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Mini guide for VAT on grants

- *(externally funded projects and cooperation agreements)*

1. VAT rules

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Any "supply of goods or services for consideration" in a grant situation is relevant to VAT[1]. This means that if the grantor is entitled to a specific consideration, the universities will in principle have to levy VAT on the income. Conversely, universities should not charge VAT if no specific consideration is provided or the ratio is subject to a VAT exemption, cf. VAT rules.

REMEMBER: The main rule is that everything is VAT included

In the vast majority of situations, it is unproblematic for the universities and for the grantor that the grant amount is added to VAT, as most grantors are entitled to VAT deduction, provided that the activity is directly related to the company's VAT-related activities. Only in situations where the grantor is not entitled to a VAT deduction (eg. foundations, unions, banks and insurance companies, etc.) does the duty of VAT have an economic significance.

If a research project is VAT assessed incorrectly, the consequence may be that universities duty to pay VAT to SKAT reduces the universities net income by the amount of VAT in the project.

Error assessment can mean 20% less in grants

2. Formulation of cooperation agreements / grants

It is important to be careful about the correct formulation of the contracts for services / services for consideration provided in the project.

If, on your own initiative, you describe activities that are not required by the

[1] VAT is an abbreviation for Value Added Tax. VAT is an indirect tax of 25%, which is calculated by the sales price of a product/service when it is subject to VAT. The sales tax is charged by the seller. The seller offsets the VAT paid on purchase when settling with SKAT.

grantor, the description should be limited and formulated so that it does not appear as a consideration and entails VAT.

To avoid these situations, it is important to consider all relevant matters before entering into the contract so that the contract is correct from the start.

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3. VAT assessment before applying/entering into an agreement

The VAT question should be considered from the first contact with the university's partner.

A well-considered clarification of the terms of cooperation agreements/grants is very important, so that the VAT does not lead to an unintended reduction in the University's income.

The VAT question should therefore be resolved BEFORE entering into co-operation agreements/ grant agreements, and before invoicing

4. The mention of externally funded projects and collaboration agreements?

It is not crucial what a grant is called in relation to VAT. In terms of VAT, all grant situations must be assessed according to the same guidelines.

At the universities, different concepts are used for externally funded projects and collaboration agreements. For example, grants, donations, gift letters, sponsorships, funding (eg crowdfunding), etc. can be mentioned.

All of the above concepts are examples of situations where VAT is to be considered.

5. Are you in doubt about the VAT obligation?

If you have specific questions about the VAT obligation BEFORE entering into a contract, you should ALWAYS contact the university's VAT officer. It is important that the VAT question is clarified BEFORE entering into the contract, as it may otherwise have financial consequences for the research project at worst.