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Currency exchange is service for VAT

The finance ministry has issued a decree accepting a Supreme Tax Court judgment that currency booths are a service for VAT, but allowing a business accepting payment in foreign currency a full input tax deduction.

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In May 2010, the Supreme Tax Court held that a foreign currency exchange booth performed a banking service, rather than a delivery of goods, for VAT and that, in consequence, its VAT exemption was not dependent on adherence to export recording and documentation formalities. The finance ministry has accepted this judgment as a precedent in a recent decree, emphasising that it applies to exchanges of legal tender other than that dealt in for its metal value or for collectors. Sales of coins for their metal, or of notes and coins as collectors' items, continue to be regarded as sales of goods. The decree adds that the banking service of currency exchange does not restrict the input tax deduction for exchanges made in the ordinary course of other business. Hotels, shops, places of entertainment and other businesses accepting payment in foreign currency are the addressees of this latter point.

The decree states that no objection will be taken to accounting for currency exchanges as sales of goods up to September 30, 2011. However, the tax exemption for sales of legal tender takes precedence over the tax exemption for exports or intra-community supplies to other businesses. Thus, recording the transaction as a sale does not open the way to an input tax deduction.

Schlagwörter

banking service, booth, currency exchange