Reports of Cases

JUDGMENT OF THE COURT (Seventh Chamber)

2 October 2025*

(Reference for a preliminary ruling – Taxation – Common system of value added tax (VAT) – Directive 2006/112/EC – Article 2(1)(c) – Supply of services for consideration – Article 24(1) – Supply of services – Article 26(1)(b) – Supply of services free of charge that are to be treated as a supply of services for consideration – Debt recovery – Debt recovery in favour of a third party)

In Case C-535/24,

REQUEST for a preliminary ruling under Article 267 TFEU from the Administrativen sad Veliko Tarnovo (Administrative Court, Veliko Tarnovo, Bulgaria), made by decision of 22 July 2024, received at the Court on 6 August 2024, in the proceedings

'Svilosa' AD

v

Direktor na Direktsia 'Obzhalvane i danachno-osiguritelna praktika' – Veliko Tarnovo,

THE COURT (Seventh Chamber),

composed of M. Gavalec, President of the Chamber, Z. Csehi and F. Schalin (Rapporteur), Judges,

Advocate General: A. Rantos,

Registrar: A. Calot Escobar,

having regard to the written procedure,

after considering the observations submitted on behalf of:

– 'Svilosa' AD, by S. Ilieva and T.D. Tabakov, advokati,

– the Direktor na Direktsia 'Obzhalvane i danachno-osiguritelna praktika' – Veliko Tarnovo, by B. Nikolov,

– the European Commission, by M. Björkland and D. Drambozova, acting as Agents,

having decided, after hearing the Advocate General, to proceed to judgment without an Opinion,

* Language of the case: Bulgarian.

gives the following

Judgment

1 This request for a preliminary ruling concerns the interpretation of Article 24(1) and Article 26(1)(b) of Council Directive 2006/112/EC of 28 November 2006 on the common system of value added tax (OJ 2006 L 347, p. 1; 'the VAT Directive').

2 The request was made in proceedings between 'Svilosa' AD and the Direktor na Direktsia 'Obzhalvane i danachno-osiguritelna praktika' – Veliko Tarnovo (Director of the Appeals and Tax and Social Security Practice Directorate, Veliko Tarnovo, Bulgaria) ('the Direktor') concerning a tax assessment notice in relation to value added tax (VAT).

Legal context

European Union law

3 Under Article 2(1)(c) of the VAT Directive, the supply of services for consideration within the territory of a Member State by a taxable person acting as such is to be subject to VAT.

4 Article 24(1) of the Directive provides:

'"Supply of services" shall mean any transaction which does not constitute a supply of goods.'

5 Article 26(1) of that directive provides:

'Each of the following transactions shall be treated as a supply of services for consideration:

…

(b) the supply of services carried out free of charge by a taxable person for his private use or for that of his staff or, more generally, for purposes other than those of his business.'

Bulgarian law

The ZDDS

6 Article 8 of the Zakon za danak varhu dobavenata stoynost (Law on value added tax) (DV No 97 of 5 December 2017; 'the ZDDS') provides that a 'service', within the meaning of that Law, is anything which has a value and is distinct from goods as well as from currency in circulation and from foreign currencies used as a means of payment.

7 Under Article 9(1) of the ZDDS, a 'supply of services' is any provision of a service.

8 Article 9(3)(2) of the ZDDS states that the supply of a service free of charge for the personal use of a taxable natural person, an owner or staff, or for purposes other than the independent economic activity of a taxable person, is deemed to be a supply of services for consideration.

The ZZD

9 The first paragraph of Article 60 of the Zakon za zadalzheniata i dogovorite (Law on obligations and contracts) (DV No 275 of 22 November 1950; 'the ZZD') states that anyone who undertakes the management of affairs which he or she knows to be those of a third party without being entrusted with it is required to continue to do so until the person concerned can take over.

10 The first paragraph of Article 61 of the ZZD provides that, if the affairs have been appropriately undertaken and well managed in the interests of a third party, the person concerned is required to fulfil the obligations entered into on his or her behalf, indemnify the intervener for the personal obligations taken on by him or her, and reimburse that intervener for any necessary and relevant costs plus interest from the date on which the costs were incurred.

11 The second paragraph of Article 61 of the ZZD provides that, if the affairs have been undertaken by that person also in his or her own interests, the person concerned is liable only to the extent of his or her enrichment.

12 The first paragraph of Article 134 of the ZZD provides that the creditor may exercise the property rights of the debtor where the debtor's failure to act jeopardises the satisfaction of the creditor, unless the rights in question are such that their exercise depends solely on the debtor's personal assessment.

The dispute in the main proceedings and the question referred for a preliminary ruling

13 Svilosa is a company established in Bulgaria, which operates principally as a holding company. On 15 December 2022, a tax audit was initiated against that company covering, inter alia, the VAT periods from 1 December 2016 to 31 December 2020. In the course of that tax audit, it was established that Svilosa had deducted input VAT in respect of legal services supplied by law firms established in the United States.

14 Those legal services were in relation to the sought recovery of costs paid in the context of a loan granted by Svilosa to the foundation 'Mir za teb, mir za men' ('the Foundation') to facilitate the organisation of a concert collecting funds for the benefit of children affected by war. The loan amount had not been paid into the Foundation's account, but had been made directly available to persons and companies who were to organise that concert. Ultimately, that concert did not take place, through no fault of the Foundation, and Svilosa therefore resorted to the law firms' services with a view to bringing legal proceedings against the various persons who had failed to deliver on their commitments.

15 At the end of the tax audit, the Teritorialna direktsia na Natsionalnata agentsia za prihodite – Veliko Tarnovo (Directorate for the Veliko Tarnovo division of the National Revenue Agency, Bulgaria) issued, on 9 November 2023, a tax assessment notice. That notice was confirmed by the Direktor, who decided that Svilosa had to pay, by way of VAT, a total of 517 976.16 leva (BGN) (approximately EUR 260 000) plus interest. In that regard, the Direktor found that the Foundation had authorised a legal representative of Svilosa to represent the Foundation before the law firms in question and that Svilosa had paid for the services of those law firms, without, however, having been paid by the Foundation. Thus, according to the Direktor, Svilosa supplied services free of charge to the Foundation.

16 Svilosa brought an action against that decision before the Administrativen sad Veliko Tarnovo (Administrative Court, Veliko Tarnovo, Bulgaria), which is the referring court. That court is of the opinion that the exercise of a power of attorney should not be regarded as a supply of services. Furthermore, according to that court, the Foundation appointed not Svilosa, but a natural person to represent it. The referring court also notes that the invoices for the services supplied by the law firms were addressed to Svilosa and that Svilosa also covered the costs of those services. In addition, that court observes that the financing and the selection of those firms, representing the Foundation before the United States courts, served the direct interests of the Foundation, but also the indirect interests of Svilosa as the Foundation's creditor. The referring court also states that part of the amount owed by the Foundation, which had been recovered as a result of the measures taken by the law firms, was paid directly into Svilosa's account. That reimbursement was treated by the parties to the loan contract as a repayment.

17 In the light of those considerations, the referring court identifies, under Bulgarian law, two possibilities for handling the case brought before it. First, it could be regarded as involving an indirect claim that would allow the creditor to act so as to recover debts owed to the debtor in the event of the debtor's failure to act. Second, it could be considered that Svilosa managed the affairs of a third party without being entrusted with that and did so in its own interests in its capacity as the Foundation's creditor.

18 According to the referring court, for a supply of services to exist, two declarations of intent by the parties that are consistent with respect to the legal consequences thereby pursued are required. In the present case, according to the referring court, that condition is not satisfied. That court is nonetheless unsure about the interpretation of the relevant concepts set out in the VAT Directive.

19 In those circumstances, the Administrativen sad Veliko Tarnovo (Administrative Court, Veliko Tarnovo) decided to stay the proceedings and to refer the following question to the Court of Justice for a preliminary ruling:

'Does the concept of a "supply of services" within the meaning of Article 24(1) of [the VAT Directive], or the expression a "supply of services free of charge" within the meaning of Article [26](1)(b) of that directive, include acts of law or fact carried out, without authority or mandate, by a person registered for the purposes of the common system of value added tax with the direct intention of recovering a debt for the benefit of a third party and the indirect intention of satisfying a claim under the law of obligations which the registered person so acting holds against the person in whose direct interests the acts in question were carried out?'

Consideration of the question referred

20 According to the case-law of the Court, under the procedure laid down by Article 267 TFEU providing for cooperation between national courts and the Court of Justice, it is for the latter to provide the national court with an answer which will be of use to it and enable it to determine the case before it. To that end, the Court may have to reformulate the questions referred to it. It is for the Court to extract from all the information provided by the national court the points of EU law which require interpretation, having regard to the subject matter of the dispute (judgment of 6 October 2021, *A (Crossing of borders in a pleasure boat)*, C-35/20, EU:C:2021:813, paragraph 46 and the case-law cited).

21 In the present case, as regards the request for an interpretation of the concept of a 'supply of services', it must be stated that, under Article 24(1) of the VAT Directive, any transaction which does not constitute a supply of goods must be considered to be a supply of services. However, inasmuch as the referring court is unsure of the existence of a requirement for consistent declarations of intent by the parties in order to classify a transaction as a 'supply of services', it must be understood that, by its question, it is in fact seeking an interpretation of the concept of a 'supply of services for consideration' under Article 2(1)(c) of the VAT Directive. In accordance with that provision, only services supplied 'for consideration', within the territory of a Member State by a taxable person acting as such, are subject to VAT. In addition, the referring court seeks clarification on the meaning of the concept of a supply of services free of charge that is to be treated as a supply of services for consideration, within the meaning of Article 26(1)(b) of the VAT Directive.

22 Thus, it is not the concept of a 'supply of services' under Article 24(1) of the VAT Directive but the concept of a 'supply of services for consideration' referred to in Article 2(1)(c) of that directive and in Article 26(1)(b) thereof that must be interpreted.

23 In those circumstances, it must be stated that, by its question, the referring court asks, in essence, whether Article 2(1)(c) and Article 26(1)(b) of the VAT Directive should be interpreted as meaning that actions taken by a creditor to recover a debt where those actions were taken without authority or mandate from the debtor may be classified as a 'supply of services for consideration' or are to be treated in the same way as that concept for the purposes of those provisions.

24 In the first place, as regards the concept of a 'supply of services for consideration', it follows from the case-law of the Court that a supply of services is effected 'for consideration', within the meaning of Article 2(1)(c) of the VAT Directive, and hence is taxable, only if there is a legal relationship between the provider of the service and the recipient pursuant to which there is reciprocal performance. In that context, the Court has repeatedly held that the concept of a 'supply of services for consideration', within the meaning of that provision, presupposes the existence of a direct link between the service supplied and the consideration received (see, to that effect, judgment of 26 October 2023, *GIS*, C-249/22, EU:C:2023:813, paragraph 33 and the case-law cited).

25 In the present case, it is not disputed that Svilosa granted a loan to the Foundation, in accordance with a bridge financing agreement concluded between them. By contrast, the actions taken by Svilosa with a view to recovering the amounts paid by it to third parties in the context of that loan were not subject to any agreement or other legal relationship with the Foundation pursuant to which there was reciprocal performance relating specifically to those actions. In any event, Svilosa does not appear to have received any remuneration from the Foundation in relation to those actions.

26 In that context, it must be added that the fact that Svilosa was able, following the proceedings conducted in the United States, to recover a part of the debt owed to it by the Foundation, is irrelevant. The payment of amounts recovered in that way does not seem to have been made as consideration, by the Foundation, for the recovery actions taken by Svilosa. Therefore, those actions cannot be considered to be a supply of services for consideration.

27 Lastly, the fact that the interpretation under national civil law could lead to another conclusion is not decisive. It must be recalled that the VAT Directive establishes a common system of VAT based, inter alia, on a uniform definition of taxable transactions (see, to that effect, judgment of 20 June 2013, *Newey*, C-653/11, EU:C:2013:409, paragraph 39). It is thus appropriate to apply concepts of EU law regardless of the fact that extra-contractual relationships or other legal relationships under national civil law are liable to arise between a creditor and his, her or its debtor in a situation such as that in the main proceedings.

28 Thus, the recovery actions taken by a creditor against a third party without authority or mandate from the debtor cannot be classified as a 'supply of services for consideration' to that debtor, within the meaning of Article 2(1)(c) of the VAT Directive.

29 In the second place, it is apparent from Article 26(1)(b) of the VAT Directive that a supply of services carried out free of charge by a taxable person for his or her private use or for that of his or her staff or, more generally, for purposes other than those of his or her business is treated as a supply of services for consideration. The purpose of that provision is to ensure equal treatment as between a taxable person who supplies services for his or her private use or for that of his or her staff and a final consumer who acquires services of the same type (see, to that effect, judgment of 17 November 2022, *GE Aircraft Engine Services*, C-607/20, EU:C:2022:884, paragraph 25 and the case-law cited).

30 In that regard, it should be noted that Svilosa's actions were taken with a view to recovering the debt owed to it by the Foundation. The actions taken for the purposes and in the interests of a business cannot be considered to have been taken for purposes other than those of that business. It should be noted that the benefit that the Foundation is liable to enjoy from the recovery actions taken by Svilosa, consisting of the repayment of part of the loan, constitutes only an indirect consequence of the recovery actions at issue.

31 In the light of the foregoing and subject to the checks which it is for the referring court to carry out, the conditions for the application of Article 26(1)(b) of the VAT Directive do not appear to have been satisfied in the present case.

32 In the light of all the foregoing considerations, the answer to the question referred is that Article 2(1)(c) and Article 26(1)(b) of the VAT Directive must be interpreted as meaning that actions taken by a creditor to recover a debt where those actions were taken without authority or mandate from the debtor may not be classified as a 'supply of services for consideration' and are not to be treated in the same way as that concept for the purposes of those provisions.

Costs

33 Since these proceedings are, for the parties to the main proceedings, a step in the action pending before the referring court, the decision on costs is a matter for that court. Costs incurred in submitting observations to the Court, other than the costs of those parties, are not recoverable.

On those grounds, the Court (Seventh Chamber) hereby rules:

Article 2(1)(c) and Article 26(1)(b) of Council Directive 2006/112/EC of 28 November 2006 on the common system of value added tax

must be interpreted as meaning that actions taken by a creditor to recover a debt where those actions were taken without authority or mandate from the debtor may not be classified as a 'supply of services for consideration' and are not to be treated in the same way as that concept for the purposes of those provisions.

[Signatures]