

VAT treatment of negotiation services in respect of financial services

This document should be read in conjunction with paragraphs 6(1) and 7 of Schedule 1 to the VAT Consolidation Act 2010 (VATCA 2010)

Document created March 2024.

Introduction

This manual sets out the VAT treatment of negotiation or agency services set out in paragraph 7 of Schedule 1 to the VATCA 2020 in respect of financial services specified in paragraph 6(1) of Schedule 1 to the VATCA 2010.

1 Negotiation/Agency Services

A negotiation or agency service is supplied by a person acting in an agency or intermediary capacity and consists of bringing together parties with a view to either concluding a contract or negotiating a change to contract terms.

The conditions that must be satisfied for a negotiation or agency service to exist are as follows:

1. The purpose of the service is to do all that is necessary in order for two parties to enter into a contract without the person acting in an agency or intermediary capacity having any interest of their own in terms of that contract.
2. The person acting in an agency or intermediary capacity must not be a party to any contract that may ultimately be concluded.
3. Negotiation is a distinct act of mediation which may consist of: -
 - pointing out to one of the parties to the contract suitable opportunities for the conclusion of such a contract,
 - making contact with another party, or
 - negotiating, in the name and on behalf of a client, the detail of the payments to be made by either side,amongst other things.
4. The service must amount to something other than the provision of contractual services typically undertaken by the parties to such contracts.
5. It is not negotiation where one of the parties entrusts to a sub-contractor some of the clerical formalities related to the contract.

2 VAT Treatment

The supply of an agency or negotiation service in respect of financial services specified in paragraph 6(1) of Schedule 1 of the VATCA 2010 is VAT exempt, subject to the conditions set out in [paragraph 1](#).

Simply describing a party as an “agent” or “intermediary” or describing a supply as “agency” or “negotiation” is not sufficient for the VAT exemption to apply. It is a matter of fact in all cases whether the VAT exemption applies, based on the services provided and the relationship between the parties.

2.1 Negotiation in stocks, shares, debentures, and other securities

The issue of shares is not a supply for VAT purposes; however, the supply of agency or negotiation services in respect of arranging for a share issue constitutes VAT exempt agency services, subject to the conditions set out in [paragraph 1](#).

In relation to transactions in shares, stocks, debentures, or other securities that are within the scope of VAT, agency services may also qualify for VAT exemption, subject to conditions. Where a decision is taken to effect a share, stock, debenture or other security transaction and an adviser becomes actively involved in making the arrangements and has clear and specific responsibility to carry out the negotiations essential towards bringing the deal to its conclusion, VAT exemption may apply to those agency or negotiation services, subject to the conditions set out in [paragraph 1](#).

2.2 Negotiation in Payments

Services consisting of the marketing, distribution, and sale of payment products, where the distributor is responsible for carrying out all tasks necessary to facilitate, negotiate and arrange the sale of the product to customers and arrange the incoming payment flows, constitute VAT exempt agency services, subject to the conditions set out in [paragraph 1](#).

The VAT exemption may also apply to the sourcing of customers and the distribution of payment products to them where the conditions set out in [paragraph 1](#) are met.

2.3 Negotiation in Debts

Services consisting of bringing together the credit provider and the debtor with a view to either concluding a contract or negotiating a change to the payment terms constitute VAT exempt agency services, subject to the conditions set out in [paragraph 1](#).

The VAT exemption does not apply to the services of [personal insolvency practitioners](#) or services that are comprised of the design, management and operation of a budget which are taxable services.

2.4 Negotiating Credit

Services consisting of negotiation in relation to the granting of credit, regardless of whether any such transaction is finally concluded, constitute VAT exempt agency services, subject to the conditions set out in [paragraph 1](#).

However, the VAT exemption for negotiating credit does not include the carrying out of stand-alone clerical or administrative functions, such as services explaining the terms of a loan and advising on the procedure for entering into a loan.