



Press and Information

Court of Justice of the European Union

**PRESS RELEASE No 128/15**

Luxembourg, 22 October 2015

Judgment in Case C-264/14  
Skatteverket v David Hedqvist

## **The exchange of traditional currencies for units of the ‘bitcoin’ virtual currency is exempt from VAT**

The VAT Directive<sup>1</sup> provides that the supply of goods and services for consideration within the territory of a Member State by a taxable person acting as such is to be subject to VAT. However, Member States must exempt, inter alia, transactions relating to ‘currency, bank notes and coins used as legal tender’.

Mr David Hedqvist, a Swedish national, wishes to provide services consisting of the exchange of traditional currency for the ‘bitcoin’ virtual currency and vice versa. ‘Bitcoin’ is a virtual currency used for payments between private individuals over the Internet and in certain online shops that accept it; users can purchase and sell the currency on the basis of an exchange rate. Before starting to effect such transactions, Mr Hedqvist requested a preliminary decision from the Swedish Revenue Law Commission in order to establish whether VAT must be paid on the purchase and sale of ‘bitcoin’ virtual currency units. According to that commission, ‘bitcoin’ is a means of payment used in a similar way to legal means of payment and the transactions that Mr Hedqvist intends to effect must, consequently, be exempt from VAT.

The Skatteverket, the Swedish Tax Authority, appealed against the Revenue Law Commission’s decision to the Högsta förvaltningsdomstolen (Supreme Administrative Court, Sweden). It submits that the transactions that Mr Hedqvist intends to effect are not covered by the exemptions provided for in the VAT Directive. In those circumstances, the Högsta förvaltningsdomstolen asked the Court of Justice whether such transactions are subject to VAT and, if so, whether they are exempt from that tax.

In today’s judgment, the Court holds that transactions to exchange traditional currencies for units of the ‘bitcoin’ virtual currency (and vice versa) constitute the supply of services for consideration within the meaning of the directive, since they consist of the exchange of different means of payment and there is a direct link between the service provided by Mr Hedqvist and the consideration received by him, namely the margin created by the difference between, on the one hand, the price at which he purchases currencies and, on the other hand, the price at which he sells them to his clients.

The Court also holds that **those transactions are exempt from VAT under the provision concerning transactions relating to ‘currency, bank notes and coins used as legal tender’**. To exclude transactions such as those envisaged by Mr Hedqvist from the scope of that provision would deprive it of part of its effects having regard to the aim of the exemption, which is to alleviate the difficulties connected with determining the taxable amount and the amount of VAT deductible which arise in the context of the taxation of financial transactions.

<sup>1</sup> Directive 2006/112/CE du Conseil, du 28 novembre 2006, relative au système commun de taxe sur la valeur ajoutée (JO L347, p.1).

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**NOTE:** A reference for a preliminary ruling allows the courts and tribunals of the Member States, in disputes which have been brought before them, to refer questions to the Court of Justice about the interpretation of European Union law or the validity of a European Union act. The Court of Justice does not decide the dispute itself. It is for the national court or tribunal to dispose of the case in accordance with the Court's decision, which is similarly binding on other national courts or tribunals before which a similar issue is raised.

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The [full text](#) of the judgment is published on the CURIA website on the day of delivery.

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