FAQ - VAT tax

I am a small business owner - why does Smart issue an invoice with VAT?

Because Smart is subject to VAT and the invoice is issued via Smart and not with your private tax number.

What VAT rate applies?

Smart is subject to VAT. Whether a service is subject to the regular VAT rate (19%) or the reduced VAT rate (7%) is defined by the German VAT Act. At the end of the order creation process in the Smart Portal, you will be shown which tax rate applies to your service.

Services with the reduced VAT rate (7%) are, for example:

- Transfer of rights (rights of use, license fees...)
- Tickets for theaters, concerts, museums
- Performances by performing artists comparable to theater performances and concerts (§ 12 para. 2 no. 7a UStG)

For certain **teaching activities**, Smart can invoice **without VAT**. This is only possible for employees of Smart Bildungswerk.

What VAT rate applies to clients abroad?

If the client is **a company in another EU country with an international VAT ID number**, the invoice is issued without VAT (reverse charge principle). If the client does not have an international VAT ID number, it is assumed that they are not a business but a private person- the invoice is therefore issued with German VAT.

If the client is **a company in a non-EU country**, the invoice is usually also issued without VAT. In this case, we do not need the client's VAT ID number, but there must be other indicator of a business structure (e.g. a website).

If the client is **a private person abroad**, we must check whether Smart can invoice the service. Certain services to private individuals cannot be invoiced by Smart if the services are actually provided abroad. This applies, for example, to artistic services and teaching services that are physically provided abroad or received online abroad. If the service can be processed,

there applies a German VAT rate.

What VAT rate applies to city tours?

A city tour is considered a so-called *other service* related to immovable property or a specific location (§ 3a para. 3 no. 3a of the German VAT Act – UStG). Since a tour takes place at a specific location, the place of service is always where the service is physically carried out. Regardless of whether your client is based in the EU or in Germany, the service is location-based and is taxed in the country where it is performed.

Where is the place of service?

- **Place of service is Germany**: The service is subject to German VAT. The city tour falls under the standard regulations. The applicable VAT rate is 19%. You do not need to include the foreign VAT-ID of your customer, as the reverse charge mechanism does not apply in this case.

> Optionally, you can add a note like this on the invoice:"Place of service according to § 3a para. 3 no. 3a UStG is Germany. This service is subject to VAT in Germany."

- **Place of service is in the EU:** The service is subject to VAT in the respective EU country where the service is performed. For example, if you hold a city tour in Paris, the invoice must include French VAT.
- **Place of service is in a third country (non-EU)**: The service is not subjected to German VAT law. Therefore, the invoice is issued without VAT.

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