

French VAT recodification in the CIBS and financial services : reviewing exemptions ahead of 1 January 2027

As from 1 January 2027, several VAT exemptions currently provided for under Article 261 C, 1° of the French Tax Code will, under the CIBS, be subject to statutory definitions and general criteria incorporating into French law principles that have, until now, primarily stemmed from European case law and, in certain instances, have already been reflected in the French tax authorities' administrative guidelines.

What is the CIBS?

The CIBS (Code des impositions sur les biens et services) is the French code consolidating the taxes levied on goods and services — excise duties, taxes on energy products, alcohol and tobacco, and transport taxes. Ordinance No. 2025-1247 of 17 December 2025 extends it to VAT, transferring the VAT provisions out of the French Tax Code (FTC); that first text was amended by the Ordinance of 27 July 2026, which contains the definitive wording.

The recodification is intended to preserve existing law: shorter articles, more cross-references, updated terminology and certain CJEU case-law principles. Entry into force has been postponed to 1 January 2027 and invoice tax references must be updated by the end of 2027.

Financial services exemptions: case-law criteria now embedded in statutory law

As from 1 January 2027, the VAT exemptions applicable to financial transactions will be consolidated in Articles L. 213-132 to L. 213-144 of the CIBS.

New Article L. 213-132 introduces a general principle not previously set out in French legislation: certain financial services VAT exemptions (namely credit and guarantees, transfers of money, transactions in securities and fund management) apply only to services forming a distinct whole and fulfilling the specific and essential functions of the relevant financial transaction. This gives statutory

effect to the test established by the Court of Justice of the European Union in SDC (C-2/95) and consistently reaffirmed since. Initially developed in relation to outsourced services supplied to financial institutions, this criterion now applies across all of these exemptions.

Negotiation: what the CIBS says... and what it does not

Article L. 213-133 defines negotiation as an intermediation service supplied by a third party with no interest of its own in the terms of the contract and aimed at bringing that contract to conclusion, in line with the criteria established in CSC Financial Services (C-235/00). The French tax authorities' guidelines (BOFiP) already refer to that decision as regards the negotiation of credit.

The CIBS nevertheless goes one step further by turning this concept into a statutory definition of general application to banking and financial transactions for which negotiation benefits from a VAT exemption.

The statutory definition does not, however, reproduce all of the clarifications developed by CJEU case law. In Ludwig (C-453/05), the Court held that classification as a negotiation service is not conditional upon the existence of a direct contractual relationship between the intermediary and one of the parties to the contract. The fact that this clarification is not expressly restated in the CIBS should not result in its being disregarded, as the CIBS must be interpreted consistently with the VAT Directive.

Credit: a concept finally defined

Article 261 C, 1°(a) of the FTC exempts the granting and negotiation of credit without defining the concept of credit. Unlike negotiation, the French tax authorities' guidelines do not fill this gap: they address the exemption by reference to categories of transactions and exempt remuneration.

Article L. 213-138 of the CIBS now covers any making available of a sum of money for consideration, including where it takes the form of a deferral of payment for goods or services, reflecting the CJEU's approach in *Muys' en De Winter's Bouw* (C-281/91).

This functional approach to the granting of credit is relevant when determining the VAT treatment of commercial transactions involving a financing component. Although presented as a recodification on a no-policy-change basis, it introduces a new statutory definition whose practical implications operators will need to assess.

Payments and securities: from a list-based approach to a functional test

Article 261 C, 1°(c) of the FTC already exempts transactions concerning deposits of funds, current accounts, payments, transfers, debts and cheques.

Article L. 213-140 of the CIBS retains this approach but reformulates it in more functional terms by referring to transactions implementing one or more transfers of funds.

It is consistent with settled CJEU case law distinguishing transactions which themselves produce the legal and financial effects of a transfer of funds from services that are merely material or technical in nature (*Bookit*, C-607/14; *Cardpoint*, C-42/18).

The same approach applies under Article L. 213-142, concerning transactions in securities: whereas the FTC proceeds by categories of instruments, the CIBS focuses on transactions

capable of creating, altering or extinguishing the parties' rights and obligations, in line with CSC Financial Services. Purely administrative or technical execution services remain subject to VAT.

Securities lending and repurchase transactions, expressly referred to in Article 261 C, 1°(a) of the FTC, are no longer identified as such in the new structure.

This omission should not, in itself, alter their VAT treatment, but it will warrant attention when the administrative guidelines are updated.

Scope of the fund management exemption

In the version resulting from the December 2025 Ordinance, Article L. 213-144 referred to collective management "by an undertaking" subject to public supervision of sums made available by its clients.

This wording shifted the exemption criterion towards the status of the manager, whereas the current regime (Article 261 C, 1°(f) of the FTC) concerns the management of a collective investment undertaking.

The Ordinance of 27 July 2026 corrected the wording: Article L. 213-144 now refers to the management "of an undertaking" subject to public supervision, whose purpose is the collective investment of funds raised from investors and which is subject to risk-spreading requirements — criteria derived directly from CJEU case law (*Wheels Common Investment Fund Trustees*, C-424/11; *Fiscale Eenheid X*, C-595/13).

The method used to delimit the scope of the exemption nevertheless changes. Article 261 C, 1°(f) of the FTC names UCITS and extends the exemption to undertakings with similar characteristics listed by decree.

New Article L. 213-144 no longer refers to UCITS and leaves the categories concerned to a decree. The scope will therefore depend on that implementing text, which will need to be checked against the undertakings currently eligible.

These drafting changes illustrate the difficulties inherent in the codification of financial services VAT exemptions: an apparently limited change in wording may shift the material scope of an exemption. Operators should compare, article by article, the CIBS with the regime currently applicable.

Our view

The transition to the CIBS goes beyond a mere renumbering exercise. For banking and financial sector operators, it brings into statutory law a number of principles developed through CJEU case law, which will now directly inform the interpretation of the relevant VAT exemptions. Ahead of 1 January 2027, operators should therefore reassess the VAT characterisation of their services, in particular in relation to outsourcing, intermediation, payments, fund management and financing activities.

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