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# General Court: Exemption for services provided by Member of a VAT Group to third parties

**In a Dutch case, the General Court of the European Union decided that exemption for services provided by a member of a VAT group in the field of health care and social care can only be granted if the relevant group member itself meets the legal requirements for VAT exemption.**

## I. Legal prerequisites

**According to Article 11 of the VAT Directive** each Member State may regard as a single taxable person any persons established in the territory of that Member State who, while legally independent, are closely bound to one another by financial, economic and organizational links. A Member State exercising this option may adopt any measures needed to prevent tax evasion or avoidance through the use of this provision.

**Article 132(1)(b) and (g) address the VAT exemption for transactions in the healthcare sector**, such as hospital and medical care and closely related activities **(b)**, as well as the supply of services and of goods closely linked to welfare and social security work, including those supplied by old people's homes, by bodies governed by public law or by other bodies recognized by the Member State concerned as being devoted to social wellbeing **(g)**.

## II. Background

X is a VAT group ("fiscale eenheid," a structure similar to the German VAT group concept) made up of two foundations and three limited liability companies under Dutch law. These five legal entities each deal with different aspects of the care and support of people with intellectual disabilities who are living in specially equipped residential homes or in other types of accommodations.

One of the two foundations **is the sole legal entity** within the VAT group that, in the context of care and nursing, **is recognized as a social welfare institution** regarding the supply of goods and services of a social nature. One of the three limited liability companies (Y) of the VAT group provides services that consist of monitoring, day and night from outside the care facility and using various technical means, persons with intellectual disabilities who reside in a care facility or other type of accommodation. These services were treated as subject to VAT. The VAT group contends that the services provided by Y to third parties are exempt from VAT.

The national court of first instance upheld X's claim, essentially on the grounds that, since Y belonged to a VAT group, the conditions for exemption at issue had to be determined at the level of that group and not of each of its individual members. The Supreme Court disagreed and referred the matter to the ECJ for a preliminary ruling.

## III. Decision of the General Court

A VAT group may claim the relevant privileges only if the services in question are supplied to third parties by a member of that group which itself meets all the conditions for the application of the exemptions. According to the General Court, the service provider must have the status of a medical institution duly recognized by the Member State concerned and of an institution recognized by that State as having a social character unless it is an institution under public law.

It is apparent from the wording of Article 132(1)(g) of the VAT Directive that the benefit of an exemption referred to in that provision is also subject to two cumulative conditions, namely, first, concerning the nature of the services provided, which must be closely linked to welfare and social security work, and, secondly, concerning the supplier of the services, which must be a body governed by public law or another body recognized as being devoted to social wellbeing by the Member State concerned.

Furthermore, a different interpretation - namely, extending the exemption to services provided by group entities that do not themselves meet the prescribed requirements - is held to be inconsistent with the principle of tax neutrality. This would entail a different and unjustified treatment with regard to VAT for operators of such services.

**Source:**

General Court of the EU, judgment of 10 June 2026 [T-444/25](#) *Cavert*.

**Keywords**

[VAT Exemption](#), [health care](#), [medical treatment](#)