Revision of the deducted VAT: how does it work?

VAT payers can immediately deduct the VAT they pay on their purchases they use for the activity subject to VAT. However, changes in circumstances can lead to the situation that in the past too much or too less VAT was deducted. In that case the VAT deduction is revised in order to correct the situation. In this contribution we focus on the VAT levied on capital goods.

What are capital goods?

Capital goods are movable or immovable goods and services which are used permanently within the company as tools or exploitation means, e.g. the computer of the employees, machines in a factory, company cars, the building in which the activity is exercised, ... Small office stationary and the like fall outside the definition of capital goods, since their value is too low.

Why revise?

At the time of the purchase the VAT payer can immediately and fully deduct the VAT.

Example 1

Bvba New Solutions buys a computer on 24 January 2014 for 1.000€ (+ 210€ VAT) for the boss' secretary. This computer is a capital good. The VAT (210€) can immediately be deducted. In other words: the company can recuperate 210€.

It is possible that over time (1) the capital good will no longer be used for the professional activity of the VAT payer or (2) the VAT payer will perform a VAT exempt activity, or ceases its professional activity, so he has no longer right to deduct VAT. In these cases the VAT payer has deducted too much VAT. A revision should be made. At that time the good is no longer used as a capital good. The VAT payer becomes an ordinary consumer and should also pay VAT on the goods he uses/consumes.

Off course it is logical that also capital goods after some time are no longer used, that's why the revision period does not last forever. The revision period for movable goods is five years and fifteen years for real estate.

Example 2

In March 2016 the bvba New Solutions decides to not longer use the computer. The deducted VAT should be revised. The revision period runs at that time two years: 3/5 of the VAT has been unduly deducted: 210 x 3/5 = 126€ should be paid back to the Treasury.

Example 3

John is a baker. In 2004 he bought a new professional building with VAT. Cost: 250.000 + 21% VAT. The VAT (52.500€) was at that time fully deducted. In 2014 he decides to cease his activity. At that time ten years have been expired, so the fifteen year revision period still runs. The deducted VAT should consequently be revised for 5/15: 5/15 x 52.500 = 17.500€ should be paid back.

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Positive revision is also possible

Sometimes a revision can also be made otherwise, e.g. when someone who previously had an activity without right to deduct VAT starts an activity with the rights to deduct VAT. Then the 'historical' deduction can be made, provided the goods are used for the new professional activity. This is e.g. the case for lawyers, since they are as from the start of 2014 no longer VAT exempt. Lawyers can now deduct VAT, which was not the case in the past.