

# Flash News

## VAT treatment of unused telecommunication credits

30 December 2011

As from 1 January 2012, unused telecommunication credits will no longer become taxable upon expiry pursuant to circular 736 bis.

It is common practice for end-users of telecommunication services to buy telecommunication credits. These credits often take the form of pre-paid cards and are mostly acquired through intermediaries such as petrol stations or supermarkets.

Since 1 July 2008 (circular 736), the sale of such credits is normally considered as being out of scope of VAT. The reasoning is that the supply of the services only takes place at the time the credit holders use their credits (e.g. make a phone call). In other words, the sale of the credits does not in itself constitute a supply of services from a VAT perspective. This reasoning also derives from the fact that it cannot always be determined in advance if the customer will use the credit for telecommunication services or for buying digitised products such as pictures, games or ringtones which may trigger a different VAT treatment.

The Circular of 2008 also defines the VAT treatment of the remaining and expired credits that are not used by end-consumers at the date of expiry. According to the Circular, the income generated by the expiry is considered as the remuneration for the access to a telecommunication network and is VAT taxable at a 15% rate.

On 14 December 2011 the Luxembourg authorities published a new Circular (736 bis) applicable from 1 January 2012, pursuant to which VAT will no longer be applicable on expired telecommunication credits.

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