

# Is payment for early termination of contract subject to VAT? (1) (2/39/20)

Compensation for loss is not subject to VAT but how do we know whether the amount that becomes payable if the customer terminates a fixed-term service contract through their fault, is a contract penalty, compensation for loss, or consideration for services? In their guidance "VAT Treatment: Questions and Answers" the State Revenue Service ("SRS") explains that VAT is not charged on a contract penalty, down payment, deposit or compensation unless this is consideration for a supply of goods or services. This article explores two rulings in which the Court of Justice of the European Union ("CJEU") explains how to assess whether compensation received is essentially consideration for services.

## Izlasiet visu īsziņu ne tikai virsrakstu, kļūstot par abonētāju

Kā abonētājs Jūs varat piekļūt ne tikai pilnām īsziņām, bet arī uzdot jautājumus PwC ekspertiem.

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