



Consolidation package

Changes in VAT deductibility for passenger motor vehicles used partially for private purposes

(Update: January 2026)

Tax alert: Consolidation package

Changes in VAT deductibility for passenger motor vehicles used partially for private purposes (Uptade: January 2026)

Since 1 January 2026, the rules for the VAT deduction for passenger motor vehicles that are also used for purposes other than business are changing. This is one of the measures of the third consolidation package approved by the representatives of the Government of the Slovak Republic on 24 September 2025. As a result of this new consolidation measure, the Act No. 222/2004 Coll. on Value Added Tax, as well as the Slovak Income Tax Act No. 595/2003 Coll. have been amended.

With effect from 1 January 2026, in accordance with Council Implementing Decision (EU) 2025/852 of 14 April 2025, the Slovak Republic has restricted the right to deduct tax in the case of certain passenger motor vehicle that are also used for for purposes other than business.

The main objective of this measure is to reduce the administrative burden on taxpayers, associated with the obligation to keep detailed records of the extent of use of a motor vehicle for private purposes and to

correctly determine the tax base for calculating the tax attributable to private consumption. The secondary objective is to prevent tax evasion and tax avoidance in the case of non-taxation of motor vehicles for purposes other than business.

In this regard, we have summarized below the main information about the measures in the area of value added tax as well as in the area of income tax and accounting.

Amendments to the Act No. 222/2004 Coll. on Value Added Tax (hereinafter “VAT Act”)

Passenger motor vehicles used for business as well as for purposes other than business

In connection with the limitation of the right to VAT deduction in the case of certain passenger motor vehicles that are not used fully for business purposes, the VAT Act was amended, in which this restriction limitation is regulated by a new provision of Section 85n of VAT Act, according to which, in the period from 1 January 2026 to 30 June 2028, only a 50% VAT deduction will be possible for the acquisition and long-term lease of defined categories of motor vehicles used for mixed purposes, as well as for goods and services received in connection with these motor vehicles.

A taxpayer who acquires or uses a passenger motor vehicle of categories M1, L1e and L3e in the period from 1 January 2026 to 30 June 2028, which will be also used for purposes other than business, will only be able to deduct the input VAT only to the extent of 50%.

This special measure applies to the passenger motor vehicles acquired from 1 January 2026 and used simultaneously for business and private purposes, regardless of whether their purchase price is higher or lower than EUR 1,700. This measure will only applied to the following categories of vehicles (if they are also used for private purposes):

- M1 motor vehicles – passenger cars with no more than eight seats in addition to the driver's seat, typically passenger vehicles, SUV, vans used for carriage of passengers;

- Vehicles of category L1e – lightweight two-wheeled vehicles, such as electric mopeds and scooters, with an engine cylinder capacity not exceeding 50 cm³ (in the case of a combustion engine) or 4 kW (in the case of an electric engine), maximum speed of 45 km/h;
- Vehicles of category L3e – motorcycles and two-wheeled vehicles with an engine cylinder capacity exceeding 4 kW, without a maximum speed limit.

At the same time, the 50% VAT deduction limitation also applies to:

- The rental of motor vehicles (except short-term rental) based on a rental or similar contract;
- As well as the purchase of goods and the provision of services related to the operation of these motor vehicles.

The term "acquisition of a passenger motor vehicle" should be understood as the acquisition of the right to dispose of the passenger motor vehicle as the owner. This refers to the acquisition of a disposable right to the motor vehicle, whether through purchase or in the case of delivery of goods under a lease agreement after 1 January 2026 (inclusive), according to which, under normal circumstances, ownership of the subject of the lease agreement is acquired no later than upon payment of the last installment. This is a so-called financial leasing, which is a supply of goods from the point of view of the application of the VAT Act.

The special tax deduction rules apply only to passenger motor vehicles that meet the definition of long-term assets. The long-term assets of the payer are assets that the payer uses for the purposes of its business, except for assets acquired or created by its own activities for the purpose of resale, and whose useful life is more than one year. This does not apply to passenger cars accounted for as stocks.

50% VAT deduction for services and goods related to the operation of motor vehicles

Limitation of the right to deduct the input VAT of 50 % also applies to the purchase of goods and the provision of services related to the use and operation of passenger motor vehicles that are used for business purposes and at the same time for purposes other than business, in the period from 1 January 2026 to 30

June 2028. These include, for example, purchase of spare parts, accessories, fuel, services of car service, tires, maintenance, repairs etc.

The 50% VAT deduction on such goods and services will also apply if these goods/services are acquired or received in connection with the use of passenger motor vehicles acquired before the reporting period or which began to be used before the reporting period, i.e. before 1 January 2026.

Passenger motor vehicles used exclusively for business purposes

1. New record-keeping obligations for entrepreneurs

In the case of applying the full VAT deduction, the taxpayer is obliged to keep electronic records demonstrating the extent of use of the passenger motor vehicle exclusively for business purposes.

The taxpayer is obliged to keep detailed records in electronic form for each acquired and used passenger motor vehicle separately, which should contain the following detail information:

- Vehicle identification number VIN,
- Registration number (number plate), name and type of vehicle;
- The number of kilometres on the day the records are started, at the end of each tax period and on the day the records are ended;
- An accurate record of each use of the vehicle, which include in particular the following information:
 - The serial number of the driving record;
 - The name and surname of the person who was driving the passenger motor vehicle during the journey;
 - Date, time of start and end of the journey;
 - The purpose of the journey proving the use of a passenger motor vehicle for business purposes (the records should make it clear that the purpose of the trip was to use the motor vehicle for business purposes, while only the information that it is a business trip is not sufficient);

- The starting point and the ending point of the journey;
- The number of kilometers driven for each journey, the odometer reading before each journey and after each journey;
- A record of all goods and services related to the operation of the passenger motor vehicle, broken down into individual goods and services, indicating their specification, purchase price excluding tax and the date of acquisition of goods or receipt of services.

The taxpayer is obliged to make records available electronically to the Tax Authorities on request within the period specified in the appeal.

If the taxpayer is unable to keep records in electronic form separately for each acquired or used passenger motor vehicle, as provided for in Section 85n (6) of VAT Act, only 50% of the input VAT can be deducted.

2. Exemptions from the new recording obligations

The 50% VAT deduction measure does not apply to passenger motor vehicle of categories other than M1, L1e and L3e.

Other exceptions for which a full 100% VAT deduction can be applied are only passenger motor vehicles that the taxpayer has acquired and uses exclusively:

- For business purposes that is short-term rental or other than short-term rental of a passenger motor vehicle (in leasing companies);
- For business purposes that is the carriage of passengers and their baggage for consideration, including taxi services;
- For business purposes that is the operation and provision of driving lessons, if the passenger motor vehicle is a training vehicle;
- As a demonstration or test passenger motor vehicle or as a replacement passenger motor vehicle provided to the taxpayer's customer during the repair.

The definition of demonstration and test passenger motor vehicles is not enshrined in the VAT Act. As a distinguishing criterion when assessing whether it is a demonstration or test vehicle, it is necessary to proceed from the fact that in a given case it would generally be the use of the motor vehicle for private consumption. If it were the use of the motor vehicle for the personal consumption of the taxpayer or his employees, or for another purpose other than the taxpayer's business, then the passenger motor vehicle would not be considered a demonstration or test vehicle. If it were assessed that it was not the personal consumption of the taxpayer or his employees, then it would be a demonstration or test passenger motor vehicle.

In these cases, the taxpayer is not obliged to keep a new detailed recording obligation as detailed above, but it is still necessary to keep VAT records in order to be able to prove the purpose of using this asset, i. e. the recording obligation must also be kept in these cases, but not in such a detailed form.

3. New reporting obligations for entrepreneurs

The taxpayer is obliged to notify the Tax Authorities of the use of the vehicle exclusively for business purposes on a prescribed form ("*Notification of the use of a passenger motor vehicle for business purposes*") determined and published on the website of the Slovak Financial Directorate) within the deadline for filing the tax return for the period in which the full 100% VAT deduction was applied. The taxpayer is not obliged to notify the use of a passenger motor vehicle exclusively for business purposes if the motor vehicle was acquired before 1 January 2026.

The taxpayer is obliged to notify the Tax Authorities of the use of a passenger motor vehicle used under a lease contract other than a short-term lease contract or under a similar contract within the deadline for filing a tax return for the tax period in which the full 100% VAT deduction was applied for the first time.

Amendments to the Act No. 595/2003 Coll. on Income Tax (hereinafter „CIT Act”)

In connection with the approved limitation of VAT deduction for business motor vehicles also used for private purposes, a new transitional provision, Section 52zzzk, effective from 1 January 2026, was added to the CIT Act, which regulates the recognition of VAT as tax-deductible expense.

VAT for which the taxpayer will not be entitled to a VAT deduction will not be considered a tax-deductible expense in accordance with the new provision of § 52zzzk of the CIT Act, effective from 1 January 2026.

This means that the taxpayer will not be entitled to deduct part of the VAT (50%), and at the same time this amount of VAT will not be considered as tax-deductible expense.

In this regard, it will be necessary to monitor the different purchase price for accounting and tax depreciation when acquiring such motor vehicles. The accounting purchase price will continue to include the amount of VAT not deducted. However, the VAT not deducted will no longer be part of the purchase price for tax purposes. In this context, the taxpayer will adjust the operating result to the tax base through an item increasing the operating result (row no. 150 of the corporate income tax return; hereinafter "CIT return"). The difference between accounting and tax depreciation must be assessed separately for each motor vehicle acquired in the period from 1 January 2026 to 30 June 2028, during the depreciation period of this asset.

If you would like to discuss the above changes in more detail, or assess their impact on your business, our tax team at Forvis Mazars is at your disposal.

Contact

Kvetoslava Čavajdová,
Partner, Tax
kvetoslava.cavajdova@forvismazars.com

Ivana Bošková
Senior Manager, Tax
ivana.boskova@forvismazars.com

Forvis Mazars
SKY PARK OFFICES 1
Bottova 2A
811 09 Bratislava

Offices: Bratislava, Košice, Nitra, Považská Bystrica

Forvis Mazars Group SC is an independent member of Forvis Mazars Global, a leading professional services network. Operating as an internationally integrated partnership in over 100 countries and territories, Forvis Mazars Group specialises in audit, tax, outsourcing and advisory services. The partnership draws on the expertise and cultural understanding of over 40,000 professionals across the globe to assist clients of all sizes at every stage in their development. Forvis Mazars in Slovakia is part of Forvis Mazars Group SC

Visit www.forvismazars.com/sk to learn more.