

VAT deduction for a mixed VAT payer

Do you perform both taxable and exempt activities? Then you are a 'mixed VAT payer'. This means that your right to deduct the VAT which you have paid is limited. You only have right to deduct VAT to the extent you perform taxable transactions. A part of the VAT will be non-deductible.

What is a 'mixed VAT payer'?

A VAT payer making both transactions which are subject to VAT and which are VAT exempt, is a *mixed VAT payer*.

Examples:

- A real estate trader, which sells both new (with VAT) and old buildings (without VAT, subject to stamp duties);
- A garage owner leasing cars (subject to VAT), but also performing transport of ill people (exempt of VAT).

What are the consequences for the deduction of VAT?

A mixed VAT payer only has a partial (*pro rata*) right to deduct the VAT he has paid. Only outgoing transactions subject to VAT lead to VAT deduction. Exempt sales transactions do not give right to deduct VAT.

To know how much VAT you can deduct, you should calculate the *general pro rata*. This gives the ratio of the transactions giving right to deduct VAT related to all transactions made by the VAT payer. The correct turnover amounts are of course only known at the end of the year. In order to let de VAT payer perform its deduction during the current year, a provisional *pro rata* is calculated based on the figures of last year. When the definitive figures are available, the deduction is corrected: the VAT payer can then deduct more (if the definitive figure is higher than the provisional one) or should refund part of the deducted VAT (when the definitive amount is lower than the provisional figure).

Example

An accountant has 120.000€ income from consultancy (subject to VAT, with right to deduct VAT). Next to this, he also works as an insurance broker (VAT exempt, no deduction of VAT). He has an income of 160.000€ from this activity. His right to deduct VAT is limited according to the following calculation: $120.000 / (120.000 + 160.000) = 42.8\%$, rounded to 43% (=provisional *pro rata*).

Imagine he has bought a new computer for 2.500€ + 525€ VAT, then he can deduct the VAT up to 225.75€ (43% of 525).

At the end of the year the definitive *pro rata* can be calculated:

- If it shows that in the end the definitive *pro rata* is 37%, he could only deduct 194.25€ (instead of 225.75), he subsequently has deducted too much and should refund 31.50€;
- If the definitive *pro rata* amounts to 52%, he has the right to deduct 273€ (instead of 225.75), so he has deducted less and can deduct an extra 47.25€ of VAT.

COMPTAFID-Benelux NV SA
Brussels

Bld. Edmond Machtensl. 180/100
B-1080 Brussels
Tel: +32 (0)2 410 75 75
www.comptafid.be

COMPTAFID-Benelux NV SA
Antwerp

Schijnparklaan 45
B-2900 Antwerp (Schoten)
Tel: +32 (0)3 658 89 02
www.comptafid.be

COMPTAFID (Schweiz) AG
Zürich

Seefeldstrasse 19 – Postfach
CH-8032 Zürich
Tel.: +41 44 250 2929
www.comptafid.ch

The difference with a partial VAT payer

Next to the 'mixed VAT payer' our system also knows the partial VAT payer: he makes transactions inside and outside the scope of VAT. The transactions outside the scope naturally do not give right to deduct VAT.

COMPTAFID-Benelux NV SA Brussels

Bld. Edmond Machtensl. 180/100
B-1080 Brussels
Tel: +32 (0)2 410 75 75
www.comptafid.be

COMPTAFID-Benelux NV SA Antwerp

Schijnparklaan 45
B-2900 Antwerp (Schooten)
Tel: +32 (0)3 658 89 02
www.comptafid.be

COMPTAFID (Schweiz) AG Zürich

Seefeldstrasse 19 – Postfach
CH-8032 Zürich
Tel.: +41 44 250 2929
www.comptafid.ch