

## Interchange fees in Sweden fall within the scope of VAT

According to a recent Swedish Supreme Administrative Court judgment, any amount transferred between a card issuer and a network operator for consideration qualifies as a supply of services and therefore interchange fees should no longer be considered out-of-scope for VAT purposes.



In Sweden, interchange fees have historically been considered as out-of-scope for VAT purposes. However, on 7 January 2022, the Supreme Administrative Court delivered a judgment which established that any amount transferred between a card issuer and a network operator for consideration qualifies as a supply of services. Following this judgment, the Swedish Tax Agency's former position, which stated that interchange fees are out-of-scope, will no longer be applied.

The judgment concerned American Express Europe (Swedish branch) in its capacity as a card issuer in Sweden. This card issuer transferred amounts corresponding to the cardholder's payments to a network operator. In accordance with the agreement between the parties, the amounts transferred from the card issuer to the network operator were reduced by the card issuer's fee ("billing credit"). The Supreme Administrative Court ruled that there existed a direct link between the amounts transferred from the card issuer to the network operator and the billing credit. Hence, the card issuer supplied a service to the network operator for consideration.

The Swedish Tax Agency has clarified that the Supreme Administrative Court's ruling in the American Express judgment applies to other networks, i.e. the judgment is not limited to the business model used by American Express, which involves five parties in connection with each card transaction. Interchange fees for networks, such as VISA and MasterCard, will therefore also be in scope for VAT.

The Swedish Tax Agency has not commented on whether these transactions qualify as taxable or VAT exempt services, but has stated that such supplies will be assessed based on its general guidance on VAT for payment services. We advise Swedish businesses who receive or charge interchange fees to review their VAT treatment, for example to determine whether their interchange fees are taxable or VAT exempt and how this could affect their right to deduct input VAT.

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