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By PwC Deutschland | 01 July 2026

Update: General Court: Continuing management of loan after its sale not exempt from VAT

In its decision of today, the General Court held that the VAT exemption for “the management of credit by the person granting it” under Article 135(1)(b) of the VAT Directive does not apply in a case where the credit is sold to a third company and whilst the management of that credit is retained by the seller.

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Background

The General Court was called upon to examine the exemption from VAT of certain transactions relating to a commercial practice in the financial sector, namely the securitization of housing loans. The group of undertakings at issue in the main proceedings intends to transfer housing loans from the original lending undertaking to a specific undertaking in order for that undertaking to issue bonds secured by those loans, while the management of those loans is retained by the original lender.

A is the main institution of a bank in Finland that grants credit for the financing of housing. After the credit has been drawn down, a large proportion of that credit is immediately sold to B Oy, a wholly owned subsidiary of A. That sale results in the transfer to B of all the rights and obligations connected with the credit. Most of the credit sold to B serves as security for bonds issued by that undertaking. However, A remains responsible for the management of the credit, including associated securities, and acts as a representative of B vis-à-vis the borrowers. For that management, A receives remuneration from B at market price.

Decision of the General Court

The Supreme Administrative Court of Finland submitted a request for a preliminary ruling to the Court of Justice with the following three alternative questions, which the General Court in its decision of today all answered in the negative:

(1) *Article 135(1) Letter b of the VAT Directive, which concerns* ***the exemption from tax of the management of credit by the person granting it****, does not cover the case where the former undertaking continues to manage the credit which it has itself granted and has sold to that other financial institution.*

Since the original lender transferred its loans for the benefit of a third-party transferee, the management of those loans no longer forms part of the original legal relationship which gave rise to the right to benefit from the exemption, even though that management is substantively carried out by the original lender itself. Such an activity constitutes, consequently, services supplied for consideration directly for the benefit of the third-party transferee. The court took account of the fact that, by restricting the personal scope of

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the exemption relating to the management of credit, the EU legislature did not intend to favor, for tax purposes, the outsourcing of that management to a third party. It follows that that exemption must be understood as covering the management of credit carried out in the context of the credit relationship between the original lender and the borrower.

(2) *Article 135(1) Letter c, which concerns* ***the exemption from tax of any dealings in credit guarantees or any other security*** *for money, is not available if the former undertaking manages credit serving to secure a bond issued by another financial institution.*

Services consisting in management of credit for the benefit of their purchaser cannot, as such, be classified as any dealings in credit guarantees or any other security for money within the meaning of Article 135(1) Letter c of the VAT Directive. Such dealings cannot be treated in the same way as the management of credit constituting a guarantee, especially since the only management activity referred to in that provision as benefiting from a tax exemption concerns the management of credit guarantees by the person who is granting the credit.

(3) *Article 135(1) Letter d of the VAT Directive, as regards* ***the exemption from tax of transactions concerning debts****, is to be interpreted as not covering the case where the former undertaking manages debts transferred to another financial institution.*

In the present case, there is nothing apparent that the management services consist in a transfer of the ownership of funds or have the effect of fulfilling the specific and essential functions of such a transfer, with the result that such services do not constitute a transaction concerning debt in Article 135(1)(d) of the VAT Directive.

Update (1 July 2026)

Takeaway from a German point of view:

From the perspective of German VAT law, this decision is not surprising at first glance because the tax exemption under Section 4 No. 8 Letter a of the German VAT Act applies only to the granting and arrangement of loans. Consequently, it does not provide for a tax exemption for loan management services as an independent service. Loan management services can therefore only be tax-exempt as dependent ancillary services to a tax-exempt loan. In the present case before the General Court, however, the loan management services could not be viewed as ancillary services to the grating of the loan

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because these services were provided to different recipients.

In light of the aforementioned wording of the German provision for tax exemption, the tax authorities (continue to) take the view that credit management services in an open syndicated loan are tax-exempt only to the extent that the management relates to the share of the loan attributable to the entrepreneur, who performs the management service ("VAT treatment of the agency fee").

On the other hand, the decision of the General Court could be relevant to current German tax practice in cases of assignment of receivables where the purchaser does not actually collect the receivables (typically in cases of "silent assignment" and/or "asset-backed securities models"). In such cases, the tax authorities assume a tax-exempt sale of receivables (Section 4 No. 8 Letter c VAT Act from the seller to the buyer. The seller's (subsequent) debt collection or management services provided to the buyer are deemed to be either no further service or ancillary to the tax-exempt sale of the receivable. This scenario is therefore quite comparable to the management services on which the General Court's decision was based. Contrary to the German view, the General Court did not examine the question of whether the credit management service could be classified as a (subsequent) ancillary service to the tax-exempt sale or transfer of the credit relationships, nor did it apparently see any significance to this aspect that was relevant to the decision.

Note: This is a free translation of excerpts from the German **VAT Newsletter - Issue 6 - June 2026** on current developments in VAT Law

Source:

General Court of the EU, judgment of 17 June 2026 **T-184/25** *Veronsaajien oikeudenvalvontayksikkö (Exonérations - gestion de crédits effectuée par celui qui les a octroyés)*.

Keywords

Credit, VAT Exemption, banking service, loan