

Publicity on a car: no VAT deduction limitation anymore

VAT deduction on car expenditure is limited to 50%. This applies in general to all costs related to cars. This will now change. The VAT authorities no longer consider applying publicity on a car as car expenditure, but as publicity costs.

Main rule: maximum VAT deduction on car expenditure = 50%

Deduction of VAT incurred on car expenditure is limited to 50%. This goes for all costs you pay related to a passenger car. It concerns VAT on the purchase of the vehicle, VAT on fuel or parts and VAT on related services such as cleaning and maintenance.

Moreover 50% is the absolute maximum. If the car is not fully used for professional purposes, but partly also for private purposes (= mixed use) the deduction is even further limited. In order to calculate this deduction limitation, the VAT authorities have worked out some specific rules, which we will not discuss here.

The deduction limitation is not applicable to all vehicles and e.g. does not apply to: trucks, hearses, mopeds, motorbikes, vans.

But are all costs car expenditure?

But are all costs made relating to a car to be considered as car expenditure? This question was raised with respect to costs for applying publicity on a car. Until recently the VAT authorities found that these costs fell under the deduction limitation.

However the VAT authorities have changed their point of view. Applying publicity (company name, slogan) on a car with adhesive letters, paint or non-removable panes is as from now considered as publicity costs. As a consequence the deduction limitation does no longer apply. VAT on publicity expenditure is after all fully deductible.

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