



Mitigating tax risks when issuing vouchers in the EU



The benefits of running voucher promotions

Voucher promotions, including coupons and gift cards, have become integral components of the modern shopping landscape. Deloitte reports that a substantial **68%** of European consumers actively hunt for discounts and coupons to stretch their budgets amid economic turmoils, which shows that discounts actively incentivize shoppers.

There are many business goals voucher promotions support, examples include:



Customer Acquisition Boost

According to **Sifted**, Europe's consumer fintechs are **struggling to keep customer acquisition at a desirable level**. Their customers need encouragement to download apps and other services.

Coupons serve as a great incentive and entice **80%** of consumers to make first-time purchases with previously unconsidered brands (RetailMeNot).

Pomelo.

reached a **300% conversion rate** increase bringing them **13 000 new customers** within **1 month** from starting a discount coupon campaign.



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Increased Liquidity

Over **\$1 billion** in gift card value goes unused annually in the U.S., showcasing their revenue potential (CEB TowerGroup). As reported by **Custom Market Insights**, the European Digital Gift Card Market was estimated to reach the value of **USD 77.1 million** in 2023. By 2032, the valuation is predicted to reach **USD 273.9 million**.



Revenue Boost

Coupons influence purchasing decisions for **77%** of consumers and lead to a 125% increase in clicks for online sales (Inmar, Statista).

Merchants can strategically set up promotions limits to promote higher AOV for example by setting the minimum order value or size to qualify for a promotion or launching tiered voucher promotions where the voucher grants a higher promotion tier on a bigger purchase.

service
market

saw **20% uplift in sales** with **25%** of all bookings placed with voucher codes.



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Enhanced Loyalty

According to the [Understanding Loyalty in Europe Whitepaper](#), **59%** of Germans are part of at least one loyalty program. Most, about **66%**, see these programs as a great way to reward customers. Nearly half, **45%**, think every brand should have one.

Brands can issue strategic promotions that discount the second and third purchase to drive repeat purchases that, in turn, make the customers more likely to purchase from the brand in the future.



incentivized customers with a custom **Better Motion** tiered loyalty program with benefits, services, and exclusive content as rewards



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Lower CAC

Offering vouchers can be a cheaper tool to bring new customers than, for example, running paid ads. What is more, vouchers or coupons can also be implemented as part of larger campaigns, such as loyalty programs.

According to the [2023 European Brand Loyalty Report](#), European consumers are willing to revisit their loyalty, with **74%** saying they can be won back by brands they've left and **65%** saying they want to receive discounts from loyalty programs.

aumio

reached a **50% drop in customer acquisition costs** using smart vouchers.

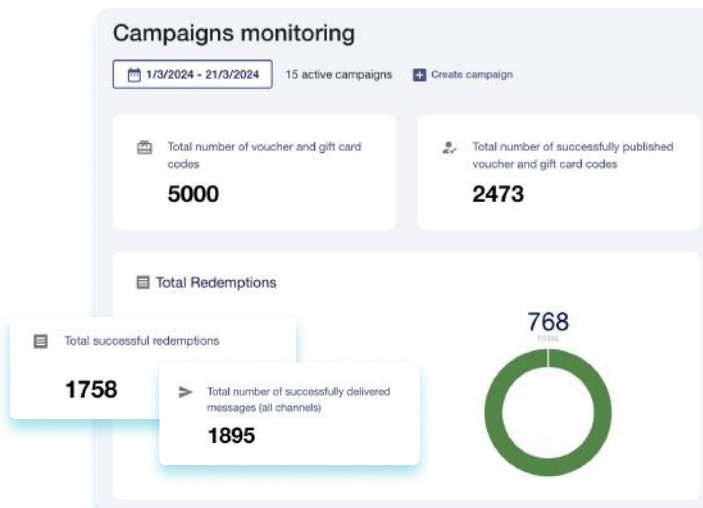


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Clear ROI Tracking

Coupons facilitate clear ROI calculations by directly correlating with generated orders. Personalized coupon codes provide invaluable data on the customer who used the promotion.



Tax regulations related to voucher promotions and gift card usage

Taxation of purchases is an important topic for all merchants. While applying VAT on a purchase of goods or services is fairly straightforward, taxing purchases where discounts or gift cards were used is as simple.

As several of our customers and prospects based in Germany were struggling to find comprehensive materials on the topic, we have dug a bit deeper into the tax regulations that relate to promotions and discounting and prepared a short overview for you to understand how to set up promotions and invoicing workflows to comply with the tax regulations in the European Union.

Difference between vouchers and gift card vouchers

First, let's explain the difference between vouchers (coupon codes) and gift card vouchers.



Gift card vouchers are amount vouchers (for example, EUR 50 gift voucher) that can be purchased as a product and then used as a payment method and are typically applied to the whole cart.



Promotional vouchers (called also coupons) are vouchers that can grant an amount, percentage, or item discount and can be applied to a specific product, line of products, or the whole cart.

Taxation of vouchers in the EU

Taxation of vouchers (coupon codes)

In the case of a discount code, the tax is calculated on the discounted product price or discounted order price.

Taxation of gift card vouchers

The matters get complicated with gift card vouchers. The tax laws define two types of gift card vouchers:

- ✓ **Single gift card vouchers**
- ✓ **Multi-purpose gift card vouchers**

- ✓ **A single-use gift card voucher** is issued for the purchase of goods that all fall under one type of taxation, for example, all goods are taxed at a 19% VAT rate. This is the case if a company provides goods or services that all fall under one category or if the gift card voucher usage is limited to a specific product category.

Single-purpose gift cards are taxed at the issue (the issue of the voucher is a taxable transaction) so if a customer purchases a gift card voucher for EUR 50 that is to be used for goods taxed at a 19% VAT rate, they would need to pay EUR 59,5 for the purchase, VAT included.

- ✓ **Multi-purpose gift card vouchers** are taxed at the redemption because nobody knows for what type of VAT rate products they will be used. Their tax is calculated per product based on the product tax rates.

What is the tax risk when setting up a promotional strategy?

If a company follows the same tax calculation and invoicing workflow for different types of vouchers and gift card vouchers they may miscalculate the VAT and risk getting fined. Also, selling internationally can cause the need to adapt tax rules or to limit the use of vouchers.

How to avoid the promotions tax risks in the EU?

A merchant should follow separate tax workflows depending on the type of voucher used, specifically:

- ✔ **Single-purpose gift card** – tax it at the product purchase rate, at the time of purchase.
- ✔ **Multi-purpose gift card** – tax it when the gift card is redeemed, calculate the tax per product line item before the discount, based on the relevant tax rate.
- ✔ **Coupon voucher** – tax should be calculated on the discounted product price.

To comply with the tax regulations, a company would need to “mark” which voucher should follow which taxation workflow at the time of issuing that voucher and process this information when calculating the order price and issuing an invoice.

The merchant should also prohibit using more than one gift voucher on each purchase, otherwise the tax calculation becomes very complicated.

How to set up correct workflows with Voucherify and Actindo?

Voucherify supports merchants in setting up the correct workflows by enabling them to define which voucher should follow which type of tax calculation.

When creating a voucher via the **Voucherify Dashboard** or **APIs**, merchants can define an additional, custom field within the metadata schema that will differentiate the type of voucher and be used to correctly assign the order to the specific workflow based on the type of voucher used.

Add definition

Property name (Key)*
tax_category

is a(n) property

containing value(s) of Type*

has minimum length of

has maximum length of

has exact length of

is equal to any of

multi_purpose_gift_voucher single_purpose_gift_voucher coupon_voucher | Type & hit enter

X Cancel Save

Actindo can then process the creation of invoices and calculate the taxes per line item or per order, depending on the actual cases of a merchant. This gets realized with fully customizable workflows within the invoicing and accounting modules of Actindo, depending on what type of voucher is redeemed in the order.

As a **Commerce focussed ERP system**, Actindo centralizes and unifies data from various systems, connects 3P tools for customer engagement, customer experiences and corporate processes and helps merchants to automate their commerce processes following their actual business needs.

About Voucherify

Voucherify is a fully flexible promotion software that makes customized, complex promotional scenarios easy to implement, manage, and track at scale.

Voucherify is an API-centric promotion engine for digital teams. It empowers marketers to quickly launch and efficiently manage promotions personalized with customer and session data, including coupons, gift cards, in-cart promotions, giveaways, referral, and loyalty programs.

Voucherify offers a marketer-friendly and flexible rules engine to boost your conversion and retention rates without burning the promotion budget. Programmable building blocks help you deliver incentives to any channel, any device, and any e-commerce solution while keeping your data in secure, highly available environments.



As of today, Voucherify has earned the trust of over **300 customers** (among them **Clorox, Pomelo, ABInBev, OVO Energy, SIG Combibloc, DB Schenker, Woowa Brothers, easyJet** or **Michelin**) and serves millions of consumers through thousands of promo campaigns around the globe.

[Read Voucherify's customers' testimonials](#)

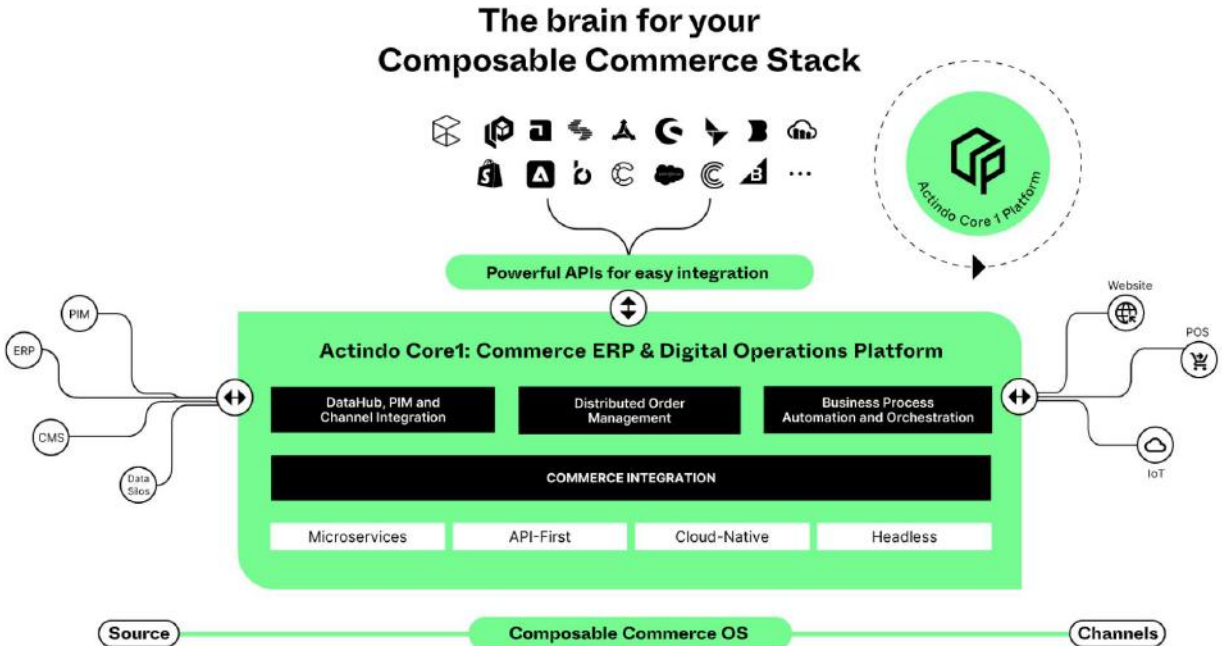
About Actindo

Actindo enables revenue growth with the world's most flexible platform for digital business operations: Actindo Core1

Actindo is a global leader and pioneer in Commerce ERP technology, with more than 15 years of expertise in the market. The Actindo Core1 Platform orchestrates the building blocks of composable commerce to transform, streamline and unify any digital business model.

The API-first and MACH-certified technology features built-in data organisation and distributed order management that helps brands and retailers to easily extend the platform, integrate their legacy ERP system and deliver an outstanding digital experience across all channels.

Renowned enterprise companies that rely on Actindo include **Nintendo of Europe, Kapten & Son, ALDI Onlineshop & tesa**. Actindo is headquartered in Munich with further offices in Cologne, Shenyang, and Dubai.



[Visit Actindo's website for more information](#)

Avoid tax risks with Voucherify and Actindo

If you would like to discuss how to set up promotions, tax-compliant vouchers and accounting leveraging Voucherify and Actindo:

✓ Contact Voucherify

www.voucherify.io

✓ Contact Actindo

www.actindo.com

Disclaimer: We recommend you contact your tax advisor before setting up the Voucherify x Actindo workflows to ensure compliance.

 Actindo

 voucherify