

Taxation

VAT REFUND TO TAXABLE PERSONS ESTABLISHED OUTSIDE THE EU

Thirteenth Council Directive [86/560/EEC](#) on the harmonisation of the laws of the Member States relating to turnover taxes - Arrangements for the refund of value added tax to taxable persons not established in Community territory

Objective

To harmonise legislation in the Member States concerning VAT refunds to taxable persons outside the European Union.

Relevance for the hospitality industry

The VAT refund to taxable persons established outside the EU is important with regard to business travellers travelling from third countries to the EU Member States. Such refunds are reducing the final business expenditure on hospitality services.

State of progress

Adopted. Member States had to bring into force the laws, regulations and administrative provisions necessary to comply with the Directive by 1 January 1988.

Content

Member States will refund any VAT paid by a non-EU taxable person on goods or services supplied by a taxable individual in the territory of the Community. Such refunds may be made conditional on third countries agreeing to take comparable measures (reciprocity).

Refunds have to be applied for by the non-EU taxable person. Member States have to determine the practical arrangements for claiming these refunds, e.g. time-limits or minimum amounts.

These refunds must not be made on more favourable conditions than those made to taxable persons established in the EU.

Eligibility for refunds is determined according to the domestic rules of the Member States for VAT deductions, although certain expenditures may be excluded or certain conditions imposed.

HOTREC position

HOTREC encourages all Member States to allow the deductibility/refund of VAT incurred on travel expenses of business travellers from third countries, making business travel to Europe more attractive.

Official reference

Thirteenth Council Directive [86/560/EEC](#) of 17 November 1986 on the harmonization of the laws of the Member States relating to turnover taxes - Arrangements for the refund of value added tax to taxable persons not established in Community territory, O.J. L 326 of 21.11.1986