

By PwC Deutschland | 11 February 2014

VAT on motor vehicle leasing

The finance ministry has issued a decree on final payments at the end of the lease term for motor vehicles distinguishing between adjustments for over or underuse and VAT-free compensation for damage.

Motor vehicle leasing fees are subject to VAT. However compensation for damage is not. The finance ministry has issued a decree on the distinction in respect of payments from or to the lessor when the vehicle is returned at the end of the lease. If the charge is made to compensate the loss in value of the vehicle from damage caused by use other than as contractually agreed it is for damage caused by the breach of contract and VAT-free. If, however, it is for excessive use of the vehicle as specified by the lease agreement it is an additional rental charge and subject to VAT. Examples are charges (or credits) for excessive mileage (mileage below the set minimum) or for late return of the vehicle.

Keywords

Leasing, damages, motor vehicle