



VAT Refunds – Irrecoverable Tax A Country by Country Detailed Guide

EC VAT refunds – Irrecoverable Tax

VAT incurred in other EC Member States may be recovered in certain circumstances. However, some claims are specifically blocked by Member States. Unfortunately, there are differences between each Member State's domestic legislation.

Here is a summary of VAT which **cannot** be claimed via the refund system:

Austria

VAT cannot be recovered on:

- The purchase, hire, operation and repair of passenger motor vehicles, except driving school vehicles, taxis and hire car vehicles;
- Entertainment expenses, except for business meals where the purpose of the meeting and the identity of the participants are documented.

Belgium

VAT cannot be recovered on:

- Manufactured tobacco;
- Spirits, except those intended for resale or supply in respect of a service (e.g. bars, hotels and restaurants);
- Accommodation, meals and beverages under an accommodation or a catering contract, unless these costs are incurred by a company's staff effecting outside supplies of goods or services or by taxable persons who in turn supply the same services for consideration;
- Entertainment expenses (although expenses incurred in respect of an advertising event may be recoverable);
- Generally; the purchase of motor vehicles used for passenger transport and goods and services relating to such vehicles (although in some cases a 50% restriction applies and there are exceptions depending on use).

Bulgaria

VAT cannot be recovered on:

- Goods or services intended for making VAT-exempt supplies;
- Goods or services intended for "non-business" supplies;

- Entertainment expenses;
- Motorcycles or passenger cars (with less than five seats, excluding the driver's seat), although certain exceptions apply;
- Goods or services related to the maintenance of a motorcycle or passenger car; and
- Goods that have been confiscated by the State or a building that has been demolished because it was unlawfully constructed.

Cyprus

VAT cannot be recovered on:

- Non-business supplies; if a supply has both business and non-business purposes, VAT can be reclaimed only on the business portion of the supply;
- Supplies or imports of passenger cars;
- Certain second-hand goods, e.g. cars and antiques for which the VAT margin scheme is used;
- Business entertainment and hospitality expenses, except the provision of entertainment to employees;
- Supplies used or to be used to make a supply in Cyprus; and
- Goods and services, such as hotel accommodation, purchased for resale and that are for the direct benefit of travellers.

Czech Republic

VAT cannot be recovered on:

- Entertainment expenses.

Denmark

VAT cannot be recovered on:

- Meals for the owner and staff of a business. However, VAT on meals incurred for business purposes is partly refundable;
- The acquisition and running of places of residence for the owner and staff of a business;
- The acquisition and operating costs connected to holiday homes for the owner and staff of a business;
- Entertainment expenses, representation costs and gifts. However, VAT on business entertainment is partly refundable;
- The driving of foreign tourist buses;
- The acquisition, repair and operation of motor vehicles designed for the conveyance of not more than nine persons; and
- Payments in kind to the staff of a business. No more than 25% of VAT may be recovered on restaurant bills and no more than 50% of VAT on hotel accommodation.
- There is a right to deduct a specific amount of VAT for companies that lease

passenger cars if:

- The leasing period is at least six months; and
- The vehicle is used for business purposes for at least 10% of the mileage.

Estonia

A VAT refund is available if an Estonian company can make a similar VAT deduction on its business expenses. This limits the VAT deduction, for example, on meals and entertainment expenses. VAT on accommodation costs is deductible if the trip is not for leisure purposes.

Finland

VAT cannot be recovered on:

- Immovable property that the taxable person or its staff uses as a residence, nursery, recreational or leisure facility, as well as goods and services connected with it or its use;
- Goods and services related to transport between the place of residence and place of work of the taxable person or its staff;
- Goods and services used for business entertainment purposes and business gifts;
- (With some exceptions) Passenger cars, motorcycles, caravans, vessels intended for recreational or sports purposes and aircraft with a maximum permissible take-off weight not exceeding 1,550 kg, or on goods and services related to their use;
- Purchases intended for the private consumption of the entrepreneur or his personnel;
- Purchases related to exempt sales of investment gold;
- Purchases of taxable goods and services for direct benefit of passengers made in the name of a foreign travel service company; and
- Purchases that are VAT-exempt, but have erroneously been charged with VAT.

France

VAT cannot be recovered on:

- Accommodation costs incurred on behalf of the management or staff of a company. (VAT is recoverable when such expenses are incurred for the benefit of persons not employed by the company, provided the expenses are incurred in the interest of the company or when it supplies the same services for consideration);
- The supply, import, leasing, repair and maintenance of most cars for passenger transport and other related costs, such as petrol. (However, 80% of VAT on diesel fuel can be recovered and VAT is recoverable when the cars are purchased by a car dealer for resale or by a person who hires out cars.);
- Goods transferred without remuneration or for remuneration that is much lower than their normal price, unless the value of the goods is very low (except business gifts whose collective value does not exceed EUR 65, including VAT, per beneficiary per year); and
- Domestic transport of passengers and related expenses (except for public transport supplies and transportation from home to work, subject to conditions).

If French VAT has been incorrectly charged, a foreign taxable person can, in principle, obtain a refund (unless a corrected invoice has been issued—a specific procedure applies for a supplier to issue a corrected invoice).

Germany

VAT cannot be recovered on:

- Supplies of goods and services that are not used for business purposes, including gifts; or
- Supplies of services acquired or goods imported connected to certain exempt activities.

Greece

VAT cannot be recovered on:

- Intra-community supplies and exports.
- The supply, import or intra-community acquisition of tobacco products that are destined for use in non-taxable transactions;
- The supply, import or intra-community acquisition of alcoholic beverages that are destined for use in non-taxable transactions;
- Entertainment expenditure, including expenditure on hospitality and amusement;
- The acquisition, leasing or hire, modification, repair or maintenance of passenger vehicles with up to nine seats, pleasure boats except if they are used for the sale, leasing or transportation of persons for a fee;
- Accommodation, food, transport and entertainment expenses incurred for company personnel or representatives;
- The supply of goods and services in connection with real estate located in Greece (in certain circumstances);
- Expenses unrelated to the business activity of the claimant; and
- Incorrect VAT invoicing.
- If the VAT imposed is used for both taxable and exempt transactions, a refund will be granted only in respect of the taxable transactions.

Hungary

VAT cannot be recovered on:

- Use of goods or the services directly for exempt supply of goods and/or services; or
- Use of goods or services for purposes other than taxable business activities, except when the goods or services are entirely used in the interest of achieving taxable objectives.
- Motor fuels and other fuels, goods that are necessary directly for the operation of passenger cars;
- Passenger cars, motorcycles above 125 cc, yachts, sporting and leisure boats;
- Residential buildings (except where a taxable person engaged in the leasing of such buildings opted for taxation of the rental);

- Purchases of goods and services related to the construction and renovation of residential buildings;
- Food and beverages;
- Services received in connection with the operation and maintenance of passenger cars;
- Services of restaurants and other public catering services;
- Entertainment services;
- Taxi services;
- Parking services and highway tolls, with the exception of parking services used and highway tolls paid for a motor vehicle whose gross weight is equal to 3.5 tons or more (including buses); and
- 30% of telephone and mobile phone costs and services related to data submission by internet protocol.

Iceland

VAT cannot be recovered on:

- Cars used for personal transport, including car hires and fuel;
- Food and drinks, including restaurant expenses;
- Gifts and entertainment expenses;
- Residential housing of employees.

Ireland

VAT cannot be recovered on:

- Petrol except diesel;
- Food, drink, hotels/accommodation or other personal services (as from 1 July 2007, VAT on accommodation is recoverable if certain stringent conditions are satisfied);
- Entertainment expenses; and
- The purchase, hire or importation of passenger motor vehicles (VAT on motor vehicles used for certain purposes is recoverable).

Italy

VAT cannot be recovered on:

- Entertainment expenses.
- It is possible to deduct VAT paid on cars/fuel/maintenance used for the company's business. The percentage deduction set by Italian VAT legislation is 40% in the case of both private and business use. The deduction is 100% if exclusively used for business purposes.

Latvia

VAT cannot be recovered on:

- The acquisition of unused immovable property and services received in relation to the construction, reconstruction, renovation, restoration or repair of immovable property;
- Goods and services purchased for personal use;
 - Rental, maintenance and repair of a passenger car if these services are not used for business purposes. If the vehicle is used for business purposes, VAT can be recovered for the business use (in proportion to that use), but the claimant must provide supporting documentation with the application (e.g. route description in Latvian or English);
 - Purchase of fuel, lubricants and spare parts intended for a passenger car if they are not used for business purposes;
 - Expenses for recreation activities;
 - Catering (including restaurants);
 - Health improvement activities; and
 - Entertainment.

Lithuania

VAT cannot be recovered on:

- The purchase or lease of a passenger car;
- Transport of passengers by cars (taxi services);
- Entertainment and representation expenses. However, where a taxable person is established in the EU, 75% of the VAT incurred on entertainment and representation expenses (goods and services) is refundable;
- The supply of goods or services on which VAT does not have to be accounted for;
- Goods supplied to another EU member state if the supply of these goods would have been subject to the zero rate; and
- Goods exported from the EU if the supply of these goods would have been subject to the zero rate.

Luxembourg

VAT cannot be recovered on:

- Supplies on which VAT has been charged by mistake;
- Goods or services that are VAT exempt.
- Goods or services used for private purposes.

Malta

VAT cannot be recovered on:

- Tobacco or tobacco products, except those intended for resale;
- Alcoholic beverages, except those intended for resale or for the supply of catering;
- Works of art, collectors' items and antiques, except those intended for resale;

- Non-commercial motor vehicles (and goods and services for the purpose of repairing, maintaining and fuelling non-commercial motor vehicles), except those intended for resale, charter/hire, driving instructions or for the purpose of the carriage of goods or passengers for consideration;
- Vessels or aircraft, except those intended for resale or charter/hire for the purpose of the carriage of goods or passengers for consideration;
- Purchases relating to the provision of hospitality or entertainment, subject to certain exceptions; and
- Purchases relating to the provision of transport or entertainment to employees, subject to certain exceptions.

The Netherlands

VAT cannot be recovered on:

- Supplies of goods and services that are not used for business purposes;
- Supplies acquired or imported in connection with an exempt business activity;
- Food and drinks in restaurants, hotels and cafes;
- Business entertainment in excess of EUR 227 per year per person;
- Employee benefits in-kind in excess of EUR 227 per year per person;
- VAT on costs for the lease or rental of cars (these are limited to an 84% VAT refund – a 16% adjustment is made for private use).

Norway

VAT cannot be recovered on:

- Entertainment expenses;
- Food and drinks;
- The purchase, hire or importation of passenger cars, as well as on petrol, oil, repairs, maintenance and other related costs;
- Goods and services acquired for use outside the scope of Norwegian VAT;
- Goods imported and used for activities outside the scope of Norwegian VAT; and
- Benefits-in-kind for employees.

Poland

VAT cannot be recovered on:

- Goods and services, the acquisition of which resulted from a donation or free provision of services;
- Lodging and catering services, with some exceptions;
- The deductibility of input VAT on the purchase (lease) of passenger cars is limited to 60%, but not exceeding PLN 6,000 per car.
- The purchase of engine fuel, diesel oil and gas for passenger cars or other motor vehicles.

Portugal

VAT cannot be recovered on:

- Accommodation, food and drinks (except in the case of specific events);
- Entertainment expenses;
- Purchase, hire, importation and repairs of vehicles, boats, and aircraft (unless these assets are used in specific activities). However, it is possible to recover VAT incurred on commercial cars and trucks;
- Fuel expenses (50% of the VAT on diesel is recoverable and 100% if certain vehicles are involved);
- Tobacco; and
- Travel expenses, including tolls (except in the case of specific events).

Romania

VAT cannot be recovered on:

- Invoices on which VAT was unlawfully charged;
- Acquisitions that can be VAT exempt;
- Acquisitions made by tour operators that apply the margin scheme in the Member State in which they are established;
- Tobacco products and spirits, except those intended for resale or for supply during the performance of a catering service and;
- Acquisitions of passenger vehicles and fuel (with some exceptions).

Slovak Republic

VAT cannot be recovered on:

- Supplies of goods and services where the application of VAT was not in compliance with the Slovak VAT legislation;
- Supplies of goods that are or may be exempt from VAT (intra-Community supply of goods, export of goods); or
- Supplies made under the tour operator margin scheme.

Slovenia

VAT cannot be recovered for:

- Yachts and boats for sport and amusement, fuel, lubricants, spare parts and related services;
- Aircraft and fuel, lubricants, spare parts and connected services;
- Cars and motor bikes and fuel, spare parts and related services;

- Accommodation, meals and beverages, unless these costs are incurred by a taxable person in the course of supplies made as part of their economic activity and;
- Entertainment expenses.

Spain

VAT cannot be recovered on:

- Entertainment expenses;
- Food and drinks, tobacco;
- Jewels and precious stones;
- VAT on accommodation, restaurant and travel expenses will be refundable only to the extent the expenses are deductible for personal and corporate income tax purposes.
- VAT incurred on car rentals and fuel will be refundable only if the car is exclusively used for business activities.
- If not exclusively used for business activities, refunds of VAT on car purchases, car importations and car leases will be possible, but only if the car can be considered an investment good for Spanish VAT purposes (ie; it must be used for at least one year within the company), and only for the proportion that the vehicle is used for business purposes (a business use of at least 50% will be required).

Sweden

VAT cannot be recovered on:

- Permanent accommodation;
- Travel services (only applicable to persons supplying travel services);
- Unreasonable entertainment services;
- Purchase of motor vehicles; and
- Car rentals (these are 50% refundable), with certain exceptions for vehicles intended to be sold or leased by a taxable person whose particular economic activity involves the sale or leasing of motor vehicles, vehicles intended to be solely used for passenger transport for hire or reward and vehicles intended to be used for driving license education and transport of the deceased.

United Kingdom

VAT cannot be recovered on:

- Non-business supplies (if a supply covers both business and non-business use VAT can be reclaimed on the business element of the supply);
- Supplies the claimant intends to use for carrying on an economic activity in the U.K. or that the claimant intends to export from the U.K. (i.e. economic activities, the place of supply of which is the U.K.);
- Business entertainment and hospitality expenses and other expenses on which the recovery of VAT is restricted in the U.K.;

- Goods and services purchased for resale (e.g. as part of package holiday) and which are for the direct benefit of travellers;
- VAT that has been incorrectly invoiced or where VAT has been charged on the dispatch of goods to another Member State, or the export of goods outside the EU;
- The purchase or import of passenger motor vehicles, unless used wholly for business purposes and
- Certain second-hand goods, such as antiques, for which a tax invoice will not be issued.
- Not more than 50% of VAT can be recovered on the lease of passenger motor vehicles not used solely for business purposes.