DONATION
Selfless charitable support with no services in return, for the sake of a particular cause.

- A specific purpose can be named (e.g. specification that the donation can only be used to support a particular event)
- Any kind of service in return or actual commercial connection to a service to be rendered by the University as recipient of the donation, is not permitted
- If there is a contract, this can be seen as an indicator for a detrimental agreement
- permitted: Naming of the sponsor, acknowledgements, reference (also by using logos) to the donation on posters, event announcements, etc.
  - BUT: only on a voluntary basis (the University has no obligation to do so, contractual agreements are not permitted) and without special featuring.
- not permitted: Links, reference to certain products/services provided by the donor, advertisements, making a difference between the individual donors according to the amount of donation, other featuring
- Classed as non-commercial:
  → no VAT (as there is no service in return from the University which would be subject to tax)
  → no deduction of input tax
  → no tax on earnings
  → no invoice, a donation receipt is issued

SPONSORSHIP
A sponsor acts in his own commercial interest: the main interest lies in the advertising effect s/he will gain from the sponsorship. Depending on the type of agreement, there is active and passive sponsorship - the tax implications are significantly different!

Passive Sponsorship
- The grey area between a donation and active sponsorship should be handled with care!
  The University is able to act in a similar way to a donation - the main difference between a donation and passive sponsorship is that with passive sponsorship the funder has a right to the University performing these activities, whilst they are only voluntary if it is a donation.
- No active involvement in advertising activities of the sponsor
  → permitted: Acknowledgement of financial support (also by using logos) on posters, event announcements etc., but without special featuring/being listed according to amount of sponsorship
  → permitted: The sponsor only makes reference to his/her financial support in a similar kind of way
  → Typical case: permanent provision of advertising spaces, but only if the University’s services are completed with one legal act (signing of the contract) - not if further services have to be provided, such as the mounting/replacement of posters
  → not permitted: The sponsor is given the permanent right to publicise the sponsorship as part of their own advertising
  → not permitted: Display/distribution of flyers/sponsor’s promotional goods at the sponsored events, permission to put up a stand or provision of advertising space for the sponsor as part of an event etc., link, reference to specific products/services provided by the sponsor, advertisements.
  → If the sponsor would like inspection rights/reports, this can be acceptable if it only affects the internal relationship and has no external impact (i.e. it does not increase the advertising effect as the actual service in return)
- Not a commercial activity, instead asset management
  → no VAT
  → no deduction of input tax
  → no tax on earnings
  → no donation receipt, instead request for payment/invoice without VAT

Active Sponsorship
- Exchange of services: Advertising as a service in return
  → for example: Links, distribution/display of flyers and promotional goods, mounting of posters and other advertising materials from the sponsor, advertisements, exhibition of the sponsor’s products, provision of advertising space for putting up stands - for example at sponsored events, special featuring of the sponsor
- Tax consequences: dependent on the kind of sponsored event

ACADEMIC EVENT WITH PARTICIPATION FEE
- Academic events that have a participation fee are assigned to the BgA Wissenschaftliche Veranstaltungen (publicly-owned commercial enterprise for academic events), in which case the sponsorship has the following consequences:
  → 19 % VAT on sponsorship income
  → Deduction of input tax for operating costs related to the sponsored event
  → Tax on earnings: Corporate and Commercial Tax and Solidaritätszuschlag (solidarity surcharge): approx. 30 % of the profit, the profit is calculated by deducting the operating costs that are directly related to the sponsored event

OTHER ACTIVE SPONSORSHIP
- Active sponsorship is always a commercial activity, even if the sponsored event is taking place as part of the University’s normal function as a public entity (Hochheitsbereich)
  → 19 % VAT
  → Deduction of input tax for expenses: generally possible
  HOWEVER: only for expenses which can be classified as sponsorship of commercial business activities - i.e. only the expenses which can be clearly distinguished and connected directly to the advertising activities that are being put into place by the University as a service in return for the sponsorship; NOT for other expenses related to holding the sponsored event
  → Tax on earnings: approx. 30 % of the profit
    → The profit is calculated by deducting the expenses which can be clearly distinguished and linked directly to sponsorship as part of commercial business activities
    → Only the expenses which can be distinguished clearly and linked directly to advertising activities can be deducted - NOT expenses for holding the sponsored event that fall within the University’s normal function as a public entity
    → This means that nearly all revenue from sponsorship is subject to tax on earnings of 30 %
  → Exemption limits: VAT and tax on earnings only accrue if the University’s income from sponsorship exceeds the BgA limit (limit for commercial activities) of € 35,000 - which is currently not the case.

The English translation of this information is intended solely as a convenience to non-German-reading members of the University. Only the German text is legally binding. In the event of any conflict between the English and German text, its structure, meaning or interpretation, the German text, its structure, meaning or interpretation shall prevail.