



# Basics of VAT

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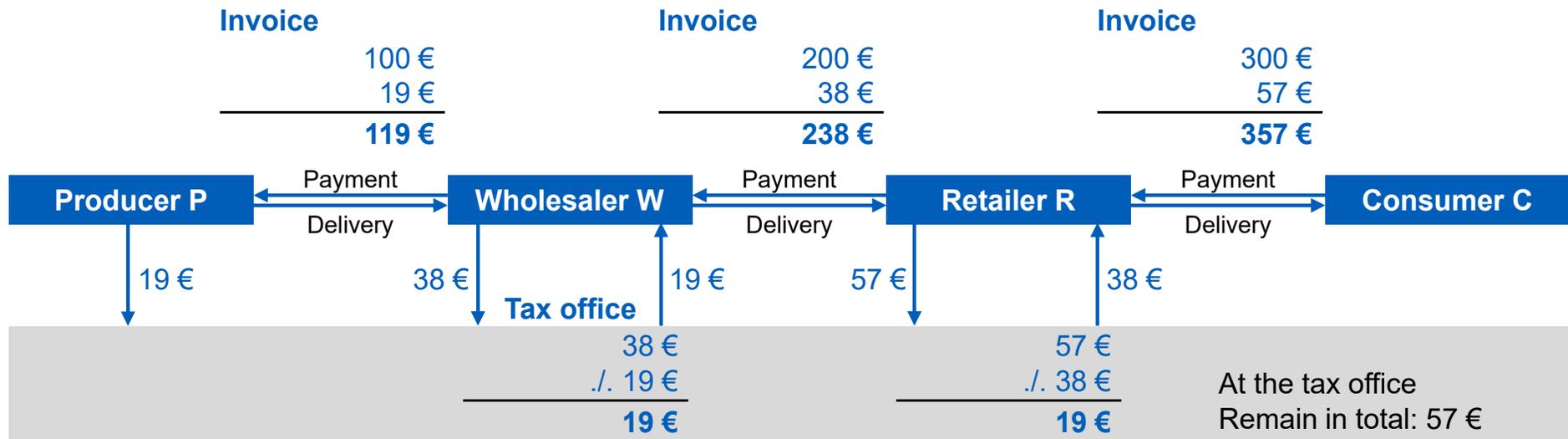


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# Basics of VAT

## Example

Producer P sells a product for 100 € plus VAT to wholesaler W. The latter sells the goods for 200 € plus VAT to retailer R. R sells the goods for 300 € plus VAT to end users C. (VAT = 19%)



# Basics of VAT

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Most transactions in the supply and delivery transactions of a company must take into account VAT (value added tax). VAT is designed as so-called excise duty. This means that it is paid in full by the final consumer as a percentage of the benefit. Companies, on the other hand, are generally not economically burdened by VAT.

As a result, the company always has to pay only the value added tax that it pays to the tax office, which is the difference between the procurement prices of the factors of use (e.g. goods) and their sales prices. Thus, when a service is sold (e.g. a sale of a product), the company achieves a sales price that contains a fixed percentage of sales tax. This VAT must be paid by the company to the tax office, but it can deduct from the VAT liability the tax paid itself when the factors are used, which is referred to as 'pre-tax'. The payment burden thus payable "net" by the company represents the VAT liability for the added value generated by the company's activities.

The VAT charged to the consumer is the sum of the payment burden paid by the companies at the various stages and passed on to the customer concerned. For companies, VAT is only a continuous item, since the pre-tax paid at the time of procurement is deducted from their own VAT liabilities and thus reimbursed. The total payment burden is ultimately borne by the final consumer. Therefore, to the final consumer normally the purchase price, including VAT, is referred to whereas in business transactions between companies, price information without VAT is common.

From the company's point of view, the pre-tax is a receivable against the tax office, and VAT is a liability against the tax office. These receivables and liabilities must be recorded in the accounting system. The total payment burden shall be paid by the company to the tax office. If the pre-taxes of one month are higher than the own VAT liabilities, the tax office reimburses the excess.

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Thank you  
for listening

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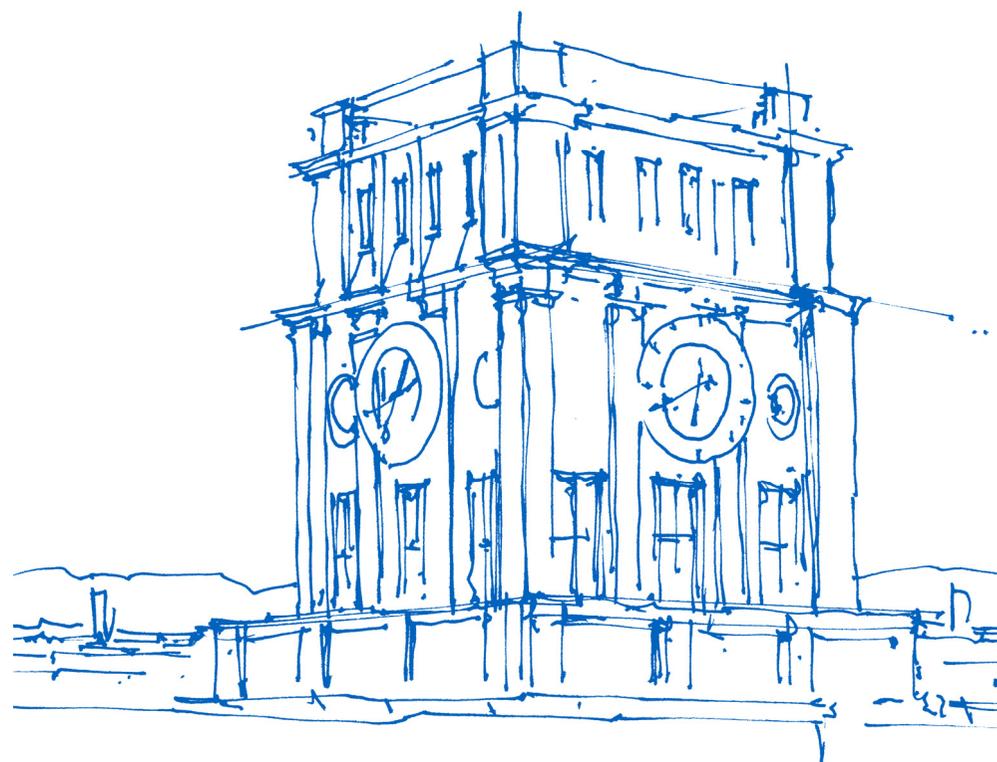
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