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Judicial Update

EU General Court Confirms Stance on VAT Exemption

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The EU General Court (the Court) on 17 June issued its judgment on the application of VAT in loan management services in Case T-184/25 *Veronsaajien oikeudenvallontayksikkö v. A Oy* [EU:T:2026:399]. This ruling may carry potential implications for securitisation structures with an EU element.

Background

Finnish tax authorities have been in ongoing legal proceedings with a Finnish bank, A Oy, that originated property loans which were sold at market value to its wholly owned but independently VAT-registered subsidiary B Oy. Following the transfer, A Oy retained management and servicing of the loans sold to B Oy, to include administration of interest rates and commissions, adjustments to the loans, customer service and debt collection.

A Oy maintained that this arrangement comprised VAT-exempt financial services pursuant to Article 135(1)(b)-(d) of the EU VAT Directive, which provides for an exemption from VAT in relation to the management of credit and credit guarantees by the person granting the credit.

Key Determination

The Court considered the scope of the VAT exemption and held that A Oy's post-transfer activities did not amount to "management of credit by the person granting it". The Court found that the VAT exemption is linked to the original lender-borrower relationship; therefore, once ownership of the loans was transferred to B Oy, A Oy ceased to be the lender as "management of those loans no longer forms part of the original legal relationship which gave rise to the right to benefit from the exemption". As a result, A Oy's continued servicing and management activities constituted a separate taxable supply for VAT purpose — an outcome that may affect securitisation transactions involving European entities.

Implications

The judgment may influence any structure built around the sale and consequential management of loan portfolios, with particularly heavy implications for securitisations. Where an originator and/or lender preserve a servicing role after selling loans, the associated management fees for that ongoing relationship may no longer be exempt from VAT.

EU-based special purpose vehicles (SPVs) — entities incorporated to issue and own securitised assets — may be particularly exposed, as SPVs are generally not entitled to recover input VAT because they mainly trade in and issue debt. The weight of this ruling may mean that the VAT

charged on management fees could potentially be irrecoverable, creating an additional operational expense and increased structural costs.

Whilst UK VAT legislation is derived from the EU VAT Directive, it should be noted that the UK position in relation to the VAT treatment of servicing fees in securitisation transactions is also addressed by UK case law and HMRC guidance.

As a result of the Court's judgment, it will be important to review and consider the underlying VAT analysis for the provision of servicing in relation to securitisation SPVs.



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