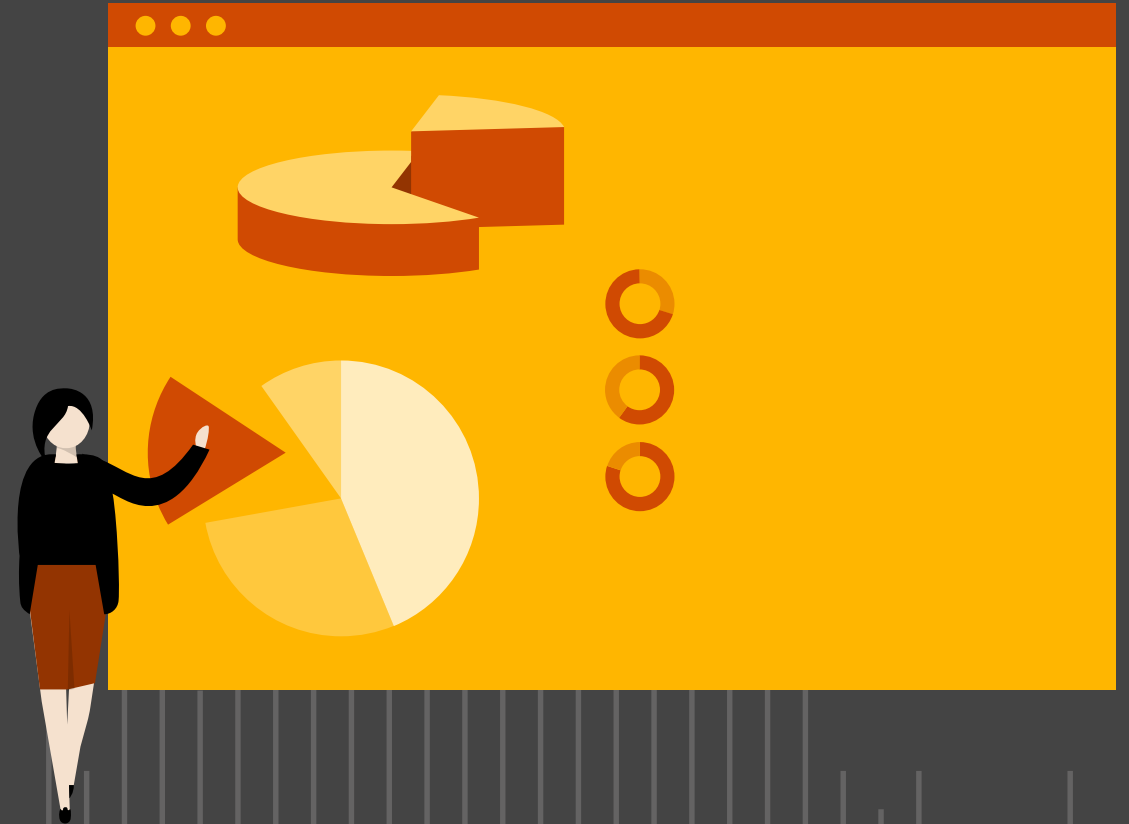
Swiss VAT registration

Graphic from 2010 – Is it still relevant today?



**please consider the graph as not binding*

Swiss input VAT deduction right VAT



Basic principles

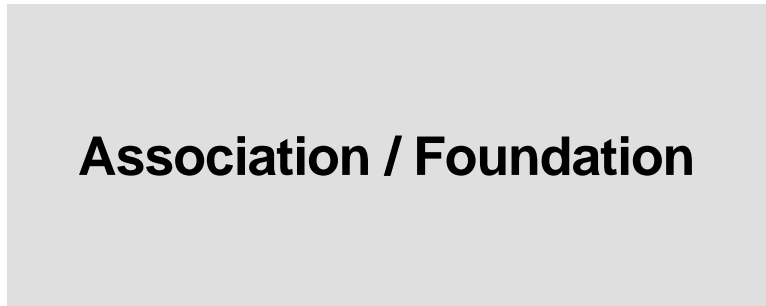
Funding, costs and VAT deduction...

Costs

- Salaries
- Rent
- Overheads
- Publications/Web
- External consulting
- Others

VAT deduction on costs?

VAT proof – Swiss and EU input VAT deduction right of NPOs



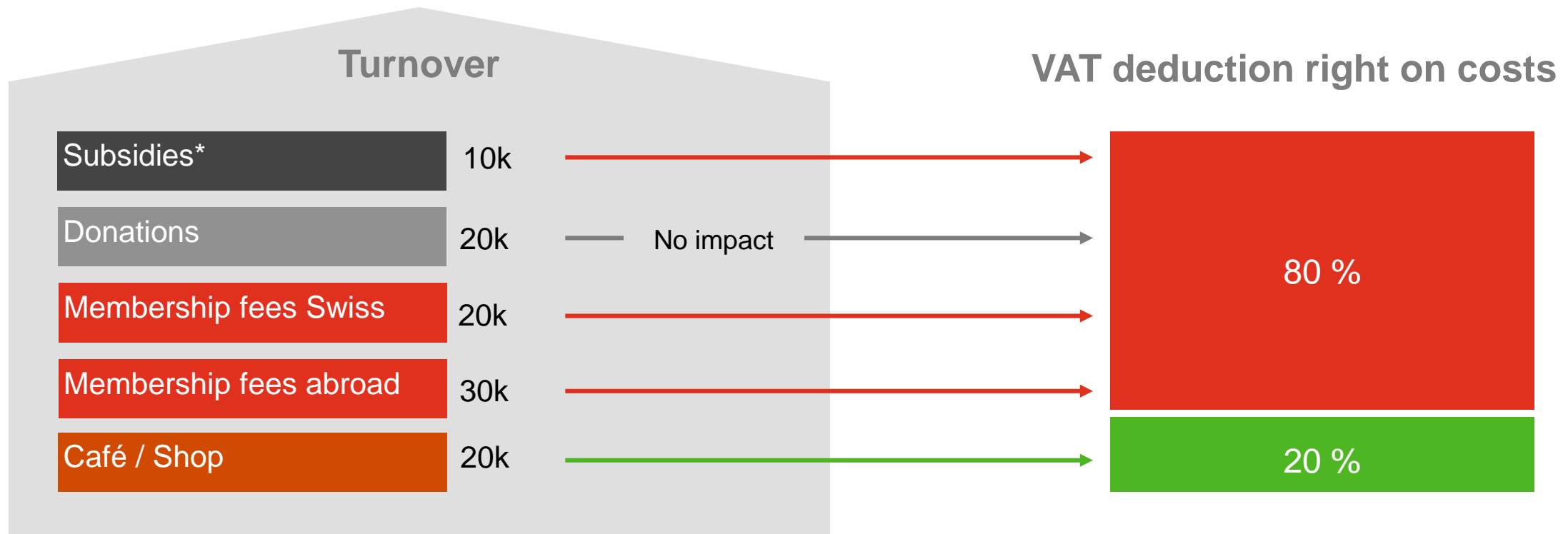
Incomes

- Membership fees
- Donations
- Service fees
- Sponsoring
- Conferences/Congresses
- Subsidies

VAT treatment of incomes determines the VAT deduction on costs

Swiss input VAT deduction right

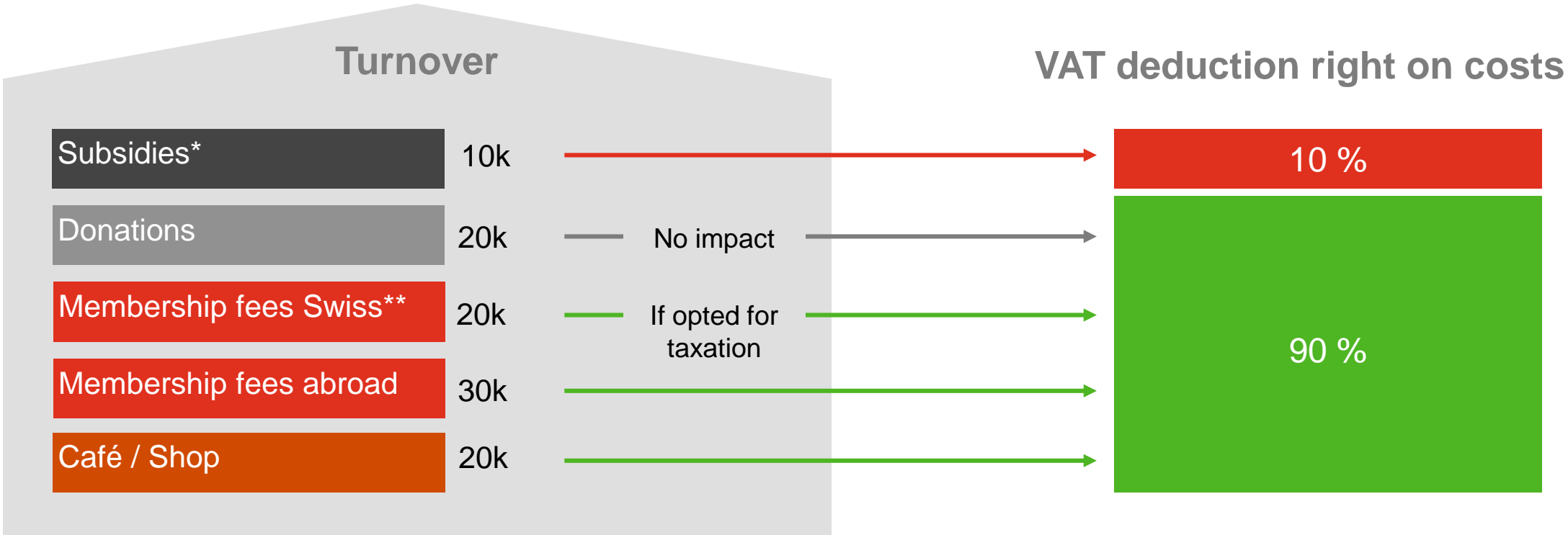
Synthetic example – Common situation based on turnover



*the funding is provided by a public authority (e.g. canton, ministry, etc.)

Swiss input VAT deduction right

Synthetic example – Improved situation based on turnover



*the funding is provided by a public authority (e.g. canton, ministry, etc.)

** active members only and option to tax elected

Swiss input VAT deduction right

Which methodology?

- Determining to which activity an expense with Swiss input VAT is linked to, whenever it is possible = **Direct allocation**
- For all the non-allocated expenses with Swiss input VAT, the related input VAT has to be adjusted based on a **relevant key criteria** which can be justified in case of request from the FTA: how many floors of a building are dedicated to taxable activities? How many employees work for taxable activities? Pro-rata of global working time dedicated to taxable activities?....
- Using the **“Three pots method”**; the “key” based criteria is relevant only for pot C



Full deduction right for input VAT directly linked to activities giving right to VAT deduction

(shop, restaurant, sponsors)



No deduction right for input VAT directly linked to activities not giving right to VAT deduction

(organisation of an event, learning & education)

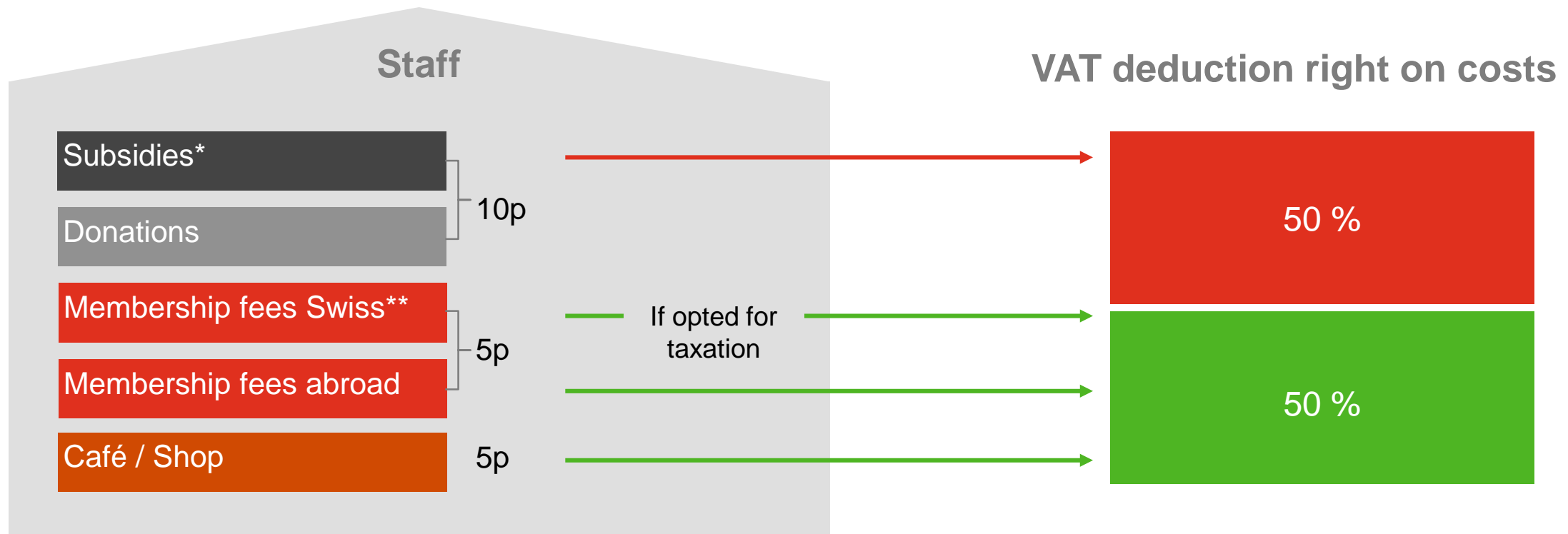


Rational method to be used for mixed expenses not directly attributable to a specific activity

(IT licence, electricity, financial audit)

Swiss input VAT deduction right

Example – Criteria of the employees dedicated to the various activities

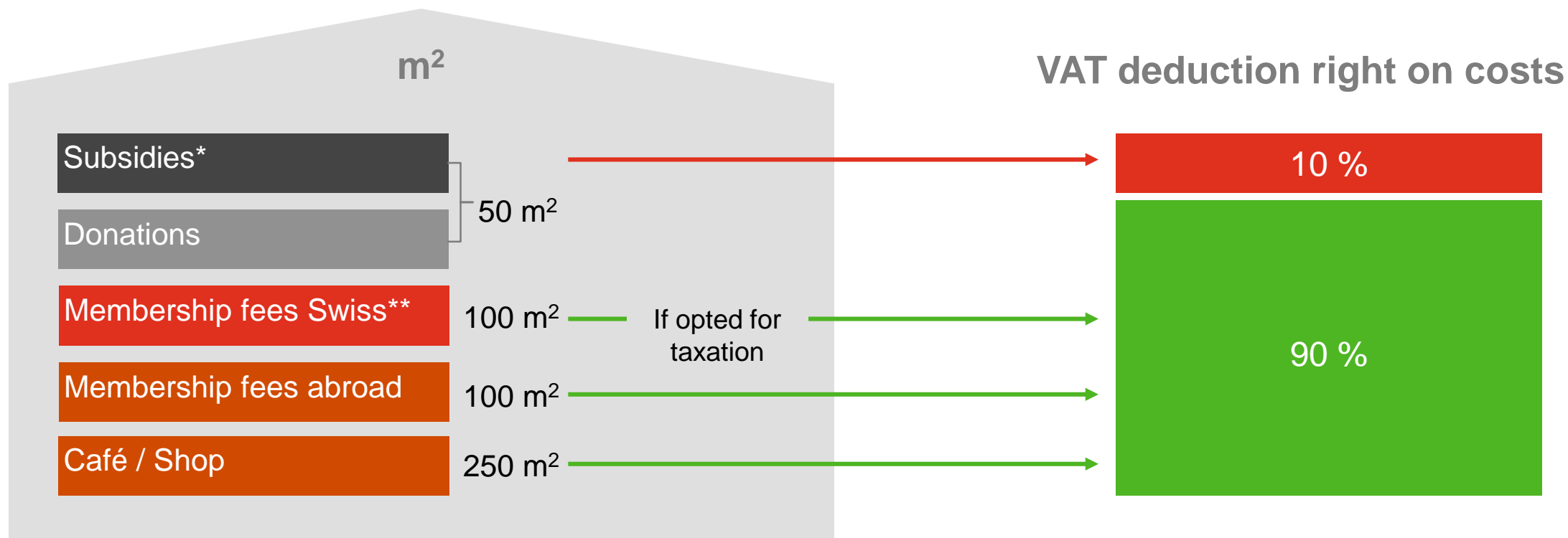


*the funding is provided by a public authority (e.g. canton, ministry, etc.)

** active members only and option to tax elected

Swiss input VAT deduction right

Example – Criteria of the area dedicated to the various activities



*the funding is provided by a public authority (e.g. canton, ministry, etc.)

** active members only and option to tax elected

Swiss VAT de-registration considerations



What is your annual average income/relevant for VAT (turnover) ?



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Swiss VAT de-registration consideration

Key elements to think about



In case the CHF 250'000 is not anymore achieved :

- Mandatory VAT registration not applicable
- VAT de-registration process envisaged

- Is there any share service center abroad (outsourced) that works for the Swiss entity ? Is the Swiss entity receiving any invoices for such services ? What would be the related VAT self-assessment ? (final cost)
- For potential “pay back”, what would be the amount and depending the amount, is the de-registration process always the appropriate decision ?
- Would it be advantageous to maintain (maybe on a voluntary basis) the VAT registration in order to be able to recover the Swiss input VAT ?

Key topics

- Recovery of the Swiss input VAT will not be possible;
- In case of potential investments, the respective VAT will become an additional cost



- In case of foreign services acquired from abroad, the VAT must (always) be declared and paid on a yearly basis but without any option to recover
- In case any VAT has been recovered in the past in connection with investments (for example new building, IT licenses or others considered as an asset in the financial account), the VAT de-registration process might incur the “pay back” of a proportion of VAT initially recovered

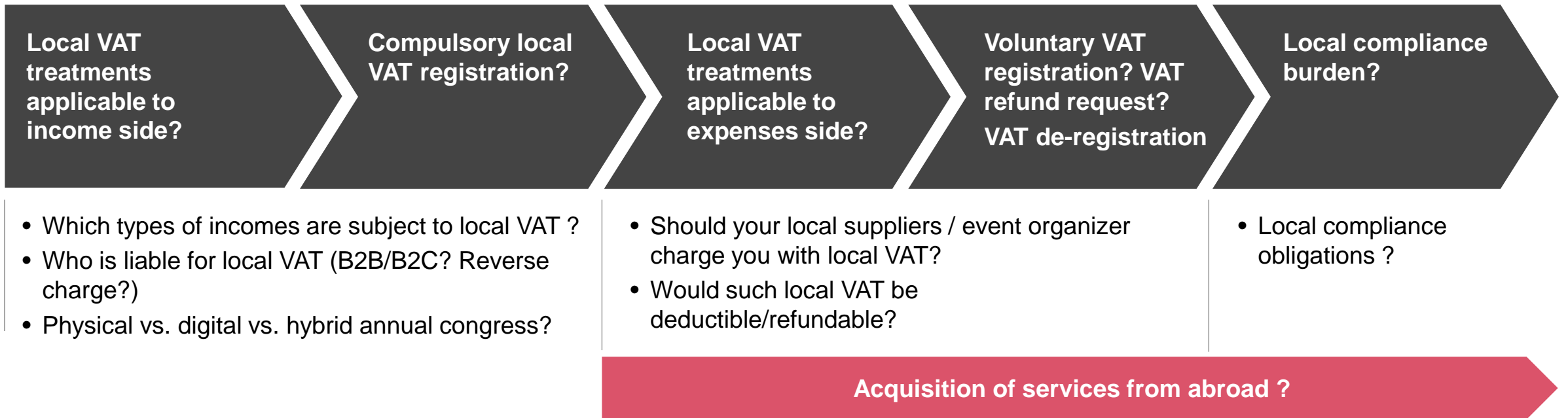
Your doggy bag!



What are the main CH and EU VAT questions to ask yourself?

- Threshold to trigger a mandatory VAT registration?
- Registration for a non-resident entity ?
- Fiscal representation?

- Find the optimal way to recover the local input VAT charged.



Swiss VAT registration

Relevant income (turnover)

Supplies relevant for VAT registration in Switzerland

- Taxable supplies of goods in Switzerland.
- Supplies of goods performed abroad that would be taxable if performed in Switzerland.
- Taxable supplies of services in Switzerland.
- Supplies of services abroad that would have been taxable if supplied in Switzerland.
- Supplies of goods in Switzerland which are VAT exempt with credit (e.g. gold coins and investment gold).
- Exports of goods.

Supplies not relevant for VAT registration in Switzerland

- VAT exempt supplies which do not allow for input VAT credit in Switzerland (art. 21 Swiss VAT law).
- Services supplied abroad that would be VAT exempt without input VAT credit if supplied in Switzerland.
- Any type of income which is not provided in consideration for a supply of goods / services (e.g. donations, dividends, subsidies).



Your speakers



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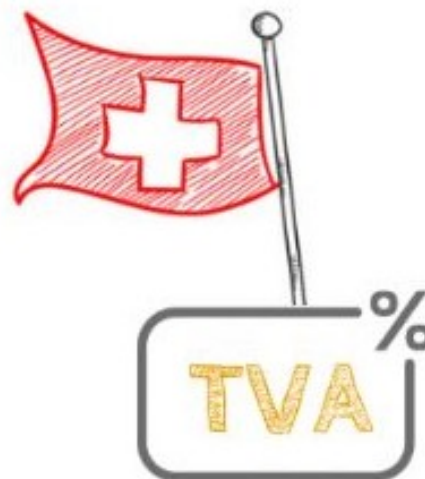


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Q&A



Thank you for your attention

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