

# Value added tax on tickets for cultural, entertainment and sporting events in Croatia

---

**Kuliš, Danijela**

*Source / Izvornik:* **Press releases, 2013, 6, 1 - 4**

**Journal article, Published version**

**Rad u časopisu, Objavljena verzija rada (izdavačev PDF)**

<https://doi.org/10.3326/pr.2013.49>

*Permanent link / Trajna poveznica:* <https://urn.nsk.hr/urn:nbn:hr:242:839162>

*Rights / Prava:* [Attribution-NonCommercial-NoDerivatives 4.0 International/Imenovanje-Nekomercijalno-Bez prerada 4.0 međunarodna](#)

*Download date / Datum preuzimanja:* **2024-07-04**



*Repository / Repozitorij:*

[Institute of Public Finance Repository](#)



# PRESS RELEASES

## Value added tax on tickets for cultural, entertainment and sporting events in Croatia

DANIJELA KULIŠ, Institute of Public Finance, Zagreb

---

**The Presidency of the Croatian Musicians Union issued a [press release](#)<sup>1</sup> expressing its disagreement with a new VAT Act proposal, which, despite its requests and active lobbying by the Ministry of Culture, does not include provisions on a reduced VAT rate of 5% for concert tickets. The Act proposal only envisages a reduced rate for cinema tickets and an exemption of certain organisations, whereas a rate of 25% is charged on other events. In almost all EU member states, reduced VAT rates or exemptions are applied to various kinds of events subject to certain conditions.**

---

As in all EU member states, value added tax is charged in Croatia on all kinds of events and performances (in culture, sports and entertainment). Subject to tax are also tickets for movie shows, zoos, circuses and fairs, and the rate depends on the type of performance or event and the status of the organizer. The Directive<sup>2</sup> which governs the EU VAT system, but also obliges member states to harmonise their national legislations at the EU level, allows the application of reduced rates to tickets for various events. In addition to being subject to reduced tax rates, certain sporting and cultural activities of public interest are also exempt from VAT. Below is a comparative presentation of the taxation of tickets for events according to the Croatian and EU VAT systems and an overview of tax rates applied in European countries.

### 1 VAT on tickets for cultural, entertainment and sporting events in Croatia

The current VAT Act<sup>3</sup> (hereinafter: Act) envisages three rates: a general rate of 25% and two reduced rates (5% and 10%). Admissions to various performances and events are taxed at the general rate of 25%. The reduced 5% tax rate is applied only to the public showing of films, i.e. cinema tickets. The VAT system also provides for exemptions from VAT, it is thus stipulated<sup>4</sup> that cultural services and the supply of goods closely linked thereto by public cultural institutions or other cultural organisations<sup>5</sup> (museums, galleries, archives, libraries, theatres, orchestras and other musical and theatrical, as well as art-conservation and restoration institutions, cultural monument protection institutions, arts organisations and freelance artists), should be exempt from VAT. In the case of fund-raising events organised exclusively for the benefit of the said legal persons, the exemption applies provided that it is not likely to cause distortion of market competition<sup>6</sup>.

---

<sup>1</sup> HGU, 2013. Presidency of the Croatian Musicians Press Release. Zagreb, March 12, 2013.

<sup>2</sup> Council Directive 2006/112/EZ of 28 November 2006 on the common system of value added tax, which entered into force on 1 January 2007.

<sup>3</sup> Croatian version published in the Official Gazette 47/95, 106/96, 164/98, 105/99, 54/00, 73/00, 48/04, 82/04, 90/05, 76/07, 87/09, 94/09, 22/12 and 136/12.

<sup>4</sup> In Article 11, item (m) of the Act.

<sup>5</sup> Entered into the Register of Cultural Organisations kept by the Ministry of Culture.

<sup>6</sup> Article 11, item (n) of the Act.

Such regulation results in different taxation of tickets for some events, despite the fact that the services provided are of the same type. Tickets for concerts organised by a natural or legal person not exempt from VAT are taxed at a rate of 25%, whereas tickets for concerts organised by a public or another cultural institution are VAT exempt. However, legal or natural persons (concert organisers) that are not exempt from VAT may deduct input tax charged on tickets, which is not allowed to public institutions exempt from VAT.

A **new VAT Act**<sup>7</sup> is currently under legislative procedure. The proposed Act has retained a reduced tax rate of 5% only for cinema tickets, while there are no reduced rates for sporting and other events, although this is provided for in the EU Directive. Also envisaged are VAT exemptions for „cultural services and the supply of goods closely linked thereto, by cultural institutions, bodies governed by public law or legal persons in culture“.

## **2 VAT on tickets for cultural, entertainment and sporting events in the EU**

The Directive<sup>8</sup> stipulates that reduced rates may only be applied to the supplies of goods or services in the categories set out in Annex III.

### **Reduced rates**

Annex III to the Directive contains a List of the supplies of goods and services to which reduced VAT rates may be applied. The reduced rates for tickets may be applied to the sale of tickets for:

- shows, theatres, circuses, fairs, amusement parks, concerts, museums, zoos, cinemas, exhibitions and similar cultural events and facilities (item 7); and
- sporting events (item 13).

### **Exemptions**

The Directive provides for exemptions<sup>9</sup> for the supply of certain cultural services and goods closely linked thereto, by bodies governed by public law or other cultural bodies recognized by the member state concerned. In the case of fund-raising events organised exclusively for the benefit of the stated legal persons, exemption<sup>10</sup> applies only provided that it does not cause distortion of competition.

## **3 VAT on tickets for various performances and events in EU27**

As shown in Table 1, there is diversity in the number and amounts of tax rates charged on particular kinds of tickets. There are also exemptions, while some countries have certain specificities. In most countries, however, the VAT rates applied to tickets for cultural events (including cinema tickets) differ from those charged on tickets for amusement parks or sporting events.

The bulk of EU member states grant exemptions for certain cultural services and goods supplied by bodies governed by public law and other cultural bodies recognised by the member state concerned, while different reduced rates are applied depending on the type of event, but mostly to tickets for cultural (17 countries) and entertainment events (10 countries), and for sporting events (12 countries). The selection of events to be taxed at a lower VAT rate is left to the discretion of member states, which entails differences in taxation across countries. Latvia and Croatia, for example, apply reduced rates only to cinema tickets, which are subject to a general tax rate in Malta, while only in Estonia there are neither reduced rates nor exemptions. In Greece, a reduced rate (13%) is applied to tickets for all kinds of events, while an even lower rate (6.5%) is applied to admissions to theatres. Hungary charges VAT at a general rate of 27% on tickets for all kinds events, with the exception of a reduced rate of 8% charged on admissions to internationally popular open-air concerts, introduced last year.

---

<sup>7</sup> The Act Proposal discussed at the meeting of the Government of the Republic of Croatia of 7 March 2013.

<sup>8</sup> Article 98, Item (2).

<sup>9</sup> Article 132, item (n).

<sup>10</sup> Article 132, item (o).

**Table 1** VAT rates and exemptions applicable to various performances and events in EU27 and Croatia

Country	General rate Reduced rate	Tickets for cultural events (shows, movies, theatre, concerts, museums, etc.)	Tickets for amusement parks	Tickets for sporting events	Exemptions for cultural institutions, bodies governed by public law and other legal persons in culture
Austria	20 10; 12	10	10	20	[exemp.]
Belgium	21 0; 6; 12	6	6	6 [exemp.]	[exemp.]
Bulgaria	20 9	20	20	20	[exemp.] <sup>(4)</sup>
Cyprus	18 5; 8	5	5	5	[exemp.]
Czech Republic	21 15	15	15	15	
Denmark	25 0	25	25	25	[exemp.]
Estonia	20 9	20	20	20	
Finland	24 0; 10; 14	10	10	10	[exemp.]
France	19,6 2,1; 5,5; 7	19,6 7; 5,5 <sup>(2)</sup>	19,6 7 <sup>(3)</sup>	19,6	
Germany	19 7	7	19	19; [exemp.]	[exemp.]
Greece	23 6,5; 13	6,5 <sup>(4)</sup> ; 13	13	13	
Hungary	27 5; 18	27 <sup>(5)</sup>	27	27	
Ireland	23 0; 4,8; 9; 13,5	9	9	[exemp.]	[exemp.]
Italy	21 0; 4; 10	10	21	21 10	
Latvia	21 12	21 <sup>(6)</sup>	21	21	[exemp.]
Lithuania	21 5; 9	21	21	21	[exemp.]
Luxembourg	15 3; 6; 12	3	3	3; [exemp.]	
Malta	18 0; 5; 7	5	18	18	
the Netherlands	21 6	6	6	6	
Poland	23 5; 8	8	8	8	
Portugal	23 6; 13	13	23	23	[exemp.]
Romania	24 5; 9	9	24	24	[exemp.] <sup>(7)</sup>
Slovakia	20 10	20	20	20	[exemp.] <sup>(8)</sup>
Slovenia	20 8,5	8,5	8,5	8,5	[exemp.]
Spain	21 4; 8	10	21	21 10	[exemp.] <sup>(9)</sup>
Sweden	25 0; 6; 12	6	25	6; [exemp.]	
United Kingdom	20 0; 5	20	20	20	[exemp.] <sup>(10)</sup>
Croatia	25 5; 10	5 <sup>(11)</sup>	25	25	[exemp.]

Source: IBFD, March 2013.

Abbreviation: [exemp.] = exemption

Footnotes:

- (1) The reduced rate is applied if the tickets are sold by cultural institutions and bodies covered by the Protection and Development of Culture Act. In other cases (e.g. cinemas), supplies are taxed at a rate of 20%.
- (2) The 5.5% rate is applied to live performances (circus or theatrical).
- (3) Admission to amusement parks offering no cultural programs is taxed at a general rate of 19.6%.
- (4) Only applies to theatres.
- (5) Since 20 July 2012, the reduced rate of 8% is applied for admissions to internationally popular open-air concerts.
- (6) Cinema (movie) tickets.
- (7) The exemption relates to supplies of cultural services and/or goods closely linked thereto, by public institutions or other cultural bodies without the purpose of protecting heritage, which have been recognised as such by the Ministry of Culture and Religious Affairs.
- (8) Cultural services will be exempt from tax if supplied by legal persons established pursuant to special legislation (e.g. the Slovak National Theatre), Ministry of Culture of the Republic of Slovakia, a higher territorial unit or a municipality. Further exempt are cultural services supplied by a legal or natural person who meets special legal requirements.
- (9) Supplies by bodies governed by public law or charitable organisations approved in a certain member state.
- (10) Source: Her Majesty's Revenue and Customs (HMRC), UK, Note 701/47 (2011).
- (11) Applies only to cinema tickets.

## 4 Conclusion

Through their tax legislations, most EU member states encourage citizens to attend cultural, entertainment and sporting events. In order to make such events affordable to as many citizens as possible, reduced rates are applied to the prices of tickets, or tax exemptions are granted. EU member states (including Croatia which will soon join the EU) enjoy some freedom in determining the amounts and number of rates, in accordance with their priorities and fiscal needs, provided that they stay within the framework laid down in the Directive. The proposal for a new Croatian VAT Act envisages a general exemption and reduced rates for admission to the cinema, but not to other events. As regards tax on admission to concerts, in practice there is a problem of different taxation of the same kind of service. Where a concert is organised by a public institution, e.g. the Vatroslav Lisinski Concert Hall, admission is tax-free. However, where the organiser is an agency not exempt from VAT, the tickets are subject to 25% VAT. Consequently, not only will concert attendees have to pay more for admission to the concerts, which will cut down attendance, but market competition will also be distorted.

This problem has already been discussed in the EU tax practice. The UK's HMRC issued a [note](#)<sup>11</sup> setting out a detailed explanation of conditions under which some cultural performances (including charity shows) and events may be exempt from VAT and a list of persons to whom this relates. Covered are public authorities (state and public administration bodies and non-governmental public bodies properly registered as such) and other eligible cultural organisations.

Generally, the HMRC holds a view that it should, under the terms of current EC regulations, take a national and overall view of competition where admissions to cultural activities are supplied by public bodies. In this respect, it is necessary to establish whether commercial suppliers of cultural activities may be placed at relative disadvantage if similar supplies made by a particular public body are treated as VAT exempt. In order to prevent distortion of competition, it is important to identify who is eligible for exemption and what events are likely to be exempt and under what conditions.

Speaking of competition, the question is raised whether major international concerts might bypass Croatia. From a budgetary point of view, revenues from tax on the tickets cannot be considered separately from tax revenues from activities linked to such major concerts. In Hungary, besides the highest VAT rate (27%), a reduced rate of 8% was introduced last year only for major international concerts. The same rate is charged in Serbia<sup>12</sup>. Admissions to concerts in Slovenia and Austria are taxed at reduced rates of 8.5% and 10% respectively. Therefore, the organisers of major concerts, when choosing the concert venues, might give priority to the neighbouring countries over Croatia. In this case, the potential revenue loss from VAT on tickets would be negligible compared with the loss in revenues from supporting activities.

The fact that the general VAT rate in Croatia is one of the highest in the EU could provide an incentive for expanding the application of reduced rates to other kinds of events which have so far been excluded from the application of both reduced VAT rates and exemptions.

---

<sup>11</sup> Notice 701/47 (August, 2011).

<sup>12</sup> <http://www.culturalpolicies.net/web/serbia.php?aid=515>