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Payment handling fee taxable with main service

The ECJ has held that a handling charge on customers who pay other than by the supplier's preferred method is an additional charge for the main service and of the same VAT status.

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A UK mobile phone company allowed its customers a choice between various methods of payment. However, those that did not pay in advance (top-up card) or by direct debit or bank transfer were charged an additional handling fee. The phone company saw this fee as a payment handling fee and therefore VAT-free as a banking service. The VAT authorities saw it as chargeable as part of the main service. The ECJ has now decided in favour of the tax office, to the effect that the handling fee was ancillary to the customer's phone bill and thus taxable as part of the telephone service provided. It reasoned that the handling fee depended on the customer's chosen method of payment. The service was dependent on the payment for the phone service enjoyed by the customer, without which it was inconceivable. On the other hand, it was not necessary for the enjoyment of that main service, making the direction of the dependency clear. (AM)

The ECJ case reference is C-276/09 Everything Everywhere judgment of December 2, 2010.

Schlagwörter

Payment handling fee, banking service, handling charge, main service