

ECJ Decides on VAT Right to Deduct Expenses for Vehicles, Travel, Accommodation and Representation: *The Navigator Company and Navigator Pulp Figueira* (Case C-459/21) (VAT)

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Report from Fernanda Santos Moura, VAT Associate, IBFD

The Court of Justice of the European Union (ECJ) gave its decision in the case of *The Navigator Company, S.A., Navigator Pulp Figueira, S.A. v. Autoridade Tributária e Aduaneira* (Case C-459/21) on whether, in the light of the principle of equivalence, national law can deny or restrict the right to deduct VAT incurred on expenses relating to certain vehicles, travel and accommodation, as well as representation expenses.

The Sixth Chamber of the ECJ ruled:

"The principle of equivalence must be interpreted as not precluding national legislation, maintained pursuant to the second paragraph of Article 176 of [Council Directive 2006/112/EC](#) of 28 November 2006 on the common system of value added tax, and which establishes a total or partial exclusion of the right to deduct VAT paid in respect of certain motor vehicle expenses, travel and accommodation expenses and entertainment expenses as well as legal costs, even though such expenses are covered by a scheme which is allegedly more favourable, in terms of the deductibility of those expenses, in the context of a direct tax governed by national law."

The ECJ gave its decision on 9 December 2022.

A more substantial report containing details of the ECJ's decision will be published subsequently in the ECJ Case Law collection.