

# *Tax update*

## Newsletter

**pwc**

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### ***VAT – Promotion Expenses (Marketing)***

Many of the expenses incurred by a company for its sales promotion (marketing) may create adverse VAT implications especially in a continuously changing environment. The relevant provisions of the legislation both in other EU Member States and in Cyprus are complex and often unclear.

PwC tax consultants have been monitoring the VAT aspects of marketing tools very closely for a number of years and have developed expertise on this issue. We have been advising and assisting our clients in this respect, resulting in cost-saving solutions and avoiding (hidden) tax risks.

#### **Risk Management**

The general view is that VAT should not significantly affect marketing activities. This is undoubtedly an overly simplistic assumption. In practice, many businesses are either underpaying or overpaying VAT on their marketing activities. Non-compliance with the relevant VAT rules and underpayment of VAT can lead to severe costs for the organisation.

In addition, due to the continuous changes in the legislation and its application by the authorities, companies may be over paying significant amounts of VAT. Careful planning and restructuring of marketing actions will avoid overpayment of VAT.

PwC have the experienced professionals to assist both in the correct application of the provisions of the VAT legislation and in structuring the marketing policies so that payment of excessive VAT amounts is avoided.

For any additional information or explanations in relation to the above, please contact any of the persons mentioned in the opposite column.

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