

CJEU 11-06-2020 Vodafone Portugal C-43/19

Through **Editors** - June 11, 2020



CJEU Vodafone Portugal judgment

Vodafone Portugal, located in Lisbon, provides electronic communications, fixed telephony and wireless internet access. Vodafone sometimes enters into agreements with its customers with special promotions and a minimum contract duration. The aim of such a minimum contract

duration is to enable Vodafone to recoup part of its investments in equipment and infrastructure, as well as other costs such as costs associated with the activation of the service and with special benefits granted to customers. If customers fail to meet the minimum contract duration for reasons attributable to them, the customers concerned will be required to pay the amounts specified in the contracts. Those amounts are designed to discourage non-compliance with minimum contract duration by customers.

Vodafone lodged an objection to its VAT payment because it is of the opinion that no VAT is due on the amounts in question. This objection was rejected. Vodafone appealed to that effect. Proceedings before a judge have been suspended pending the judgment in [MEO - Serviços de Comunicações e Multimédia](#). In it, the CJEU seems to have attached importance to the fact that in that case the amount paid for non-compliance with the minimum contract duration corresponded to the amount that the provider concerned would have received during the remaining minimum contract duration if the contract had not been terminated. The referring court therefore considers it necessary to refer to the Court of Justice for a preliminary ruling the answer to the question whether the fact that the amounts at issue in the main proceedings do not correspond to those without termination of the agreement would have been paid for the remainder of the minimum contract duration,

The CJEU considers that amounts received by an economic operator when an agreement requiring a customer to comply with a minimum contractual term in exchange for favorable commercial terms, for reasons attributable to that customer, are to be regarded as consideration for a service provided for consideration Title is provided within the meaning of Article 2 paragraph 1 under c VAT Directive.

Operative part Judgment Request

Article 2 (1) (c) of Council Directive 2006/112 / EC of 28 November 2006 on the common system of value added tax must be interpreted as providing remuneration for a service provided for consideration within the meaning of this provision, the amounts that an economic operator receives when a service contract requiring a customer to comply with a minimum contractual term in exchange for favorable commercial terms should be considered for reasons attributable to that customer.

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