



CJEU JUDGES THAT PRO-BONO SERVICES ARE SUBJECT TO VAT

BACKGROUND

On 23 October 2025, the Court of Justice of the European Union (CJEU) delivered its judgment in case C-744/23 (Zlakov) on the qualification for Value Added Tax (VAT) purposes of supply of services initially provided free of charge but for which eventually a consideration was received.

A Bulgarian lawyer, acting as a one-person law firm, provided legal assistance free of charge to a client who was ultimately successful in the Bulgarian courts. In line with domestic law, the lawyer was entitled to a minimum fee for the services provided, which the Bulgarian court ordered the unsuccessful party to settle.

The lawyer received the relevant payment further to the court's instructions, however without VAT.

The case sheds light on the differentiation between a supply of services for consideration and a supply of services for no consideration.

QUESTIONS RAISED TO THE CJEU

1. The first and second question aimed to clarify whether legal services provided free of charge (*pro bono*) by a lawyer - whether the client wins or loses the case, and whether or not the judge grants the lawyer a fee equivalent to what he would have been paid under a legal assistance agreement - should be considered as a "supply of services" based on the VAT Directive.
2. The third question sought to establish whether the services provided under the above-mentioned conditions are to be considered as supply of services *for consideration*.
3. The fourth question aimed to determine whether a lawyer who provides legal aid free of charge in court proceedings qualifies as a taxable person, in situations where the court awards (or not) a remuneration which the lawyer would have received if remuneration had been agreed under a contract for legal assistance.

OPINION OF THE ADVOCATE GENERAL

The Advocate General (AG) pointed out that the fact that a supply of services is initially made free of charge, though subsequently paid for by a third party, does not mean that it does not qualify as a supply of services for consideration.

The AG considered that the transaction at issue is the provision of legal services supplied for consideration in the form of a fee from a third party, to which the lawyer is, under certain circumstances, entitled by operation of law. The AG then recalled that a specific link between the payment made by a third party (in this case, the unsuccessful party) and the service provided is required to consider that such payment is made for the legal advisory services provided by the lawyer to its client. Such direct link is established if there is a legal relationship between the lawyer and the client, where the lawyer's fee is the actual payment for the services given to the client. If this is the case, it is not required for the payment to be settled by the contracting party to qualify as service supplied for consideration.

According to the AG, the statutory payment made to the lawyer would not have been relevant for VAT purposes if it had been related to a non-taxable transaction, but it is relevant where it can be directly linked to the services provided.

The direct link criterion is not called into question by the uncertainty of the consideration. The VAT Directive admits that the taxable basis can change under certain circumstances and thus the consideration for a service does not have to be definitely established at the time of the supply.

In addition, the consideration received by the lawyer cannot be considered uncertain, since the corresponding fee amount was determined by the Court based on the law.

JUDGMENT OF THE CJEU

In its decision, the CJEU followed the AG's opinion and concluded that a pro-bono service that is subsequently remunerated pursuant to a court order, with such remuneration being regulated by law, qualifies as a supply of services for consideration within the meaning of Article 2 of the Council Directive 2006/112/EC, even if the payment is made by a third party.

HOW CAN EY HELP?

At EY, we can assist with assessing the VAT treatment of similar supplies of services when there is uncertainty about the taxable status of the service supplier or the qualification of the provided or received taxable supply of services.



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