



## Information regarding value added tax and Horizon 2020

As of 1 January 2017, Switzerland is fully associated to the EU Framework Programme for Research and Innovation, 'Horizon 2020'. Between 15 September 2014 and 31 December 2016, the Agreement from 5 December 2014 associating Switzerland to parts of Horizon 2020 allowed for the association to Pillar I "Excellent Science", the programme "Spreading excellence and widening participation", Euratom and ITER. In these parts of Horizon 2020 participants in Switzerland could apply for funding from the European Commission (EC), whereas in all other programs of Horizon 2020, researchers in Switzerland could participate with third country status receiving national funding from the State Secretariat for Education, Research and Innovation (SERI).

In regards to the funding from both the EC and the SERI, Horizon 2020 project partners are faced by the question as to whether value added tax paid on goods and services, purchased in relation to their Horizon 2020 project qualifies as eligible project costs or alternatively can be reclaimed from the tax authorities as deductible VAT.

According to Article 6.5 (ix) of the Grant Agreement, only non-deductible VAT is considered eligible for reimbursement by the EC – and in analogy by the SERI. The answer to the question raised above is dependent on the applicable national legislation. In the case of researchers in Switzerland, the Federal Act on Value Added Tax of 12 June 2009 (*Loi fédérale régissant la taxe sur la valeur ajoutée, LTVA; Bundesgesetz über die Mehrwertsteuer, MWSTG*) as well as the Federal Ordinance on Value Added Tax of 27 November 2009 (*Mehrwertsteuerverordnung, MWSTV; Ordonnance régissant la taxe sur la valeur ajoutée, OTVA*) apply.

According to Art. 18 para. 2. let. a of the Federal Act on Value Added Tax and Art. 29 let. c of the Federal Ordinance on Value Added Tax, research and development activities are taxable if:

- the public authority does have an exclusive right to the results of the research;
- the public authority has mandated the research institution to undertake research work on its behalf and for its demands and the research results inure to the benefit of the public authority.

If neither the SERI nor the EU have an exclusive right to the results of the research nor have mandated the research work, the VAT payable by a project partner is not deductible from the project partner's own VAT liability and is thus considered as eligible costs that will be reimbursed by the SERI or the EC. The project partner can record the full price of the goods or services bought by the partner as expenditure in its profit and loss accounts, without any distinction between the net price and the amount of VAT charged on it.

Consequently, researchers taking part in a Horizon 2020 project must verify whether the abovementioned conditions are fulfilled, and VAT payable by them is not deductible under the applicable national legislation (Art. 33 of the Federal Act on Value Added Tax). Only in this case is the VAT considered eligible for reimbursement by the SERI or the EC.

Further information can be found [under this link](#). In case of doubt, we recommend direct contact with the competent tax authorities.