The concept of service

According to the Value-Added Tax Act (VAT Act), things, livestock, gas, electric power, heat and refrigeration are goods. The supply of services is any other transaction other than the transfer of goods in the course of business.

According to clause 3 of subsection 3 of § 2 of the Value-Added Tax Act, **services are** the provision of benefits in the course of business or the transfer of rights (including securities which are not goods) and obligations to refrain from economic activity, to waive the exercise of a right or to tolerate a situation for a charge. Software and information transmitted by electronic means, and data media carrying software or information that are especially compiled or adjusted according to the purchaser's specifications are also services.

For example, construction, rental of goods, patents, obligation to do something, obligation not to do something, as well as brokering of goods in the name or at the expense of another person are regarded as a service. As a general rule, packing of goods is also considered a service even if the supplier makes the necessary packaging. The lease of goods is the sale of a service. If the lessee becomes the owner of the leased object under the contract at the end of the lease period, it is considered sale of the goods.

The provision of services free of charge by a taxable person liable to value added tax (hereinafter the taxable person) to an employee, servant or member of a management or control body is also deemed to be provision of services. The use of goods belonging to the assets used in business by a taxable person or an employee, servant or member of the management or control body of a taxable person for private purposes or for other purposes not related to business is also deemed to be a service. The provision of services in the aforementioned cases is taxed as self-supply. The service of using goods is considered as taxable self-supply if the taxable person has deducted the input VAT of these goods from its VAT (subsection 6 of § 2 of the VAT Act).

Handbook Article last update 08.01.2025