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VAT'S UP

VAT NEWSLETTER

ECJ: Taxation of the transfer of in-game assets (in-game gold) against conventional currencies

16 I 2026

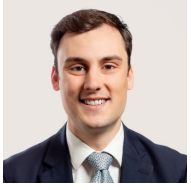
1 Background

Virtual currencies and digital goods have been an ongoing source of questions in VAT practice for many years. In the case C-472/24, the ECJ ruled on the VAT treatment of the transfer of a virtual currency, ("in-game gold") from an online video game, in exchange for conventional currencies. The primary issue was the distinction to be made between VAT exempt transactions in the payment sector, and taxable supplies of services. How to determine the taxable amount was also at issue. The decision is, however, not limited to these aspects. It also contains broader statements relevant to trading in in-game assets beyond in-game gold.

2 Facts

The case concerns a taxable person's trading activities with in-game gold from an online video game ("Runescape"). It acquired and sold this virtual currency by exchanging it for conventional currencies. The in-game gold was not intended for use outside the game environment. It was intended to be used exclusively to purchase virtual items or advantages within the game; including in-game trade between players. The decision does not describe how the taxable person organised and technically carried out its trading activities.

The Lithuanian tax authorities subjected the transactions to VAT. The taxable person, however, claimed the VAT exemption for transactions related to legal tender (Art. 135 para. 1 lit. e of the EU VAT Directive). Alternatively, it argued that if there was a VAT liability, only the margin (the difference between the purchase and sale price) should be subject to taxation.



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3 Decision

The ECJ denied the VAT exemption. In-game currencies of an online video game do not meet the requirements of legal tender or equivalent means of payment. They are not generally accepted as a means of payment but can only be used within the respective game. The fact that they can be exchanged for real money does not change this. The ECJ explicitly distinguishes in-game currency from cryptocurrencies like Bitcoin, which, according to the *Hedqvist* case (C-264/14), have a payment function outside closed systems.

Furthermore, the ECJ ruled that the total consideration received by the taxable person from its customers constituted the taxable amount for VAT purposes. The ECJ does not consider the conditions for limiting the taxable amount to the margin to be fulfilled. In doing so, it focuses on the conditions for a so-called multi-purpose voucher (Art. 30a of the EU VAT Directive). For the ECJ, the key aspect is that the in-game gold is used itself in the game, i.e. that it can be used for playing. The in-game gold itself is therefore already the consumable advantage and does not merely serve to subsequently procure a consumable advantage to the player in the form of a supply of services yet to be determined.

4 Consequences for the practice

The ECJ confirms the line already taken by the German Federal Fiscal Court (BFH): Trading in in-game assets for conventional currencies outside the game is relevant for VAT purposes (see KMLZ VAT Newsletter 13 | 2022). The decisive factor is the economic transaction outside the game mechanics. Those who trade in in-game assets for conventional currencies regularly provide a taxable supply of services. This applies to all types of in-game assets (virtual land in the BFH judgement, skins, virtual items, tokens without a general payment function).

The ECJ's statements on VAT exemption and multi-purpose vouchers are plausible. However, in the sector of in-game assets, these aspects are only relevant for in-game money. Therefore, for the industry, the implicit rejection by the ECJ of an analogous application of the margin scheme is more far-reaching. Advocate General Kokott had considered such an approach in her opinion. This is because, in the context of trading in in-game assets (and other virtual items), purchases are often made from private individuals – as in the trade in second-hand goods. A purchase from private individuals excludes input VAT deduction. In this cases, taxable persons must therefore finance the VAT on their sales, in full, from their margin. However, it is often not possible to achieve correspondingly high margins with in-game assets. Although the application of the margin scheme would offer an appropriate solution, the ECJ does not take up this approach. Accordingly, taxable persons should ensure that the margin is sufficient to finance the VAT included in the full sales price.

Due to the limited scope of the reference for a preliminary ruling, the ECJ did not have to comment on the place of supply and, in case a platform is involved in the trading activity, a conceivable fictitious chain of supplies. In this context, it is unfortunate that the ECJ refers to the sale of in-game gold in rather general terms as electronically supplied services. This is because the existence of electronically supplied services is decisive for both legal issues and cannot be assessed without further factual information. However, it cannot be assumed that the ECJ wanted to water down the criteria for supplies of electronic services. Instead, it seems refer to the supplies provided by the game provider in question (issuance of game gold), which should be provided electronically.

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