

# Adjustment of deducted input VAT, if the immovable is used for exempt supply

The transfer of an immovable exempt from VAT or the provision of services exempt from VAT involves the adjustment of deducted input VAT. If a VAT payer acquired an immovable with VAT and deducted input VAT upon the acquisition – he must take into consideration that if he uses the immovable for his exempt supply, he must adjust deducted input VAT.

Upon the acquisition of an immovable, input VAT is not deducted according to the general proportion of taxable supply to total supply but according to the actual use of the particular immovable for taxable supply and for exempt supply (or for purposes other than those related to business). Upon the acquisition of an immovable, input VAT is deductible in the month when the immovable was acquired and the deduction shall be based on the estimated proportion in which the immovable was to be used for the purposes of taxable supply. The period for adjustment of input VAT shall be 10 calendar years in the case of immovables. The period for adjustment means that the actual use of the immovable for the taxable supply shall be monitored during the correspondent period. If the immovable is partly (or entirely) used for exempt supply, a VAT payer must partly or entirely pay back deducted input VAT. Input VAT shall be adjusted at the end of each calendar year taking into account the actual use of the immovable during the given calendar year.

The period of time between the date of acquisition of the immovable and the last day of the current calendar year is deemed to be the first calendar year. If the actual use of the immovable was in accordance with the estimated use, the adjustment is not necessary for this calendar year. If the immovable is transferred exempt from VAT prior to the commencement of use in business or during the first year of use, the whole input VAT which was deducted upon the acquisition of the immovable shall be paid back.

Input VAT shall be adjusted also for the goods acquired and services received for the immovable which increase the book value of the immovable. In the case of remodelling of an immovable (renovation of a construction work, adding an extension to a construction work etc.), the period for adjustment begins for the remodelled immovable again since the commencement of use of the renovated part.

A VAT payer has the right to adjust input VAT in both directions, i.e. not deducted input VAT is also possible to adjust.

For example, it's possible to deduct proportionally in the course of adjustment (it means, additionally deduct) 1/10 of non-deducted input VAT for each calendar year when the immovable is used entirely for taxable supply. Of course, the prerequisite is that the acquirer of the immovable is a registered VAT payer.

Input VAT need not be adjusted upon transfer of an immovable used for business purposes to a credit or

financial institution if the person who transfers the immovable has obtained the use of the immovable from the credit or financial institution on the basis of a contract during the same period of taxation and continues to use the immovable for business purposes for at least 10 calendar years as of the beginning of use of the immovable for the business of the person.

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