

Value Added Tax – VAT – Information

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Introduction and Purpose

The purpose of this TMOG is to provide information about Value Added Taxes (VATs) to University of Minnesota (U) employees. Occasionally, employees are asked to provide the University's VAT number. For example, an employee may be completing a vendor form that asks for the U's VAT number.

No University VAT Number

The University of Minnesota **does not** have a VAT (Value Added Tax) number. There is no number available to use when completing forms or to provide to the requestor. The appropriate response in these situations is N/A.

Information on the VAT System

A value added tax is imposed in many countries, but not the United States. It is similar to a sales tax in that the VAT is charged to the customer and remitted to the taxing jurisdiction. However, under the VAT system, the seller takes a credit for tax previously paid on the item and only remits the tax related to the "value added" to the product.

From a tax policy and revenue generation standpoint, the VAT system works well when a transaction is limited to countries with value added taxes. However, when items are imported or exported, and one country has a VAT system and the other has a sales tax system, there can be double taxation or no taxation. Consequently, most countries that use VATs apply special rules for imported and exported goods when a non-VAT country is involved.

Alternatives

If VAT is charged by a vendor in another country, the vendor could be asked whether it is required to charge VAT on exported items. If the VAT amount is significant, the Tax Management Office could research whether the imposition of the VAT is appropriate. If the VAT amount is insignificant, the time required to research the laws and deal with another country regarding possible refunds would likely outweigh the benefits.