



Multi-day team building: not tax deductible

*news
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For many companies, organizing an annual team building event is the preferred way to promote group spirit among employees.

However, whether it is a day trip or a multi-day ski trip abroad makes a big difference to the tax deductibility on the part of the employer.

A ruling by the Court of Liege on April 25, 2023 (No. 22/936/A) reaffirms the tax rules of the game.

Facts

In the case before the Liège court, a company (active in the catering and events sector) was of the opinion that its annual multi-day trip with its staff constituted a deductible professional expense in accordance with article 49 ITC'92.

However, the tax authorities rejected the booked expense and referred to article 53, 14° ITC'92. In other words, the multi-day trip constitutes a non-deductible social benefit.

(Non-)deductible social benefits

Social benefits are often small benefits that an employer grants to its employees to enhance the good atmosphere in the workplace. In principle, these benefits are untaxed for the employee (think, for example, handing out soup, coffee, beer, soft drinks and tea during working hours; a limited gift at St. Nicholas or wedding; etc.).

However, this also means that social benefits are in principle not deductible on the part of the employer. There are some exceptions to this. The tax authorities have compiled a list of social benefits that are both untaxed for the employee and tax deductible for the employer.

Thus, the administrative commentary on article 53, 14° ITC'92 (Com.IB 1992 no. 53/203) shows that the free provision of soup, coffee, tea, beer or soft drinks during working hours, as well as

companion trips for staff not exceeding one day, are fully deductible for employer.

For the employer, however, it is advisable to invite all employees to the trip, if not there is a chance that they will still be taxed on a benefit in kind.

Court of Liege

The Liège court confirmed that there can only be deductible social benefits if they are "insignificant" benefits.

These are benefits with a pronounced social purpose, provided by the employer, with the intention of improving relations between staff and promoting the latter's attachment to the company. (see Com.IB 1992, No. 38/24)

The administrative commentary on article 53, 14° expressly states that costs of company trips of more than one day are not deductible at all (Com.IB 1992, no. 53/203).

Since the team building extended over several days, the Liège court also refused to deduct the "social benefit" as a professional expense. It makes no difference whether the trip was domestic or foreign.

In the case before it, the court determined it was a multi-day vacation trip with a purely recreational purpose beyond an insignificant social benefit.

What about VAT?

Bizarrely, it does not matter for VAT whether it is a day trip or a multi-day team building event; the VAT is deductible, regardless of the length of time.

What does matter is the fact that you invite everyone in the company. After all, then there is a collective social benefit and the VAT is deductible.

If the team building is only organized for a certain part of the employees, then it is a "private social benefit" and the VAT is not deductible (art. 12, § 1, paragraph 1, 1° VAT Code).

Conclusion

Would you like to organize a team-building event for your staff? Then keep in mind that it can only be a day trip, not a multi-day trip, if you want to deduct the costs as a professional expense for income tax purposes. In terms of VAT, keep in mind that you have to invite everyone to the event.



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