Information from the Federal Association of German Galleries and Fine Art Dealers (BVDG)

30 October 2012

2013 7 % VAT
2014 30 % flat margin

In recent months we have regularly kept you informed of the latest developments surrounding VAT, and have often been unable to do this with the clarity you would like. Firstly, this is due to the confidentiality of the intensive discussions that have taken place with the State Culture Ministry and Federal Ministry of Finance. Above all, however, it is due to the constant changes in this area; many models have been devised, discussed and checked for their feasibility in German tax law.

The 2013 Annual Tax Act was adopted in the German Bundestag at the end of October. We would hereby like firstly to inform you of the content relevant for the art market; detailed information on this extremely complex issue will then follow in the coming weeks.

From the outset, the aim of the BVDG was to realise appropriate compensation for the art trade for the abolishment of reduced VAT required by the EU. For various reasons, the only possible compensation is the introduction of a 30 percent flat margin tax. This is being applied in France. As a result, only part of the sale price is charged with the VAT rate – that is, a 30 percent rate that includes 19% VAT. The input tax deduction in purchasing is no longer possible; we are therefore dealing with slightly increased VAT on the whole, to look at it another way.

In order to be able to properly prepare for the changes connected with these reforms, we have demanded a grace period of one year. This was granted so that the reduced VAT rate will remain in force for the year 2013.

With the introduction of 30 percent taxation on the sale price of art works and a one-year deadline extension, we have achieved an objective that still seemed unthinkable a few months ago. The economic damage that would have been inflicted by a rigorous full taxation, has been averted for the benefit of the art market, collectors, museums and artists.

Detailed questions on implementation and the implementation provisions of the new tax legislation must be clarified. We are sure that this implementation will be designed in a practicable and unbureaucratic way in relation to the art trade.

Our institutional and political supporters have clearly recognised that despite the forced implementation of the EU's demand, neither the commercial art trade nor Germany as a centre for art should suffer any disadvantage. Against this background and with this support, the BVDG was able to achieve the best possible result. One central argument to this was always the role that professional galleries play as art mediators, with their personal and financial commitment to the visual arts and their overall dedication to the cultural landscape.

We have many people to thank: State culture minister Bernd Neumann and Hans-Joachim Otto from the Federal Ministry of Economics have been campaigning for the art trade from an early stage and were able to prevail both in the cabinet and in the relevant Bundestag committees. We have also received indispensable support from the Raue law firm in the form of Prof. Peter Raue, long-serving legal adviser to the BVDG, and Friedhelm Unverdorben.

Last but not least, we must also thank the many members of the BVDG, collectors and artists who have been personally involved in this matter and have carried our arguments forward.

In representing the interests of galleries and fine art dealers, the BVDG is the most important instrument in shaping the economic and cultural policy framework needed to secure the future of the German art market. We would all have liked a less complicated point to prove than this one, but the success we have achieved proved our theory right.

Klaus Gerrit Friese
Chairman of BVDG

Birgit Maria Sturm
Management Board

BVDG • Dessauer Str.32 10963 Berlin • www.bvdg.de post@bvdg.de • Tel +49(0)30 – 263 922 980 Fax +49(0)30 – 263 922 985