

VAT in Digital Age package – main changes to VAT rules 1/49/24



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In an earlier MindLink article we wrote about proposals for amending the value added tax (VAT) framework. The proposals mandate e-invoicing in cross-border transactions and require changes to how EU sales lists are completed. The proposals also place responsibility for collecting VAT on platforms through which transactions are made in the accommodation and transport sector, and the one-stop shop (OSS) scheme is to be expanded.

At the ECOFIN Council meeting of 5 November 2024, the member states' finance ministers officially approved the latest version of the proposals, postponed their effective date, and modified some of the rules. In this article we will look at the proposals again and outline the current version.

E-invoicing and digital reporting

The proposals introduce digital EU sales lists populated by data from mandatory e-invoices. From 1 July 2030, preparing e-invoices and digital reports will become a requirement for registered taxable persons making intra-Community cross-border B2B supplies and acquisitions of goods. This requirement will also cover taxable supplies and acquisitions of services where accounting for VAT is the customer's responsibility (reverse-charge VAT).

Below is a list of other noteworthy aspects:

- An e-invoice will become the main type of business invoice, and in future a properly issued e-invoice will be the main condition for obtaining a VAT refund. The member states will be allowed to prescribe some other types of invoices for their domestic transactions.
- The structure and format of e-invoices will have to meet the EU standard prescribed by Directive 2014/55/EU on electronic invoicing in public procurement. This rule will allow some other formats compatible with the EU standard.
- To ease the administrative burden, the member states are prevented from requiring that e-invoices include more data. While summary invoices will be allowed, the member states will have the right to eliminate this option in specified sectors posing a high risk of fraud.
- An e-invoice for a cross-border transaction must be issued within ten days after the transaction.
- Digital reporting for supplies of goods and services will have to be done when the supplier issues an e-invoice. Digital reporting will replace EU sales lists.
- If a customer performs self-billing, then digital reporting will be required within five days after the invoice is issued. Customers who are liable to account for VAT will have to report within five days after receiving an invoice.
- The member states will have the right to mandate digital reporting for domestic transactions when invoices are issued. The member states will also be allowed to make e-invoicing a key condition for deducting input VAT and obtaining VAT refunds.
- The member states will not be allowed to introduce more reporting obligations while retaining

their national rules for preparing VAT returns for audit purposes, such as SAF-T requirements.

These rules will come into force on 1 July 2030. The member states that had already adopted or announced their domestic digital real-time business reporting obligations by 1 January 2024 will have special conditions. This means they will have to bring their national systems into line with the EU model by 1 January 2035.

The obligation of platforms in the accommodation and transport sector

From 1 July 2028 an electronic intermediary platform for short-term accommodation (up to 30 nights) or passenger carriage will be considered a provider of services responsible for collecting VAT from customers unless the direct service provider:

- presents its local VAT number or special scheme number to the platform and
- indicates that he will charge VAT on the service.

Accommodation or passenger carriage services will be treated as supplied where they are actually performed. The member states will have to pass the rules by 1 January 2030, with a longer period of transition. Platforms will have the right to allow direct service providers themselves to collect VAT if they present a valid VAT number to the platforms.

Estonia initially voiced concerns about costs the rules will cause to small and medium enterprises and about their administrative burden. However, the new rules offer more flexibility.

Not all platforms will be subject to these rules, as exceptions will be made for platforms that merely process payments, advertise services, or simply redirect customers.

Single VAT registration

There are plans to reduce the number of cases where businesses operating in multiple member states are liable to register for VAT in multiple member states. There are plans to expand the OSS scheme from 1 July 2028 and include more types of supplies, such as domestic B2C supplies of goods in countries where the supplier is not registered for VAT. There will also be a special scheme for the cross-border movement of own goods and an obligation to apply reverse-charge VAT when the supplier is not registered for VAT in a particular country but the customer is.

Changes to the directive include some minor amendments too, such as special measures to link the IOSS (import one-stop shop) VAT number with the unique consignment number and restrict tax fraud perpetrated by abusing the IOSS. The proposals include clauses explaining how OSS returns can be adjusted, plus some other amendments.

Next steps

The amendments come as a package of three proposals:

1. Proposal for a Council Directive amending Directive 2006/112/EC as regards VAT rules for the digital age
2. Proposal for a Council Regulation amending Regulation (EU) No 904/2010 as regards the VAT administrative cooperation arrangements needed for the digital age

3. Proposal for a Council Implementing Regulation amending Implementing Regulation (EU) No 282/2011 as regards information requirements for certain VAT schemes

Amending the directive and regulations is subject to a special legislative procedure. Approval from the European Parliament was received on 22 November 2023. However, given the significant changes the Council has made to the proposals, the European Parliament will have to review them and give its consent. The proposals will then need to be formally passed by the Council before being published in the Official Journal of the EU and coming into force.