

Cash accounting for VAT

Legal basis

§ 44 of VAT Act

Conditions for the application of the special cash accounting arrangement

According to the amendments to the VAT Act which entered into force on 1 January 2011, all persons liable to VAT whose taxable supply did not exceed 200,000 euros as of the beginning of the previous calendar year or the beginning of the current calendar year may implement the special arrangement for cash accounting of VAT (hereinafter special arrangement). A taxable person must keep the calculation of the threshold on a cash basis and the taxable supply does not take into account the transfer of fixed assets and the incidental transfer of immovable as goods.

According to the procedure in force until 31.12.2010, the cash accounting of VAT could only be applied by a sole proprietor without taking into account the amount of taxable supply per year.

Determination of the time of registration for VAT purposes

A person that wishes to implement the special arrangement must keep records of the registration obligation threshold (40,000 euros since 1 January 2018) on the cash basis. VAT must be added to the transaction with which the threshold is exceeded in the extent of the entire transaction.

Example. Keeping records of the registration obligation threshold

Goods were dispatched	20.01	In the amount of 30,000 euros	Payment 17.02	In the amount of 30,000 euros
Service was provided	10.02	In the amount of 5,000 euros	Payment 18.03	In the amount of 5,000 euros
Goods were dispatched	01.04	In the amount of 5,100 euros	Payment 01.05	In the amount of 5,100 euros
Total 40,100 euros			Total 40,100 euros	

Therefore, in the case of cash accounting, the supply exceeded 40,000 euros on 1 May (in the application of the general rules on 1 April). The taxable person must add VAT to all invoices of the same day (1 May).