

Assignment of debt and VAT 2/39/21

Debt assignments are widely used in business. A debt assignment allows the company to turn its trade receivables into working capital. The sale (assignment) of a debt is increasingly taken to mean the transfer of a debt arising from consumer credit to licensed debt recovery service providers in order to recover the debt out of court. In practice, debt assignment has a wide range of uses – it is also used by lenders that take the original creditor's place, including individuals investing in lending platforms.

The VAT treatment of debt assignments is not straightforward and may vary according to the characteristics of each assignment. It is also a misconception that debt assignments do not require an evaluation of their VAT treatment. This article explores how debt assignments are treated for VAT purposes.

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