








Procedure file

Basic information		
CNS - Consultation procedure Directive	2022/0407(CNS)	Awaiting final decision
Common system of value added tax (VAT): rules for the digital age		
Amending Directive 2006/112 2004/0079(CNS)		
Subject		
2.70.02 Indirect taxation, VAT, excise duties		
3.30.06 Information and communication technologies, digital technologies		

Key players			
European Parliament	Committee responsible	Rapporteur	Appointed
	 Economic and Monetary Affairs		25/01/2023
		 CHASTEL Olivier	
		Shadow rapporteur	
		 PEREIRA Lúdia	
		 LALUCQ Aurore	
		 PEKSA Mikuláš	
Council of the European Union European Commission		 MOŽDŽANOWSKA Andželika Anna	
	Commission DG	Commissioner	
	Taxation and Customs Union	GENTILONI Paolo	

Key events			
08/12/2022	Legislative proposal published	COM(2022)0701	Summary
13/02/2023	Committee referral announced in Parliament		
24/10/2023	Vote in committee		
31/10/2023	Committee report tabled for plenary, 1st reading/single reading	A9-0327/2023	Summary
22/11/2023	Results of vote in Parliament		

22/11/2023	Decision by Parliament	T9-0421/2023	Summary
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Technical information

Procedure reference	2022/0407(CNS)
Procedure type	CNS - Consultation procedure
Procedure subtype	Legislation
Legislative instrument	Directive
	Amending Directive 2006/112 2004/0079(CNS)
Legal basis	Treaty on the Functioning of the EU TFEU 113
Other legal basis	Rules of Procedure EP 159
Stage reached in procedure	Awaiting final decision
Committee dossier	ECON/9/10892

Documentation gateway

Legislative proposal	COM(2022)0701	08/12/2022	EC	Summary
Document attached to the procedure	SEC(2022)0433	08/12/2022	EC	
Document attached to the procedure	SWD(2022)0393	08/12/2022	EC	
Document attached to the procedure	SWD(2022)0394	08/12/2022	EC	
Document attached to the procedure	N9-0023/2023 OJ C 113 28.03.2023, p. 0026	03/03/2023	EDPS	
Economic and Social Committee: opinion, report	CES6315/2022	27/04/2023	ESC	
Committee draft report	PE746.900	05/05/2023	EP	
Amendments tabled in committee	PE749.001	19/06/2023	EP	
Committee report tabled for plenary, 1st reading/single reading	A9-0327/2023	31/10/2023	EP	Summary
Text adopted by Parliament, 1st reading/single reading	T9-0421/2023	22/11/2023	EP	Summary
Commission response to text adopted in plenary	SP(2024)109	23/02/2024	EC	

Additional information

Research document	Briefing	16/11/2023
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Common system of value added tax (VAT): rules for the digital age

PURPOSE: to update VAT rules in the digital age.

PROPOSED ACT: Council Directive.

ROLE OF THE EUROPEAN PARLIAMENT: the Council adopts the act after consulting the European Parliament but without being obliged to follow its opinion.

BACKGROUND: Member States lost EUR 93 billion in VAT revenues in 2020 according to the latest VAT Gap figures also published today. Conservative estimates suggest that one quarter of the missing revenues can be attributed directly to VAT fraud linked to intra-EU trade. In particular, the 30-year-old VAT rules for cross-border trade are not adapted to doing business in the digital age, thus calling for reflection on how technology can be used to reduce administrative burdens and related costs for businesses and at the same time fight tax fraud.

Therefore, in its 2020 Action Plan for fair and simple taxation supporting the recovery, the Commission announced the legislative package VAT rules for the digital age. This proposal to amend Directive 2006/112/EC (VAT Directive) is part of that package.

This package has three main objectives:

- modernising VAT reporting obligations, by introducing Digital Reporting Requirements, which will standardise the information that needs to be submitted by taxable persons on each transaction to the tax authorities in an electronic format. At the same time it will impose the use of e-invoicing for cross-border transactions;
- addressing the challenges of the platform economy, by updating the VAT rules applicable to the platform economy in order to address the issue of equal treatment, clarifying the place of supply rules applicable to these transactions and enhancing the role of the platforms in the collection of VAT when they facilitate the supply of short-term accommodation rental or passenger transport services; and
- avoiding the need for multiple VAT registrations in the EU and improving the functioning of the tool implemented to declare and pay the VAT due on distance sales of goods, by introducing Single VAT Registration (SVR). That is, improving and expanding the existing systems of One-Stop Shop (OSS)/Import One-Stop Shop (IOSS) and reverse charge in order to minimise the instances for which a taxable person is required to register in another Member State.

CONTENT: the proposal aims to amend the current VAT rules in order to take full advantage of technological and digital advances to create an updated VAT system that is more resilient to criminal VAT fraud.

The main provisions of the proposal are as follows:

- the introduction of a presumption of supplier regime in the short-term accommodation rental and passenger transport sectors of the platform economy: under the new rules, platform economy operators in these sectors will be responsible for collecting and remitting VAT to the tax authorities where service providers do not do so, for example because they are a small business or an individual provider;
- updated VAT rules for passenger transport and short-term accommodation platforms: the new system introduces real-time digital reporting for VAT purposes based on e-invoicing that will give Member States valuable information they need to step up the fight against VAT fraud, especially carousel fraud. The proposal provides for the abolition of the possibility of issuing recapitulative statements.
- the introduction of a single VAT registration across the EU: building on the already existing VAT One Stop Shop' model for online shopping companies, the proposal will reduce the circumstances in which businesses wishing to sell to consumers in more than one Member State must register in other Member States. The proposal also obliges online platforms to register with the one-stop shop for imports, which will further improve compliance with VAT rules.

The Commission estimates that between 2023 and 2032, this approach should generate between EUR 172 and EUR 214 billion in net benefits, of which EUR 51 billion in savings. These savings include:

- EUR 41.4 billion from VAT reporting (EUR 11 billion from the removal of old reporting obligations, EU 24.2 billion reduction of fragmentation costs;
- EUR 4.3 billion savings pre-filled VAT returns, and EUR 1.9 billion e-invoicing benefits);
- EUR 0.5 billion from streamlining and clarifications in platform economy area; and
- EUR 8.7 billion from removing VAT registration obligations. Environmental, social and business automation benefits, as well as benefits related to the functioning of the Internal Market (more level-playing field) and tax control efficiency are also expected.

Common system of value added tax (VAT): rules for the digital age

The Committee on Economic and Monetary Affairs adopted, in the framework of a special legislative procedure (Parliaments consultation), the report by Olivier CHASTEL (Renew, BE) on the proposal for a Council directive amending Directive 2006/112/EC as regards VAT rules for the digital age.

The committee called on the European Parliament to approve the Commissions proposal subject to amendments.

Concept of invoice

Under this Directive, invoices should be issued in a structured electronic format. For transactions not subject to the reporting obligations, Member States may disallow the issuance of documents on paper or other formats as invoices as of 1 January 2028. Member States should allow for the issuance of electronic invoices which comply with the European standard on electronic invoicing and the list of its syntaxes. Member States may also allow for the issuance of electronic invoices in a different format.

Electronic invoices

The amended text stated that until 31 December 2027, the use of an electronic invoice should be subject to acceptance by the recipient for the acquisition of goods and for supplies of a service that is taxable in a Member State other than the Member State in which the supplier is established.

From 1 January 2028, the use of an electronic invoice should not be subject to acceptance by the recipient for the acquisition of goods carried out in accordance with proposed directive and for supplies of a service that is taxable in a Member State other than the Member State in which the supplier is established.

General obligations

Records should be kept by the taxable person concerned for a period of seven years from the end of the year during which the transaction was carried out.

VAT rules applicable to passenger transport and short-term accommodation platforms

It is necessary to lay down clear, balanced and proportionate rules to address potential distortions of competition in the short-term

accommodation rental and passenger transport sectors through the introduction of the deemed supplier model. Under this model, platforms are required to charge and account for the VAT on the underlying supply where no VAT is charged by the supplier, and can be subject to reporting obligations. While the principle of VAT neutrality is key to the VAT system, and should be adhered to as much as possible, the characteristics of the short-term accommodation rental and passenger transport sectors require a dedicated approach through the deemed supplier model.

The following should be regarded as having a similar function to the hotel sector:

- the uninterrupted rental of accommodation for a maximum of 31 nights with or without the provision of other ancillary services;
- the provision of three or more ancillary significant services during the rental of accommodation.

Independent study

Members suggested that the Commission should commission an independent study after 31 December 2027, to assess whether the rules regarding deemed suppliers have been successful and if so to identify new sectors in a similar situation, as well as to assess the advantages and disadvantages of making IOSS mandatory.

Review Clause

By 31 December 2024, the Commission should present a report on the VAT one-stop shop. This report should:

- analyse the effectiveness of the VAT one-stop shop and identify remaining shortcomings;
- explore the merits of further extending the VAT one-stop shop towards the remaining areas of business-to-consumer transactions that are not yet covered;
- explore the merits of extending the scope of the one-stop shop to also cover business-to-business transactions;
- explore areas to further simplify the procedures for small and medium-sized companies and thus to encourage single market integration.

Common system of value added tax (VAT): rules for the digital age

The European Parliament adopted by 570 votes to 17, with 52 abstentions, in the framework of a special legislative procedure (consultation), a legislative resolution on the proposal for a Council directive amending Directive 2006/112/EC as regards VAT rules for the digital age.

Parliament approved the Commission proposal subject to amendments.

Aim of the amendments

The aim of the proposal is to amend the current VAT rules in order to take full advantage of technological and digital advances to create an updated VAT system that is more resilient to criminal VAT fraud. It forms part of the 'VAT in the Digital Age' package which is due to be phased in from 1 January 2025. Members want to introduce amendments to Directive 2006/112/EC with effect from 1 January 2025, 2026 and 2027.

Electronic invoices

Under the proposed Directive, Member States should make it compulsory to issue electronic invoices, i.e. invoices containing the information required by the Directive and which have been issued, transmitted and received in a structured electronic format allowing automatic and electronic processing. Member States may also authorise the issue of electronic invoices in a different format, provided that they also authorise the use of the European standard.

For domestic transactions, Member States may oblige taxable persons established within their territory to issue electronic invoices for supplies of goods and services within their territory.

Micro and small enterprises and not-for-profit entities could use standards recognised and in force in the Member State other than the standard provided for in Directive 2014/55/EU, provided that these standards comply with the Directive.

The amended text stated that until 31 December 2027, the use of an electronic invoice should be subject to acceptance by the recipient for the acquisition of goods and for supplies of a service that is taxable in a Member State other than the Member State in which the supplier is established.

From 1 January 2028, the use of an electronic invoice should not be subject to acceptance by the recipient for the acquisition of goods carried out in accordance with proposed directive and for supplies of a service that is taxable in a Member State other than the Member State in which the supplier is established.

Deemed supplier

The proposal provides that where a taxable person facilitates, through the use of an electronic interface such as a marketplace, platform, portal or similar means, the transfer of goods to another Member State by a taxable person, the taxable person who facilitates the transfer should be deemed to have received and supplied those goods. The deemed supplier may plead good faith and not be held liable in the event that an underlying supplier deliberately fails to declare that he or she is not a taxable person.

Member States should prepare and make available dedicated guidance for those individuals listed in this Directive who opt to register as taxable persons, following the introduction of the deemed supplier regime in the accommodation and passenger transport sectors in the platform economy.

The Commission should commission an independent study after 31 December 2027, to assess whether the rules regarding deemed suppliers have been successful and if so to identify new sectors in a similar situation, as well as to assess the advantages and disadvantages of making IOSS mandatory. It should submit this study to the European Parliament and to the Council.

Members stated that deemed supplier scheme should not apply to platforms which are small and medium-sized undertakings, e.g. small

suppliers of Short Term Rental (STR) accommodation (hosts or VAT-exempt businesses) that contribute to sustainable tourism in the Union and promote travel to less frequented places.

VAT rules applicable to passenger transport and short-term accommodation platforms

According to Members, it is necessary to lay down clear, balanced and proportionate rules to address potential distortions of competition in the short-term accommodation rental and passenger transport sectors through the introduction of the deemed supplier model.

The following activities should be regarded as having a similar function to the hotel sector:

- the uninterrupted rental of accommodation for a maximum of 31 nights with or without the provision of other ancillary services;
- the provision of three or more ancillary significant services during the rental of accommodation.

General obligations

Records should be kept by the taxable person concerned for a period of seven years from the end of the year during which the transaction was carried out.

Review clause

By 31 December 2024, the Commission should present a report on the VAT one-stop shop. This report should:

- analyse the effectiveness of the VAT one-stop shop and identify remaining shortcomings;
- explore the merits of further extending the VAT one-stop shop towards the remaining areas of business-to-consumer transactions that are not yet covered;
- explore the merits of extending the scope of the one-stop shop to also cover business-to-business transactions;
- explore areas to further simplify the procedures for small and medium-sized companies and thus to encourage single market integration.

Transparency				
LALUCQ Aurore	Shadow rapporteur	ECON	13/06/2023	Bolt