

VAT treatment of SWIFT Services ECJ Judgement



VAT Insight
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Case C-350/10: ECJ rules that VAT exemption does not apply to SWIFT services

On 28 July 2011, the ECJ issued its judgement in the *Nordea Pankki Suomi Oyj* case concerning the VAT treatment of services purchased by Nordea (the Finnish subsidiary of Nordea Bank AB) from the Society of Worldwide Interbank Financial Telecommunication (SWIFT). The services provided by SWIFT related to the processing of messages concerning interbank payments and transactions in securities via an electronic network.

The ECJ was asked whether the particular SWIFT services used in payment transactions and securities transaction settlements between financial institutions should be regarded as exempt from VAT in terms of the exemption applicable to transactions concerning payments and transfers [art. 13B(d)(3) Sixth Directive – now art.135(1)(d) Directive 2006/112] and transactions concerning securities [art. 13B(d)(5) Sixth Directive – now art.135(1)(f) Directive 2006/112].

The ECJ observed that SWIFT's services are electronic messaging services which are simply intended to transmit information, and do not by themselves perform any of the functions of one of the financial transactions referred to in article 135(1)(d) and 135(1)(f). Furthermore, the ECJ established that SWIFT's contractual responsibility was limited to technical aspects and did not extend to specific, essential elements of the financial transactions referred to in the abovementioned provisions of the VAT Directive.

Accordingly, the ECJ held that the exemptions under article 135(1)(d) and 135(1)(f) **do not** cover electronic messaging services such as those provided by SWIFT in this case.

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