GCEU decision regarding the VAT exemption of credit management:

Another hit for the financial sector?

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On 17 June 2026, the General Court of the European Union ("GCEU") ruled that the management, for consideration, of credit by the original lender after that lender has sold the credit is not exempt from value added tax ("VAT").

The decision in *Veronsaajien oikeudenvalvontayksikkö*[1] should be particularly relevant for a jurisdiction such as Luxembourg, where financial transactions are at the heart of the domestic economy and where a new bill[2] has recently been introduced to make the securitisation framework more attractive.

Luxembourg is indeed a leading hub for structuring international debt, fund financing and corporate credit transactions. From a commercial perspective, retaining loan servicing may be efficient because the originating bank keeps the operational capacity to administer the loans.

For clarity, and to better understand the practical implications of this judgment from a VAT standpoint, it should be noted that, under the Luxembourg VAT Law[3], credit management services supplied by the party that granted the credit benefit from an exemption, whereas the same services are taxable at the intermediate rate, currently 14%, if supplied by a party other than the person that granted the credit.

Facts

In the case reviewed by the GCEU, a Finnish company ("**seller**") belonging to a banking group granted housing loans to customers in Finland. After the loans were drawn down, a substantial proportion of them was sold to a wholly owned subsidiary ("**purchaser**").

All rights and obligations attached to the loans were transferred, and many of those loans were then used as collateral for bonds issued by the purchaser as part of a securitisation arrangement.

Although the purchaser became the holder of the loans, the seller continued to manage them, handling the loan relationship and related security, and acting as the purchaser's representative vis-à-vis the borrowers. The seller received market-based remuneration from the purchaser for those management services.

The Finnish Central Tax Board held that both the sale of the loans and the subsequent management services performed by the seller were exempt from VAT, except for debt collection. The Finnish Tax Recipients' Legal Services Unit challenged that ruling, arguing that the VAT exemption for credit management applies only where the same taxable person is both the lender and the credit manager. Accordingly, once the seller had sold the loans, it could no longer rely on that exemption for the services it supplied to the purchaser.

The Finnish Supreme Administrative Court referred a request for a preliminary ruling to the CJEU, asking whether the seller's post-sale management of the loans could be exempt under Article 135(1)(b), (c) or (d) of the VAT Directive[4]: respectively, as management of credit by the person granting it, as a transaction concerning credit guarantees or other security for money, or as a transaction concerning payments or debts.

Reasoning of the GCEU

The GCEU fully agreed with the conclusions set out in Advocate General Brkan's Opinion. It considered that the wording of the condition "by the person granting the credit" is not fully conclusive across the different language versions: some point towards the original lender, while others may be read as referring to the current lender. That said, the purpose of the exemption — avoiding an increase in the cost of credit and the difficulties connected with determining the taxable basis — is not to favour the outsourcing of credit management to a third party.

The GCEU therefore placed particular weight on the structure and principles of the VAT system. In its view, the exemption for credit management should be limited to management carried out by the current lender as part of the credit relationship. That interpretation preserves fiscal neutrality, because outsourcing credit management to the original lender should not receive more favourable VAT treatment than outsourcing it to any other third-party service provider. It also prevents the exemption from being circumvented through artificial structures.

It should also be recalled that exemptions must be interpreted strictly, since they constitute exceptions to the general principle that all services supplied for consideration by a taxable person are subject to VAT. The risk that those costs may affect the borrower depends on commercial decisions or specific credit terms.

On the second question, the GCEU rejected the argument that the services could be exempt as dealings in credit guarantees or other security for money. Since the specific rule governing credit management is in a different article of the VAT Directive, allowing the same services to fall under the exemption for guarantees or security would undermine the deliberate limits of the credit-management exemption.

Similarly, the GCEU considered that the VAT exemption applicable to transactions concerning debts should not apply to credit management. The management services supplied by the seller did not consist in a transfer of ownership of funds, nor did they have the effect of fulfilling the specific and essential functions of such a transfer.

Interestingly, the GCEU did not consider whether the credit management services could be treated as ancillary to the sale of the loans, whereas Advocate General Brkan considered that approach untenable. According to her, credit management services should not be regarded as closely linked to the sale of loans and therefore cannot be ancillary, because they constitute an end in themselves for customers rather than a means of better enjoying the acquisition of the loans. In principle, the buyer could appoint another provider to administer the loans without affecting the loan transfer itself.

A brief reference to the VAT treatment applicable to the transfer of loans and the analogy with the Swiss Re case

In her Opinion delivered four months ago, Advocate General Brkan expressed doubts about the VAT-exempt treatment applied by the Finnish tax authorities, in an advance ruling, to the sale of credit. She noted that, in the *Swiss Re* case[5], the CJEU held that the sale of reinsurance contracts did not fall within the scope of the exemptions for financial services. In essence, the transfer of a portfolio of reinsurance contracts could not be exempted as a combination of dealings and a transaction concerning debts. Thus, by analogy, the sale of credit should not be exempt from VAT.

The GCEU did not refer in the judgment to this controversial aspect, possibly because it was not included in any of the three questions raised by the Finnish Supreme Administrative Court. Clarification of the VAT treatment applicable to the sale of loans would have been very welcome. For clarity, under the Luxembourg VAT Law or the French VAT legislation[6] there is no exemption dealing expressly with the transfer of loans, and neither is there one in Article 135 of the VAT Directive, which sets out the exemptions applicable to financial transactions. By contrast, the Spanish VAT Law[7] specifically exempts the transfer of loans or credits.

Conclusion

The judgment in *Veronsaajien oikeudenvalvontayksikkö* should be relevant for financial institutions using securitisation or similar refinancing structures. However, it is worth noting that, in many securitisation structures, the originator merely assigns the receivables while retaining the associated rights and obligations. The conclusions to be drawn may therefore differ from those applicable to the case at hand.

In practice, loan servicing performed by Luxembourg originators after the loan portfolio has been transferred to a purchaser established in Luxembourg should trigger VAT at 14%, even where the originator remains the natural administrator of the borrower relationship. This could create irrecoverable VAT costs for entities carrying out activities that do not give rise to input VAT recovery, and may need to be factored into the pricing and structuring of securitisation transactions.

It may be true that keeping the original lender as loan servicer after purchasing a loan portfolio ensures operational continuity and minimises transition risk. This is also very common in sales of non-performing loans or large corporate loan portfolios. It allows the purchaser to maintain existing customer relationships and avoid the logistical complexities of transferring large volumes of data. However, a significant VAT cost may arise for the purchaser if it does not have a full input VAT deduction right or cannot allocate the VAT borne or self-assessed under the reverse charge mechanism to an activity giving rise to input VAT recovery.

In light of the outcome in *Veronsaajien oikeudenvalvontayksikkö*, the agreements governing the full transfer of all rights and obligations should be reviewed and, where necessary, amended to reflect the risk that loan administration or servicing services performed by the originator following the transfer of the receivables may constitute a taxable supply for VAT purposes, rather than falling within the scope of the financial services exemption.

1) *Veronsaajien oikeudenvalvontayksikkö v. A Oy*, C-184/25, EU:T:2026:399)
2) Bill of law 8761 amending the law of 22 March 2004 on securitisation
3) Law dated 12 February 1979 regarding Value Added Tax (as amended)
4) Council Directive 2006/112/EC of 28 November 2006 on the common system of value-added tax
5) *Swiss Re Germany Holding GmbH v Finanzamt München für Körperschaften*, C-242/08, EU:C:2009:647
6) General Tax Code
7) Law N° 37/1992 of 28 December 1992 approving VAT