

# EU VAT reform: VAT in digital age and its impact on use of e-invoices 1/46/23



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We have informed our MindLink subscribers that in late 2022 the European Commission (EC) published proposals for amending the VAT directive (2006/112/EC) and Council Implementing Regulation (EU) No. 282/2011 to upgrade the EU VAT system and increase its resistance to fraud. Known as 'VAT in the Digital Age' (*ViDA*), the EU VAT reform aims to modernise and simplify the VAT rules for platform economy members by introducing mandatory real-time digital reporting and e-invoicing for all intra-Community B2B transactions. This article explores the latest developments and the potential reforms, focusing on e-invoicing practices.

On 23 October 2023 the EU Parliamentary Committee on Economic and Monetary Affairs (ECON) voted to postpone all three *ViDA* pillars for one year. While this vote is not binding, it reflects concerns about how realistic the implementation timetables are and whether businesses are ready to adopt such changes. A key amendment involves postponing the original *ViDA* digital reporting requirements for two years. This delay will also affect the reforms proposed for 2024, such as the requirement for EC-approved e-invoicing and the requirement for all businesses to receive supplier invoices electronically.

## Changes to e-invoicing requirements

The original *ViDA* proposals included intra-Community B2B digital reporting requirements and mandatory intra-Community e-invoices, yet the latest amendments make significant changes to these plans. For intra-Community B2B digital reporting, all businesses were supposed to adopt a new scheme in 2028, with data being made available to the member states' tax authorities for consolidation in the EU database. However, the ECON proposes to extend this deadline to 2030.

When it comes to mandatory use of intra-Community e-invoices, all businesses will be required to issue and receive VAT e-invoices for intra-Community supplies based on the European standard on e-invoicing (EN 16931). This structured e-invoice format includes additional data, such as IBAN numbers, payment deadlines and invoice adjustments. The member states are urged to follow, or approximate their requirements to, the standard in order to align the EU reporting systems in the long term.

## Challenges around *ViDA*

The proposed extensions and amendments reflect difficulties in carrying out *ViDA* within the proposed time limits. The lack of political unanimity in the European Parliament, as evidenced by the ECON's decision to postpone all three pillars, raise concerns about the overall readiness for this initiative.

Despite possible delays, there are ongoing discussions about the two remaining *ViDA* pillars: platform economy and single VAT registration. Achieving political unanimity is crucial for the project's success.

With its sweeping reforms aimed at boosting VAT efficiency and restricting fraud, *ViDA* is facing

challenges. Businesses, tax authorities and policymakers should be working together to address problems, rationalise processes and secure a smooth transition to the upgraded VAT system under *ViDA*. Businesses are advised to follow these developments and take a proactive approach to the upcoming changes to VAT and e-invoicing practices in Latvia and the EU. Once the EC has agreed and finalised the amendments to the directive and the regulation, we will inform our MindLink subscribers.