



Case Study: X Exhibition Organizer

The Business

X Exhibitor is one of South Africa's largest exhibition companies. X Exhibitor was awarded the tender by South African Tourism to co-ordinate several international exhibitions for South Africans including:

- The World Travel Market (WTM) in the UK
- The International Travel Show Berlin (ITB) in Germany
- The Incentive Travel Meetings & Events Exhibition (IMEX) in Germany

In addition to coordinating these international exhibitions, X Exhibitor in many cases builds, sets up and performs additional marketing for their clients

The Problem

- X Exhibitor was incurring UK and German VAT on associated expenses such as stand building, marketing and renting the large exhibition stands for its clients
- Due to the fact that X Exhibitor was not reclaiming the International VAT from the UK and Germany, their profitability on exhibitions in these countries was down by 17.5% and 19% respectively
- VATit was appointed to assist X Exhibitor with the recovery of their UK VAT from HM Revenue and Customs (HMRC) under the 13th Directive of the UK VAT Act, and from Germany under the 13th Directive of the German VAT Act
- HMRC as well as the German VAT Authorities rejected the claim (See the technical situation below), which meant that X Exhibitor were unable to recover VAT from either country

The Technical Solution

Germany

- Since South Africa does not have reciprocity with Germany, South African companies may not recover their international VAT from Germany under the 13th Directive unless that company is a tour operator
- X Exhibitor was also making sales in Germany according to the German VAT Act and therefore was obliged to register for VAT in Germany
- X Exhibitor was charging their clients in South African Rands, which would have complicated matters even further should they register in Germany

United Kingdom

- HMRC would not allow X Exhibitor to claim the VAT on their UK expenses under the 13th Directive as they believed that X Exhibitor was doing sales in the UK and should therefore be registered for VAT in the UK under the 6th Directive
- X Exhibitor was currently charging their clients in South African Rands and therefore this would complicate their business even further should they register in the UK



The Solution

- VATit assisted X Exhibitor in registering for UK and German VAT. By registering in Germany and the UK, X Exhibitor was now able to reclaim their VAT on their expenses that were previously written off.
- VATit advised X Exhibitor on how to invoice their clients to be compliant with the UK and German VAT Acts.
- VATit now performs the following functions that allow X Exhibitor to recover their International UK and German VAT:
 - Performs a full invoice retrieval service on a quarterly basis
 - Captures details of all invoices submitted to UK and German VAT authorities on their "Dragon" system, thereby creating a full audit trail
 - Completes and submits the VAT returns on X Exhibitor's behalf to the UK and German VAT Authorities.
 - Facilitates the refund from the VAT Authorities, or the payment made by X Exhibitor should the Outputs exceed the inputs

The Benefits

- X Exhibitor has successfully been able to recover all of its UK and German VAT since the beginning of 2004, which has added on an average of 19% to their bottom line
- X Exhibitor can track their claims with full transparency and follow an audit trail thanks to VATit's "Dragon" claims tracking and monitoring system