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The new EU VAT landscape: Insights from the 126th meeting of the EU VAT Committee on the ViDA package 2/22/25

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The European Union is about to embark on one of the most significant modernisations of the value-added tax (VAT) system since the introduction of the VAT Directive. The driving force behind these changes is the “VAT in the Digital Age” (ViDA) legislative package, which will have a profound impact on the business environment across the EU. In response to this crucial legislative phase, the EU VAT Committee convened an extraordinary 126th meeting on 21 March 2025 to provide clarification and guidance to Member States on the practical implementation of the planned reforms, particularly regarding e-invoicing and digital reporting.

It is important for finance professionals — accountants, finance directors and company directors — to understand the conclusions of this meeting and their implications for the regulatory framework. This article provides a detailed analysis of the key legal aspects, the policy directions and the necessary actions that businesses need to take to ensure compliance and maintain their competitiveness.

The ViDA package in a nutshell

The ViDA package, which was officially adopted by the EU Council on 11 March 2025, aims to adapt the VAT system to the digital age. It is based on three pillars:

- Electronic invoicing and digital reporting;
- VAT regulation for the platform economy;
- Introduction of a standardised VAT registration system at EU level.

While each of these elements is important, the 126th meeting focused exclusively on the first topic — e-invoicing and reporting — given its critical role in enabling real-time data access, improving tax compliance and reducing VAT fraud.

Regulatory changes and their impact

Although the full introduction of electronic invoicing and digital reporting is not planned until 1 July 2030, important changes to the VAT Directive have already come into force. Particularly important are the amendments to Articles 218 and 232, which now give Member States the power to require e-invoicing without requiring authorisation or derogations from the European Commission. This represents a major paradigm shift and reflects the EU’s commitment to a standardised digital VAT administration system.

Previously, the rules required electronic invoices to be equivalent to paper format (Article 218) and required the recipient’s consent to receive electronic invoices (Article 232), which prevented the introduction of mandatory e-invoicing without specific authorisation. These restrictions have now been lifted, paving the way for accelerated digitisation.

In future, Member States will be able to require invoices for domestic transactions to be issued exclusively by electronic means, provided that both the issuer and the recipient are registered in the same country. This condition only applies to domestic transactions and not to cross-border supplies or transactions covered by EU rules on intra-Community trade.

Legal definitions and nuances of application

Although VAT registration is a prerequisite for businesses, it does not automatically lead to an obligation to use electronic invoices. Under the new system, this obligation only applies to businesses that have a registered office or permanent establishment with a corresponding resource base in the respective Member State. This distinction is particularly important for international companies with complex organisational structures.

A distinction must also be made between electronic invoicing and digital reporting — the former refers to the issuing of structured digital invoices, while the latter concerns the transmission of transaction data to the tax authorities, often in real time. Italy and Poland have already introduced such systems, where electronic invoices serve as the basis for data transmission to the tax authorities.

Transition to a harmonised EU system

According to the new Articles 271a and 271b, from 1 July 2030, all VAT-registered taxpayers in the EU will have to comply with uniform digital reporting requirements that will replace the existing national systems. These changes provide for the exchange of transaction data in real time using standardised formats and protocols. From this date, electronic invoices must comply with the EU standard set by Directive 2014/55/EU.

Companies are advised to adapt their systems to this standard in advance to avoid subsequent adjustments. It is also important to check the compliance of existing ERP systems and the readiness of suppliers to ensure integration with the tax administration platforms.

Practical steps for companies

The first step is to check whether and how the company is registered for VAT in each country in which it operates and what legal obligations arise from this. Next, it is important to check whether the invoicing and ERP systems are compatible with the required formats. It should also be noted that B2C transactions may also be covered by the e-invoicing scheme if both parties are registered in the same Member State.

This transition is more than just a regulatory challenge — it is an opportunity to review and optimise internal processes, improve data quality and strengthen collaboration between finance, tax and IT departments. Automation and real-time reporting can reduce the number of audits, speed up VAT refunds and increase financial transparency.

Conclusions

The VAT Committee meeting provided crucial clarifications on the implementation of the ViDA package, in particular on the application of Articles 218 and 232. By removing previous restrictions, the EU has paved the way for a harmonised digital VAT system that promises benefits for both administrations and businesses.

As the 2030 and 2035 deadlines approach, businesses need to act now. Auditing internal processes, reviewing IT infrastructure and investing in technology in good time are crucial factors to ensure compliance and long-term competitiveness.

ViDA is not just about digitalisation — it’s about trust, transparency and the future of tax administration in Europe. Therefore, finance leaders should become drivers of this change to ensure that their organisations not only adapt to change, but also reap the greatest benefits from it.