VAT in the Digital age: The implementation of the ViDA Directive and its impact on Businesses 2/21/25



Senior Manager, Tax Reporting, Accounting and Strategy, PwC Latvia Iuris Boiko

The European Union has launched its most comprehensive VAT reform to date with the initiative "VAT in the Digital Age" ("ViDA"), marking a turning point in both tax administration and business operations across the EU. ViDA has three main goals: 1) to reduce VAT fraud, 2) to improve the efficiency of tax administration, and 3) to adapt the existing VAT system to the digital economy. One of the cornerstones of this initiative is the introduction of structured e-invoices and digital transaction reporting for cross-border transactions.

Although ViDA will officially come into force gradually, starting in 2028, businesses engaged in cross-border B2B transactions must already prepare for significant changes. The impact of the Directive will be felt far beyond VAT reporting — it will affect financial processes, IT infrastructure, data management, and the overall corporate compliance strategy. This article explores how ViDA will change the rules of the game, the main obligations and risks for businesses, and why it is essential not to wait until the last minute to start preparations.

Digital reporting and structured e-invoices: Changes in cross-border transactions

According to the ViDA directive, starting from July 1, 2030, cross-border B2B transactions within the European Union will be required to use structured e-invoices. This means that traditional PDF or paper invoices will no longer be considered sufficient. In addition, with the introduction of e-invoices for cross-border transactions, all member states will have to implement digital transaction reporting systems (Digital Reporting Requirements; or DRR), enabling tax authorities to receive critical transaction information almost in real time.

This initiative represents a significant departure from the existing VIES (VAT Information Exchange System), which has so far served as a tool for checking cross-border VAT transactions. VIES will be modernised, and a centralised VAT number verification system with mandatory technical protocols will be introduced. Furthermore, there will be no need to submit separate EC Sales List (ESL) reports — this function will be taken over by real-time reporting.

The new requirements will affect both large and small businesses. Structured e-invoices will need to be issued by all taxpayers conducting cross-border supply of goods or services to another EU country. These invoices must adhere to a specific EU format (e.g., EN 16931) and be processable by both the sender and the recipient. Additionally, data regarding these transactions must be sent to the tax authorities within a few days of the invoice issuance.

Strategic implications for businesses: Risks, readiness, and opportunities

The implementation of the ViDA directive is more than just a compliance issue — it is a strategic turning point for businesses operating across the European Union. While the primary focus is on improving VAT efficiency and combating fraud, the scale of the directive's implementation impacts companies' financial, technological, and organizational infrastructure. Understanding these implications and preparing for them is crucial not only for mitigating risks but also for using this change as a stimulus for digital transformation.

From a risk perspective, the most pressing concern is non-compliance. Given the real-time nature of e-invoices and digital reporting, mistakes that could previously be corrected by the end of the month may now lead to immediate invoice rejections or warnings from tax authorities. Failing to submit invoice data on time or in the correct format could result in fines, late payment interest, or even reputational damage. For multinational companies, these risks are even greater, given the different interpretations and implementation timelines across various member states.

A strategic response to this challenge begins with a comprehensive risk assessment. Companies should evaluate their current VAT reporting processes, data architecture, invoicing systems, and reporting cycles to identify gaps that might hinder compliance with ViDA requirements. This process often uncovers significant reliance on manual processes, outdated ERP systems, or decentralized reporting practices that are not suited to real-time requirements.

One of the key factors is the cost. Although implementing ViDA requires investment — especially for large or decentralised companies — the cost of delay can be even higher. Delayed preparations, hasty decisions and reactive approaches often lead to inefficient solutions, higher IT costs and a greater reliance on external consultants. On the other hand, timely planning allows organisations to spread costs evenly, choose appropriate solutions and manage change in a structured way.

The implementation of ViDA requires cross-sector cooperation. Unlike traditional VAT reporting, which is often handled only by the finance or tax departments, ViDA implementation requires the involvement of IT, procurement, legal, sales and general service teams. The invoicing process is integrated into the organisation's operations, and the successful implementation of electronic invoicing requires alignment not only at the system level, but also across policies, roles and workflows.

This alignment also emphasises the need for strong project management. Organisations should treat ViDA implementation as a strategic project with clear objectives, timelines and a leadership role. Relying on ad hoc improvements or limited scope solutions may ensure compliance in the short term, but will not meet long-term digital requirements. Business leaders and CFOs should see ViDA as part of a wider digital transformation.

Preparing for ViDA: Practical recommendations for implementation

With the imminent introduction of ViDA, companies no longer have time to wait. The introduction of structured electronic invoices and real-time digital reporting is not just an addition to existing regulations — it is a major operational change. Those who wait until 2029 or 2030 will face hasty decisions, increased risks and significant costs. On the other hand, proactive companies are already taking the following steps:

1. Assess the current situation: Are invoicing systems suitable for generating structured einvoices? Is the data of high quality?

- 2. Create a ViDA implementation plan with clear collaboration between tax, IT, and business departments.
- 3. Choose a technological approach to expand the ERP system or integrate with external solutions?
- 4. Start data cleansing, as the accuracy of VAT numbers and customer data will be crucial.
- 5. Conduct testing and user training. New systems must be tested before their mandatory implementation.
- 6. Ensure change management educate teams about the goals and functionality of ViDA.
- 7. Implement monitoring mechanisms: track EU and member state guidelines, and plan for future adjustments.

Conclusion: From compliance to strategic advantage

The ViDA Directive is the most ambitious VAT reform initiative in the EU to date. Its main goal is to ensure a more transparent, efficient, and digitally managed VAT environment that reduces fraud and promotes cross-border trade. This shift to real-time reporting and e-invoicing presents both a challenge and an opportunity for businesses.

Timely preparation enables companies to avoid rushed implementation, reduce risks, and simultaneously modernize their financial and tax processes. Those who begin planning now will be able to manage changes in a structured way, lowering costs and strengthening their competitiveness in the digital age.

For managers — financial directors, tax managers, compliance specialists, and accountants — this is an opportunity not just to adapt, but to lead the change. ViDA is not just about taxes; it's a platform for a more modern and efficient business environment at the European level.

The European Commission has made it clear: the future of VAT management will be digital and will operate in real-time. The question is not whether you should prepare, but how quickly and efficiently you will do so.