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By PwC Deutschland | 02 September 2015

VAT on asset leasing

The finance ministry has added a passage on asset leasing to its VAT Implementation Decree to the effect that entry by the leasing company into the transaction before delivery of the asset to the customer renders the lessor the purchaser, whereas entry afterwards qualifies the leasing transaction as VAT-free finance.

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The finance ministry has added a passage on equipment leasing to its VAT Implementation Decree to distinguish between the involvement of the leasing company in the transaction before delivery to the user/lessee and its involvement only after that date. If the leasing company (lessor) enters into the transaction before the equipment is delivered to the lessee, it becomes the customer of the supplier on delivery. It then achieves VAT-able turnover from the lease – the lease payments on operating leases or the capital value of the delivery on a financing lease. The distinction between operating and financing leases follows the income tax rules. If the leasing company does not enter into the transaction until after the goods have been delivered to the lessee, it will be seen as acting as a lender of funds. This will generally free it from VAT consequences.

Keywords

Leasing