



FINACONT TAX NEWSLETTER

Reclaiming bad debt VAT



Kis Gábor

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As of January 1, 2020, taxpayers will be able to reduce the base of VAT payable arising from **bad debts** with self-revision under the applicable law. The VAT Act provides a relevant definition of bad debt for the purposes of this legislation, but as much as a favorable opportunity this VAT reclaim provides, it is equally important **to take care of and document properly the administrative work that underpins and supports it** in order to ensure that the tax authorities do not deem the tax reclaim unlawful in any subsequent examination.

The first step to be taken is to check whether the claim on which the tax base reduction is based **is indeed a bad debt under the VAT Act**. As part of this, it is necessary to examine, for example, the existence and content of documents relating to possible enforcement.

After it can be established that the claim is a bad debt under the VAT Act, **additional conditions need to be examined through self-revision in order to reduce the VAT base**. These examinations are primarily focused on the details of the transaction giving rise to the reclaim.

If a company has a bad debt, it is definitely worth considering this new opportunity to reclaim VAT.

However, reclaiming bad debt VAT, which provides the company with a financial advantage, **is accompanied by careful investigation and strict documentation requirements**. If we can assist you with the preparation of the background documentation related to the VAT reclaim, or the conformity clearance of the debts involved and the quantification of the possible financial effects, please contact our staff!

Should you have any questions, please do not hesitate to contact us.

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