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By PwC Deutschland | 26 March 2026

# ECJ: Proportional input VAT deduction for costs incurred for goods and services necessary to supply health care services

**In a most recent judgment, the European Court of Justice addressed the issue whether VAT on mandatory healthcare equipment for tax-exempt services can be proportionally deducted if those items are also used for additional taxable services. The decision suggests that a statutory obligation to purchase goods and services doesn't automatically grant deduction, but that proportional deduction is possible if a direct link to taxable activities exists.**

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**A brief background on the case referred:** The case concerns a Czech hospital (Oblastní nemocnice Kolín) claiming VAT deduction on equipment used for both exempt healthcare and taxable additional services.

The key question to be answered by the ECJ in a request for a preliminary ruling from the Supreme Administrative Court of the Czech Republic was whether input VAT can be deducted on supplies and services that are statutory minimum requirements for providing VAT exempt services, but which are also utilized for taxable activities.

**The ECJ's decision can be summarized in a single sentence as follows:** Regulatory requirement alone is not sufficient for pro-rata input VAT deduction.

The full answer to the questions referred is that *Article 173(1) of the VAT Directive must be interpreted as meaning that the costs incurred for the acquisition of goods and services required by national legislation for the provision of healthcare services in respect of which VAT is not deductible, but also used for the provision of services in respect of which VAT is deductible, do not constitute, on account of that statutory requirement alone, general costs in respect of which a proportion of the VAT is deductible*.

**First**, the ECJ states that it is for the referring court to ascertain, in respect of each item of the technical and material equipment at issue in the main proceedings, whether the acquisition of that equipment has a direct and immediate link with one or more output activities. For that purpose, the referring court, inter alia, must take into account the actual use of that equipment and the assignment of that equipment.

In that regard, it must be observed that the technical and material equipment at issue in the main proceedings appears, prima facie, to be used for the provision of healthcare services and not for the provision of additional services.

If it appears after the necessary assessment has been completed, that certain technical and material equipment is intended to be **used exclusively** for the purpose of carrying out exempt healthcare services, the transactions for the acquisition of that equipment will not give rise to any input VAT deduction.

If, on the other hand, technical and material equipment is intended to be **used both** for healthcare services subject to VAT and for exempt healthcare services exempt from VAT, it is necessary to determine the deductible proportion following the methodology referred to in Articles 174 and 175 the VAT Directive.

**Second**, Only if it appears that the acquisition of certain technical and material equipment has no direct and immediate link with one or more specific output transactions will it be necessary to examine whether that acquisition nevertheless has a direct and immediate link with the economic activity of the taxable person as a whole in so far as it forms part of that taxable person's general costs. That could be the case, e. g., if national law requires that certain facilities have certain equipment for reasons of safety or comfort.

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**The complete ECJ decision** of 19 March 2026 in the case C?513/24 *Oblastní nemocnice Kolín* to be found **here**.

**Keywords**

health care, input VAT deduction