

By PwC Deutschland | 17. März 2022

# Input VAT deduction for the construction of a suspension rope bridge

**In its ruling of 20.10.2021 (XI R 10/21), the Supreme Tax Court decided that an input VAT deduction from invoices issued for services in the course of the construction of a tourist attraction which could be used free of charge (here: suspension rope bridge) could be made, if the input services in question were directly related to a service for which payment was received (here: for the provision of parking spaces).**

A municipality had a suspension rope bridge built in 2015. At the same time, a parking lot was constructed for the expected visitors. The municipality charged parking fees for the use of the parking lot. The tax office was of the opinion that there was no direct connection between the rental of parking spaces and the services used to build the bridge. Accordingly, the municipality was not allowed to deduct the input VAT, i.e. the input VAT shown in the invoices issued to it by the construction companies.

The Supreme Tax Court took a different view. In order for a service to be rendered for consideration, there must be a legal relationship between the party rendering the service (in this case: the municipality) and the recipient of the service (in this case: the users of the suspension rope bridge), in the context of which mutual services are exchanged, whereby the remuneration received by the party rendering the service constitutes the actual countervalue for the identifiable service rendered to the recipient of the service. The Court considered the collection of parking fees to be directly related to the provision of the suspension rope bridge for use.

**Source:**

Judgment of the Supreme Tax Court (XI R 10/21) published on 17 March 2022

**Schlagwörter**

input VAT deduction, public authority