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Green Paper on the future of VAT – Towards a simpler, more robust and efficient VAT system

Need for exemptions from VAT, question 6 in the Green Paper.

VAT can be an obstacle to the development of NGOs necessary in the democratic process. The rules should be made more clear and foster the development of NGOs participating in the legislative process in the Member States and the European Union.

Danish Shareholders Association as an example

Danish Shareholders Association is the organisation representing private investors in Denmark.

The economic basis is the membership fees paid by consumers. Danish Shareholders Association is a non-profit organisation like many other NGOs. But the management tries to make a surplus every year to be economically prepared against a reduction in the number of members and an increase in the costs to finance the un-going activities like commenting on draft legislation.

Danish Shareholders Association has been obliged by the Danish authorities to collect VAT on part of the membership fees and other activities. The authorities claim that:

- the activities of the association are related to the economic interests of the members,
- the association is a for-profit organisation, and

- the activities of the association are in competition with activities offered by commercial companies.

But:

- the association is not supporting or advising individual members directly (trade unions do that and they are exempt),
- the association is not a for-profit organisation, it is a non-profit organisation managed in a professional way, and
- only a small part of the activities of the association is in competition.

The association is defending the interests of citizens – consumers – in their capacity as investors. The association:

- publish a magazine,
- sells publications,
- sells investor education seminars,
- organise meetings with presentations of listed companies or with information about economy or investment strategies, and
- sends representatives to committees and working groups established by Danish authorities, The Commission, ESMA and EIOPA (Normally travel costs and accommodation will be covered to a certain extent, but the time used is normally not honoured. The association has to pay experts for the time they use when contributing to European or National legislation.)

The situation of the NGO

Some NGOs in Denmark are exempt from VAT.

Shareholder associations in some of the Member States are exempt from VAT.

Many NGOs are in a position like the Danish Shareholders Association with an economy based on a mix of membership fees and economic activities. Common to most NGOs is it that:

- membership fees are not deductible for the members,
- VAT on membership fees is an increase in the membership fees, and
- the higher the membership fee is the more difficult is it to attract and maintain members.

Proposal

VAT can be an obstacle to the development of NGOs.

Many NGOs are necessary in the democratic process.

The rules should be made more clear and foster the development of NGOs participating in the legislative process in the Member States and the European Union.

Kind regards

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