

Basis and conditions for the deduction of input VAT

The basis for deduction of input VAT is an invoice received from the transferor of the goods or the service provider in accordance with the requirements provided for in § 37 of the VAT Act (subsection 1 of § 31 of the VAT Act). Among other things, the seller must indicate on the invoice the name of the recipient of the goods or services. The seller may not enter the name of the buyer on the invoice only in the cases provided for in subsection 9 of § 37 of the VAT Act if a simplified invoice is issued. In this case, the buyer will indicate his name on the invoice. A simplified invoice may be issued, provided that the amount indicated in the invoice does not exceed 160 euros exclusive of VAT, in the following cases: upon the provision of transport services for passengers and in the case of invoices printed by parking meters, automated petrol stations and other similar machines. Input VAT cannot be deducted on the basis of an invoice issued in the name of another person (including a private person).

In the case of transactions subject to reverse charge (intra-Community acquisition of goods, acquisition of goods installed or assembled, acquisition of goods by way of a triangular transaction and other acquisition of goods or services from a foreign person engaged in business) an invoice is not required if there is other evidence (subsections 2 and 3 of § 31 of the VAT Act). Other proof may include, for example, a contract for the sale of goods or provision of services, a delivery note, etc., which proves that goods or services have been received in a given volume and value.

In the case of import of goods, input VAT is deducted on the basis of a customs declaration (subsection 4 of § 31 of the VAT Act). A taxable person is entitled to deduct the VAT paid or due on import from the VAT calculated on his taxable supply as input VAT if the imported goods are used for the purposes of the taxable supply. If the importer/consignee indicated on a customs declaration is not the owner of the goods, he may deduct the VAT paid on the import of the goods as input VAT, provided that the goods are used exclusively for the purposes of taxable supply, both by the importer and the owner of the goods. Therefore, for example, a processor may, in principle, deduct input VAT, but must have proof that the owner of the goods is a taxable person who has no limitation on the deduction of input VAT and that the owner uses the goods exclusively for commercial purposes.

At the same time, a customs agency does not have the right to deduct VAT paid on behalf of another person on the import of goods as input VAT, since the customs agency cannot treat the VAT paid or payable for another person as the VAT paid or payable on goods imported for the purposes of its business (subsection 7 of § 31 of the VAT Act).

If goods are imported from a third country which is a part of the Union customs territory (e.g. the Åland Islands), input VAT is deducted on the basis of an invoice received from a third country person engaged in business and a customs declaration form containing the information on the imported goods (subsection 2 of § 38 of the VAT Act). If the amount of VAT due upon import of goods is paid on the basis of a decision resulting from a follow-up inspection by customs authorities, the input VAT is

deducted based on the decision of the customs authorities (subsections 4 and 4¹ of § 31 of the VAT Act).

As of 1 April 2012, VAT paid or payable on goods or services received to be used for repair and maintenance of an object of leasing is not deemed to be an input VAT of the lessor. The provision is not applied if the lessor has the obligation to provide repair and maintenance of the object of the lease agreement and the lease agreement is taxed with regard to the goods as well as financial operation or the lessor provides repair and maintenance service (subsection 7¹ of § 31 of the VAT Act).

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