

# News Flash

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**New rules for the adjustment  
of the deducted VAT from the  
investment property in Slovakia**

## New rules for the adjustment of the deducted VAT from the investment property in Slovakia

When preparing the VAT return for the last tax period of a calendar year, the obligatory adjustment of the deducted VAT from the investment property should be considered.

In current News Flash issue, we would like to bring to your attention that effective from **1 January 2019** it is in force that **the adjustment of the deducted VAT is obligatory to execute also when a proportion of use of the movable tangible investment property for business purpose and non-business purpose has changed**, provided that the taxpayer proportionally deducted a part of the input tax.

### New rules for the movable tangible investment property

The movable tangible investment property is for this purpose defined as a movable tangible asset whose acquisition price without the tax, or the at-cost value is at least amounting to EUR 3 319,39, and whose service life is longer than one year.

**The period for the adjustment of the deducted tax is five years**, including a year when the tangible investment property was acquired by the taxpayer.

New rules are effective also with regards to the movable tangible investment property that was acquired by the taxpayer before 1 January 2019 and the tax was proportionally deducted in the moment of acquisition (based on the assumption that except the use for business purpose it would be used also for other than business purpose), if a proportion of use of the property for business and non-business purpose has been changed after the 1 January 2019.

### Rules applicable until the end of 2018

Until 31 December 2018, an obligation of the deducted tax adjustment due to the change in a proportion of property usage for business and non-business purpose has been defined only in connection to:

- **Immovable tangible property** – the buildings, an extension to the buildings, the additional buildings and constructing works on the buildings, the apartments and the non-residential spaces, which required a building permit according to a

special regulation. For this kind of property, a period for executing the adjustment of the deducted tax is twenty calendar years.

With regards to the **movable tangible** investment property, the Section 9(2) of the Slovak VAT Act provided the obligation to pay the output VAT in respect to the change in a proportion of use.

### Impact of the new rules in practice

The abovementioned means in practice that if the taxpayer who acquires the movable tangible investment property (for example a motor vehicle) while assuming that it will be used not just for the business purpose but also for other than business purpose

- decides referring to Section 49(5) of the Slovak VAT Act to choose the option of proportional input tax deduction while this **deducted amount reflects the assumed use of the property for business purpose**, (for example when assuming the 70% of usage for business purposes and 30% of usage for non-business purpose, then the taxpayer claims the deduction of the tax representing the 70%)

consequently, in case of the change in a proportion of use of this property for business and non-business purpose in the period following the tax period of the property acquisition (for example a proportion of use for business purpose is decreased to 50% due to the increasing number of private rides), the taxpayer is obliged to adjust the amount of already deducted tax.

Such adjustment needs to be **executed in the last tax period of the calendar year** in which the change in a proportion of use have occurred, and so for every calendar year until the end of the period for the deducted tax adjustment.

### Claiming of the full tax deduction

We would like to draw your attention to a situation when the taxpayer decides to claim the full tax deduction in moment of acquisition of the movable tangible investment property, while assuming its use for business and non-business purpose as well, then by using of this property for other than business purpose, the output VAT for every tax period when this property is used for other than business purpose is chargeable, in accordance with the Section 9(2) of the Slovak VAT Act.

**The adjustment of the deducted tax is not applicable in this case.**

### Acquisition of the investment property in the form of a financial lease

In respect to the acquisition of the investment property in the form of financial lease, we would like to point out that **the period for the deducted tax adjustment starts to pass in that calendar year, in which this investment property is given at the taxpayer's disposal.**

During the financial lease term when the tax liability does not arise in the moment of lease object handover, the taxpayer receives the services.

The taxpayer executes the proportional tax deduction with regards to a proportion of use for business purpose in comparison to the total usage, in case if this service of the financial lease is being used for business purpose and other than business purpose as well.

The rule on deducted tax adjustment is executed after the termination of the financial lease and buyout of the respective property, provided that a proportion of use of the property for business and non-business purpose have changed.

**Effective since 1 January 2019, the VAT Act explicitly provides that as an acquisition price for the purpose of the deducted tax adjustment calculation is considered also the total amount of instalments paid by taxpayer** in order to acquire this property in the form of the **financial lease.**

### Recommendation for the taxpayers

We recommend to the taxpayers to secure the supporting documentation regarding a proportion of use for business and other than business purpose of both, i.e. movable tangible property and immovable tangible property.

In case of the further changes during the respective period, we recommend paying attention to the necessary deducted tax adjustments. **During the tax audit, a burden of evidence in respect to the claimed tax deduction is on the side of the taxpayer.**

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