

Council Directive 2006/112/EC of 28 November
2006 on the common system of value added tax

TITLE X

DEDUCTIONS

CHAPTER 2

Proportional deduction

Article 174

1 The deductible proportion shall be made up of a fraction comprising the following amounts:

- a as numerator, the total amount, exclusive of VAT, of turnover per year attributable to transactions in respect of which VAT is deductible pursuant to Articles 168 and 169;
- b as denominator, the total amount, exclusive of VAT, of turnover per year attributable to transactions included in the numerator and to transactions in respect of which VAT is not deductible.

Member States may include in the denominator the amount of subsidies, other than those directly linked to the price of supplies of goods or services referred to in Article 73.

2 By way of derogation from paragraph 1, the following amounts shall be excluded from the calculation of the deductible proportion:

- a the amount of turnover attributable to supplies of capital goods used by the taxable person for the purposes of his business;
- b the amount of turnover attributable to incidental real estate and financial transactions;
- c the amount of turnover attributable to the transactions specified in points (b) to (g) of Article 135(1) in so far as those transactions are incidental.

3 Where Member States exercise the option under Article 191 not to require adjustment in respect of capital goods, they may include disposals of capital goods in the calculation of the deductible proportion.