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# VAT treatment of services provided by stock exchanges and other trading platforms

**In a current circular, the tax authorities generally comment on the VAT treatment of services provided by exchanges and other trading platforms for financial products and, in this respect, partially amends an earlier decree issued in 2018 with regard to trading platforms for the acquisition or trading of Bitcoin and other so-called crypto currencies.**

## General rule

In the course of the provision of other services by actors in the stock exchange business, various arrangements are possible. In a first step it must be determined whether the services in question form a single service for VAT purposes or whether several independent and separate individual services exist. Financial services, which are exempt from VAT according to Sec. 4 No. 8 VAT Act, must thus be distinguished from purely material or technical services.

### **Services of a stock exchange as a central counterparty (CCP) in securities trading (cash market) or derivatives trading (futures trading)**

The Stock Exchange (as operator) provides, among other things, the trading platform and thus furnishes IT services. The IT services are ancillary to the main service in securities trading or in derivatives trading.

### **Operator as settlement agent and technical provider in the exchange business (settlement of matching / clearing / settlement)**

Matching, clearing and settlement provided by a single service provider is to be viewed as a single service. The clearing and settlement serve the processing of the matching.

### **Operator as technical provider of IT exchange programs**

These kinds of services are not tax exempt. The exchange operator exclusively provides IT services to the recipients of the services which are subject to VAT. Thus, if the exchange operator merely provides IT services, i. e. providing a technical connection to the trading programs, without the customers (recipients of such service) themselves carrying out such transactions, this is, in the opinion of the tax authorities, a mere provision of data capacities, which is not related to the trading transactions.

According to the Federal Finance Ministry, the above principles can also be applied to services from other trading platforms for financial products (i. e. for trading in crypto currency). If, therefore, the operator of a trading platform for crypto currencies makes its website available to market participants as a technical marketplace for the purchase or trading, e.g., of Bitcoin, the tax exemption pursuant to Section 4 No. 8 VAT Act may, according to the Federal Finance Ministry, also apply on the basis of the aforementioned principles.

### **Source:**

Federal Finance Ministry, circular of 3 May 2021 (ref. no. III C 3 – S 7160/20/10003 :001)

### **Keywords**

bitcoin, crypto assets / virtual assets, stock exchange services, trading platforms