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By PwC Deutschland | 02. August 2011

SWIFT services subject to VAT

The ECJ has held that the interbank SWIFT payment and transfer service is a messaging service subject to VAT, rather than being exempt remittance transactions.

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A Finnish bank claimed a refund of the VAT it had paid by reverse charge on its SWIFT costs in connection with processing national and international transfers of cash and securities. Its basis was that SWIFT effected a transfer service; thus its charges were exempt under the Sixth Directive as remittance business or securities dealing as the case might be. As against this, the tax authorities maintained the services were taxable as technical support, as they did not effect the actual transfer of funds or instruments.

The ECJ has now held the SWIFT charges for its services to banks to be taxable. SWIFT bears responsibility to its banking members for the correct transmission of messages, but has no access to their content. It bears no responsibility for the correct execution of the instructions it transmits. It does not therefore effect the actual transfer, but merely passes the necessary information for the transfer to be effected by the receiving bank. This applies to dealings in both cash and securities. The service is thus a support service for banks, rather than an outsourcing of banking business.

The ECJ case reference is C-350/10 *Nordea* judgment of July 28, 2011.

Schlagwörter

SWIFT, interbank, messaging service, remittance