

Exceptions

Subsection 4 of § 30 of the Value-Added Tax Act provides exceptions when the deduction of VAT paid for a car and receiving goods and services for its use is not limited.

Exception applies in the following cases.

- ✘ The car is purchased for **sale or rental**.

It is important that cars purchased for sale or rental are **not taken into use by themselves**.

When a car purchased for sale is put into use for another purpose, the **input VAT deducted at the time of purchase must be adjusted**. The correction must be made in the taxable period, when the taxable person takes the car purchased for sale to its own use. If the taxable person is also involved in granting vehicles into use and, for example, a car purchased for sale is rented out, the 2-year period starts counting from the car rental.

- ✘ The passenger car is mainly used for **passenger transportation or driving practice for a fee**. Taxable person has the right to **deduct input VAT in full** for the vehicle used for business and the goods and services purchased for its use, even if the vehicle is mainly used for the carriage of passengers for a charge on condition that the taxable person has a **Community licence** and a **certified copy** of the Community licence or, in the case of the provision of taxi service, a **taxi licence and a licence card**.

Private consumption is taxed as self-supply according to **subsection 7¹ of § 12 of the Value-Added Tax Act**.

According to **subsection 7¹ of § 12 of the Value-Added Tax Act** the taxable value of self-supply for the use of these passenger cars is: the price of the fringe benefit calculated on the basis of the Income Tax Act ÷ 1.22.

Therefore, granting your employee the use of a car that is mainly used for the provision of a paid passenger transport service or driving practice is taxed. Unlike other passenger cars, it is possible to deduct 100% of the input VAT on these vehicles even if the car is used for private consumption. It is important that the vehicle meets the conditions set out in **clauses 3 or 4 of subsection 4 of § 30 of the Value-Added Tax Act**.

The taxable value, including VAT, of the self-supply resulting from the use of a car used mainly for passenger transport or for educational purposes and an N1 category truck (van) with a gross weight of up to 3,500 kilograms for private rides is the price of fringe benefit calculated on the basis of the Income Tax Act. According to the Value-Added Tax Act, self-supply cannot arise from the use of other passenger cars for private rides.

- ✘ The car is used **exclusively for business purposes**.

The exception is applied only if the passenger car is directly necessary for business and this car is used exclusively for business.

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