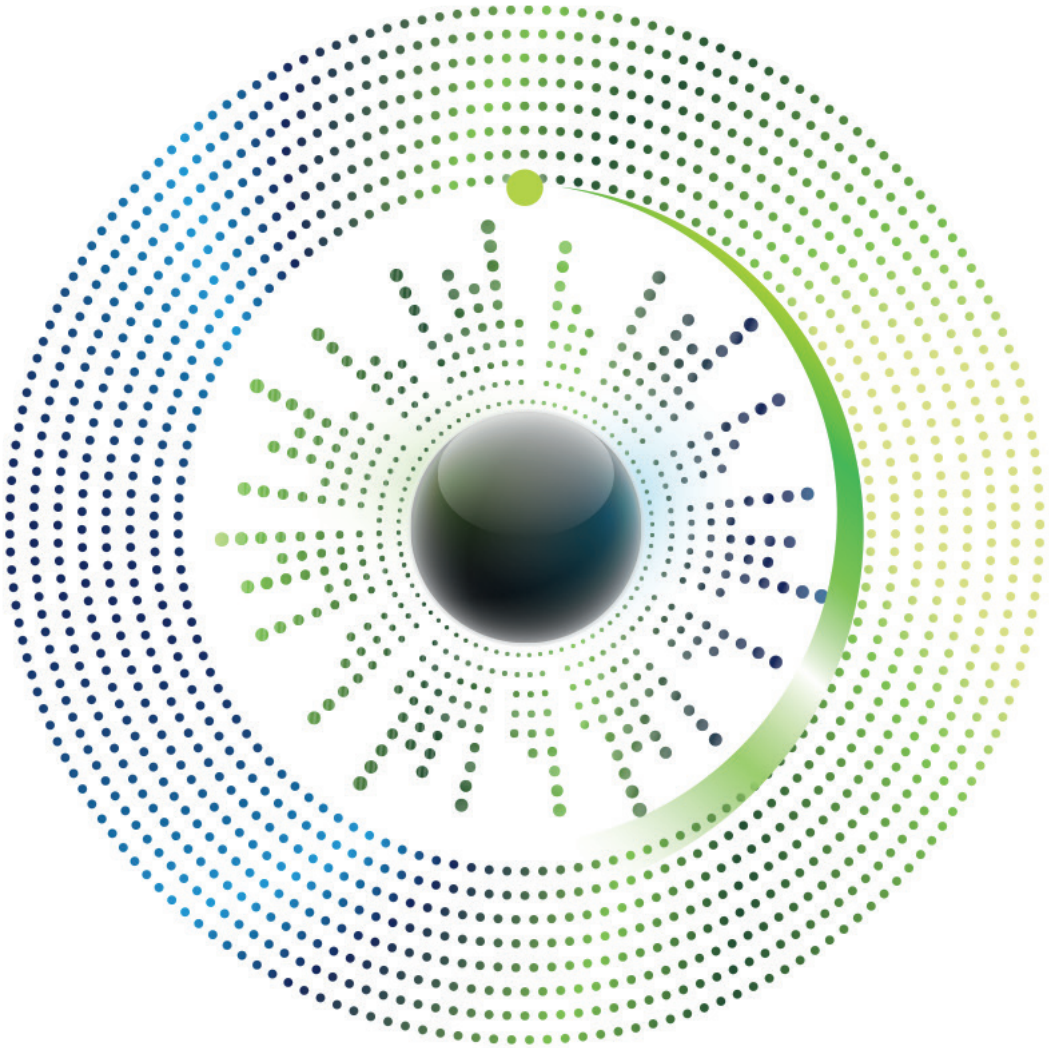

VAT's new?

Current developments in Germany and the EU in the field of VAT

Highlights

No VAT exemption for management of credit after transfer of loans to third parties

"1. Article 135(1)(b) of Council Directive 2006/112/EC of 28 November 2006 on the common system of value added tax must be interpreted as meaning that the exemption which it provides for the management of credit does not apply to the services for the management of credit provided by the person who granted that credit, subsequently transferred that credit and continues to manage that credit for consideration for the transferee.

2. Article 135(1)(c) of Directive 2006/112 must be interpreted as meaning that the exemption which it provides for any dealings in credit guarantees or any other security for money does not apply to the services for the management of credit provided by the person who granted that credit and relating to the credit used as a guarantee for a bond issued by another financial institution, to which that credit was transferred.

3. Article 135(1)(d) of Directive 2006/112 must be interpreted as meaning that the exemption which it provides for transactions concerning debts does not apply to the services for the management of credit provided by the person who granted that credit and relating to the credit transferred to another financial institution."

General Court, judgment of 17 June 2026 – T-184/25, Veronsaajien oikeudenvalvontayksikkö

Link to further information
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Adjustment of VAT incorrectly invoiced

"Council Directive 2006/112/EC of 28 November 2006 on the common system of value added tax and the principles of effectiveness, fiscal neutrality and proportionality must be interpreted as not precluding national legislation which makes the exercise of the right to adjust value added tax improperly invoiced in respect of a period which has already been the subject of a tax inspection subject to conditions linked to the submission of a new fact capable of resulting in a change to the findings of that inspection, even in the absence of risk of any loss of tax revenue, provided that the taxable person concerned is actually able to exercise his or her right to the adjustment for a reasonable period."

General Court, judgment of 3 June 2026 – T198/25, G Kft.

Link to further information
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No calculation error resulting from the use of an incorrect tax code in an ERP system

"The use of an incorrect tax code in an ERP system, which triggers a specific arithmetically correct calculation, does not constitute a calculation error under sec. 173a of the German Fiscal Code this merely represents an error in the selection of the calculation method [...]."

Lower Saxony Fiscal Court, judgment of 19 March 2026 – 5 K 137/25

Link to further information
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Perspective of recipient in case of work supplies

"The appeal is granted to clarify the question of whether water that the contractor procures himself for the production of a beverage [...] constitutes a mere ingredient or other incidental item, which does not result in a work supply [...] and whether the assessment [...] should be based on the perspective of an average business recipient [...] or average [...] consumer [...]."

German Federal Fiscal Court, decision of 29 June 2026 – V B 43/25

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News

Annual Tax Act 2026 (draft)

After the publication of the German Federal Ministry of Finance draft of the Annual Tax Act 2026, the German Federal Cabinet's decision was postponed. Allegedly, the delay is linked to the draft act from the German Federal Ministry for Economic Affairs and Energy aimed at implementing CJEU principles regarding the concept of universal postal services. According to the draft of the Annual Tax Act 2026, the VAT exemption under sec. 4 no. 11b of the German VAT Act will be aligned with CJEU principles (CJEU, judgment of 19 June 2025 – C-785/23, Bulgarian posts). Thus, it will be clarified that services whose terms are based on an individually negotiated agreement will not be exempt from VAT. The German Federal Ministry for Economic Affairs and Energy is pursuing competition policy objectives with a separate draft bill by excluding partial services from the scope of VAT-exempt universal services, as these serve specific economic needs of user groups that send large volumes of mail.

German Federal Ministry of Finance, draft of the Annual Tax Act 2026
German Federal Ministry for Economic Affairs and Energy, draft of the act to implement the CJEU ruling regarding the concept of universal postal services

German Federal Fiscal Court – Selection

Input tax allocation in case of mixed-use buildings

The German Federal Fiscal Court granted the appeal to clarify the question of whether input tax amounts from services received for a construction project to expand a building that was previously leased both VAT-exempt and subject to VAT are eligible for input tax deduction if the construction project also benefits the existing building to the extent that its utility is upgraded.

German Federal Fiscal Court, decision of 23 June 2026 – V B 28/25

Link to further information
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Fiscal Court – Selection

Re-factoring

The purchase of receivables in the case of re-factoring does not constitute a factoring service by the second factor that is excluded from the VAT exemption for supplies involving receivables. In the case of re-factoring with a second factor resident abroad, the non-taxable supply resulting from the assignment of receivables to the second factor results in the allocation of the factor's input supplies in proportion to the ratio of the sold receivables to the total receivables.

Düsseldorf Fiscal Court, judgment of 27 June 2025 – 5 K 125/24 U, appeal pending, German Federal Fiscal Court: V R 47/25

Link to further information
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Input tax allocation in case of the provision of company cars

Where a care service provider supplies both tax-exempt services and taxable services, such as the provision of vehicles to employees, as well as other taxable transactions, the VAT allocation formula for input VAT relating to the provision of vehicles to employees is to be applied as an appropriate method.

Saxon Fiscal Court, judgment of 26 February 2025 – 2 K 159/24, appeal pending, German Federal Fiscal Court: V R 51/25

General Court | CJEU – Selection

Tax representative

"1. Article 204 of Council Directive 2006/112/EC of 28 November 2006 on the common system of value added tax, as amended by Council Directive (EU) 2019/1995 of 21 November 2019, must be interpreted as not precluding a tax representative of a taxable person established in another Member State from being regarded as liable for payment of the VAT, within the meaning of that provision, even though that tax representative is not involved in the taxable transactions carried out by the taxable person, provided that that tax representative has been appointed as such by that taxable person.

2. Article 205 of Directive 2006/112, as amended by Directive 2019/1995, read in the light of the principle of proportionality, must be interpreted as precluding a tax representative who is not appointed as the person liable for payment of the value added tax (VAT) due by a taxable person established in another Member State, but who is responsible for carrying out, on behalf of a such a taxable person, VAT filing obligations, without having to keep accounts or issue accounting documents relating to the transactions made by that taxable person, from being held jointly and severally liable for the payment of the VAT due, where neither the tax administration nor the competent court is empowered to determine whether he or she is involved in the economic activity of the taxable person, whether he or she knew or ought to have known that the tax would go unpaid and whether he or she acted in good faith and took all the measures reasonably due to ensure compliance with the VAT obligations.

3. The fact that the transaction in respect of which VAT is due was carried out under the individual VAT identification number allocated to the taxable person by the Member State in which he or she is established or under that allocated by the Member State in which the VAT is due cannot be decisive for the answers in paragraphs 1 and 2 of the operative part of the present judgment.

4. Article 205 of Directive 2006/112, as amended by Directive 2019/1995, read in the light of Article 204(1) of that directive, must be interpreted as meaning that a person appointed as the person liable for payment of the VAT under that Article 204 cannot also be jointly and severally liable under Article 205 of that directive."

General Court, judgment of 8 July 2026 – T356/25, Rapera

Concept of aid
"Article 107(1) TFEU must be interpreted as meaning that an exemption from value added tax of services, which are not otherwise exempt, provided between undertakings primarily carrying out transactions relating to the banking, insurance or pension fund sector, constitutes State aid within the meaning of that provision."

CJEU, judgment of 9 July 2026 – C360/25, Schoger II

Other news – Selection

ECOFIN report on tax issues
The ECOFIN Council approved its semi-annual report on tax policy issues. Regarding VAT, the report highlights, in particular, measures to combat VAT fraud as well as the VAT aspects of the customs reform package. The Council reached a general approach on a proposal to grant the European Public Prosecutor's Office (EPPO) and the European Anti-Fraud Office (OLAF) expanded access to VAT information. Furthermore, the VAT aspects of the customs reform package were discussed, in particular the proposed abolition of the €150 threshold for imported goods. In addition, the Commission announced that it would propose extending the reverse-charge mechanism and the quick-reaction mechanism beyond 31 December 2026.

europa.eu

Study on the implementation and impact of the VAT reverse charge mechanism in the EU
The European Parliamentary Research Service published a study on the implementation and impact of the VAT reverse charge mechanism in the EU. According to the study's findings, the reverse charge mechanism remains a useful measure for combating carousel fraud, particularly in sectors such as electronics, emissions trading, energy, metals, and commodities. At the same time, the study highlights that differences in national implementation can lead to compliance costs and legal uncertainty.

europa.eu

Taxation of the financial sector
The European Commission's Directorate-General for Taxation and Customs Union published a study on the taxation of the financial sector. The study provides a comprehensive analysis of the EU VAT framework for banking, insurance, and other financial services with a focus on the VAT exemption for financial services.

europa.eu

VEG and GFV agenda
The Group on the Future of VAT (GFV) published the agenda of its 52nd meeting held on 25 June 2026, including the study on the taxation of the financial sector, the study on the challenges of VAT beyond ViDA, and the drafted explanatory notes on the platform economy and digital reporting requirements. These issues were also discussed during the 43rd meeting of the VAT Expert Group (VEG) held on 25 June 2026.

GFV, agenda of the 52rd meeting held on 25 June 2026, taxud.c.1(2026)5876133
VEG, agenda of the 43rd meeting held on 25 June 2026, taxud.c.1(2026)5875431

Webcast

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Podcast

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Contact

Dr. Matthias Gries
Partner
Indirect Tax
Tel: +49 911 23074 463
mgries@deloitte.de

Dr. Diana-Catharina Kurtz
Senior Manager
Indirect Tax
Tel: +49 89 29036 8025
dkurtz@deloitte.de

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