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English translation of the French original circular verbal note dated 3 March 2014

The Permanent Mission of Switzerland to the United Nations Office and to the other international organisations in Geneva presents its compliments to the International Organisations based in Switzerland and has the honour to communicate to them the following information regarding **the exemption of the value added tax (VAT)**.

In a circular verbal note dated 1 June 1995, the Swiss Mission informed the International Organisations of the conditions under which both they and members of their staff with diplomatic status may benefit from VAT exemption on goods they acquire and services they receive for official or personal use. The website of the Swiss Mission also has an informative note on VAT ¹, setting out the procedures to be followed.

The Swiss Mission would like to take this opportunity to remind the International Organisations of the **basic rules governing exemption at source from VAT and its exceptional reimbursement**, and to inform them of the **new rules** introduced by the Main Division of VAT of the Federal Tax Administration, the federal competent authority, with the approval of the Federal Department of Foreign Affairs (FDFA).

Basic rules:

- Beneficiaries of VAT exemption, whether International Organisations or individuals with diplomatic status, **must** ask suppliers to grant them **VAT exemption at source** by presenting the former with the applicable VAT form. Individual beneficiaries must also present their "B" or "C" legitimisation card issued by the FDFA or their "C" permit obtained in exchange for their "B" or "C" legitimisation card.
- Should exemption at source not be granted (e.g. due to refusal on the part of the supplier or failure on the part of the applicant to submit the relevant form), the International Organisation or the individual beneficiary may submit an exceptional request for reimbursement to the Main Division of VAT. Under no circumstances does the exceptional request option replace the requirement to request exemption at source, which remains the rule.

International Organisations:

Procedure:

- International Organisations must indicate, in general terms, **the nature of the goods or services for which exemption at source is requested** on each VAT form "A" they submit to suppliers.
- The Main Division of VAT carries out regular checks on Swiss suppliers that are subject to this tax. Its inspectors frequently find that the VAT forms "A" held by suppliers in their accounts do not comply with current rules because the applicant has provided no indication of the nature of the goods acquired or services delivered.

¹ Information note on VAT: <http://www.eda.admin.ch/eda/en/home/topics/intorg/un/unge/gepri/mantax/mant12.html>

Acquisitions intended for official use:

- The term “official use” refers to all goods that International Organisations have acquired or services that they have received **in a strictly official capacity**.
- International Organisations may not acquire, in their name, VAT-exempt goods or services intended for personal use or for use by third parties (for example, purchases destined for personal use by members of staff, including the Director/Secretary General).

Exceptional requests for VAT reimbursement:

- If the Main Division of VAT should find that the invoices enclosed with an exceptional request for reimbursement of VAT on services that **do not meet official use criteria** (for example, purchases that are intended for private use or that bear no relation to the official goal pursued by the beneficiary institution), it will disregard them and return them to the International Organisation.

Individuals with diplomatic status who benefit from VAT exemption:

Acquisitions intended for personal use:

The term “personal use” refers to all goods acquired or services received by individual beneficiaries either **strictly in a personal capacity or for use by individuals who are authorised to accompany them and who also have diplomatic status in Switzerland**. However, they may not acquire goods or services exempt from VAT for use by third parties who are not members of their household (for example, the purchase of gifts for individuals other than those family members who have diplomatic status).

Individual beneficiaries who share their household either with family members who do not have diplomatic status or with third parties:

- Individual beneficiaries may acquire goods or services that are exempt from VAT strictly for their personal use, and not for use by family members who do not have diplomatic status. This means that for goods and services acquired by such households, the applicant must ask the supplier to issue two invoices: one with the VAT exempted at source for the beneficiary, the other with VAT for family members who are not entitled to this tax exemption at source. A single invoice will be accepted, provided that there is a clear distinction between the services received by the beneficiary and those received by non-beneficiaries, and that the requisite VAT treatment is applied.
- With regard to construction, conversion or renovation work on property acquired jointly by an individual beneficiary and a person who does not have diplomatic status (for example, a spouse, partner or cohabiting partner who is not deemed to be a family member within the meaning of the law applicable in Switzerland, or who is a Swiss national), only half of the work may be exempted from VAT, in other words the beneficiary’s share exclusive of the share of the co-owner who does not benefit from VAT exemption at source. The same invoicing rules apply here as in the case set out in the preceding paragraph.

Exceptional requests for reimbursement

- Given that reimbursement is permitted only in exceptional cases, the Main Division of VAT has decided to restrict the number of invoices that can be submitted in a reimbursement request. Henceforth a maximum of **50 invoices** may be enclosed with the annual reimbursement request, and these must be equal to or in excess of CHF 100, respectively, from the first Swiss franc of IT, telecommunications, gas, water and electricity bills. The beneficiary as well as individuals who are authorised to accompany them and also have diplomatic status in Switzerland may present a grouped VAT reimbursement request (maximum of 50 invoices) only once per calendar year. The Main Division of VAT shall disregard any additional invoices enclosed with the application and shall return these to the applicant via the International Organisation.

- In the case of VAT reimbursement requests for work carried out on property acquired by an individual beneficiary, the latter must now also enclose a **copy of the relevant land register entry**. Should the land register entry indicate that the beneficiary co-owns the property with a person who is not entitled to VAT exemption, the Main Division of VAT will reimburse only half of the VAT amount, which equates to the beneficiary's share. If the applicant fails to enclose a copy of the land register entry for the property with the exceptional request, the Main Division of VAT shall disregard the invoices issued for work on the property and shall return these to the applicant via the International Organisation.
- The Main Division of VAT reserves the right to refuse a request for VAT reimbursement if the submitted invoices do not comply with current rules (for example, when multiple invoices from the same supplier are enclosed, even though the applicant could have sought VAT exemption at source, or when the goods or services acquired are plainly not intended for personal use).
- Requests which do not comply with the prescribed procedure (duly completed VAT form "D" and inclusion of a maximum of 50 invoices equal to or in excess of CHF 100, respectively, from the first Swiss franc of IT, telecommunications, gas, water and electricity bills, in accordance with the summary order given in VAT form "D", and a copy of the land register entry, where applicable) will be disregarded by the Main Division of VAT and returned to the applicants via the International Organisation. It falls to the International Organisation to check that the exceptional requests for reimbursement comply with the current rules before signing VAT form "D" and stamping the document with its official seal.

The Swiss Mission requests that the International Organisations inform their members of staff with diplomatic status of the content of this note, and to ask them to comply with the current rules.

The Permanent Mission of Switzerland to the United Nations Office and to the other international organisations in Geneva avails itself of this opportunity to convey to the International Organisations based in Switzerland the assurances of its highest consideration.

Geneva, 3 March 2014