

VAT IN THE DIGITAL AGE

Modernising the EU's VAT system

Factsheet

FACTS.

**TAX
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HIGHLIGHTS

This factsheet summarises the main changes from the European Commission's proposals to modernise the European VAT systems. The proposals were adopted in March 2025 with the intention to:

- make the VAT system more suitable for e-commerce
- help fight fraud and improve fairness
- reduce administrative burden
- overall make VAT reporting more efficient

The proposals' main area of change is to promote e-invoicing and have a near real-time reporting system for intra-EU cross-border commerce by 2030. It will be a challenge to implement the provisions for many tax authorities and businesses, especially SMEs (small and medium-sized entities).

This publication aims to support businesses and their advisors who should take note of the potential changes as soon as possible.



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INTRODUCTION




This publication provides an overview of the agreed Council Directive's main provisions in respect of VAT rules in the Digital Age. The full set of provisions can be found here:

[Council Directive \(EU\) 2025/516 amending Directive 2006/112/EC as regards VAT rules for the digital age](#)

[Council Regulation 2025/517 amending Regulation \(EU\) No 904/2010 as regards the VAT administrative cooperation arrangements](#)

[Council Implementing Regulation 2025/518 amending Implementing Regulation \(EU\) No 282/2011 as regards information requirements for certain VAT schemes](#)

The proposal has three main stated objectives:

-  1 modernise VAT reporting obligations by introducing digital reporting requirements
-  2 address the challenges of the platform economy to ensure equal treatment of businesses operating in the same sector, and to enhance the role of digital platforms in collecting VAT for specific cases (i.e. supply of short-term accommodation rental or road passenger transport services).
-  3 avoid the need for multiple VAT registrations in different Member States, improve and expand existing simplification measures, such as the One-Stop Shop (OSS), Import One-Stop Shop (IOSS) and the reverse charge mechanism

All article numbers refer to the [VAT Directive 2006/112/EC](#). (the Directive) unless it is stated that they relate to Council Directive (EU) 2025/516 (the VIDA revisions).

Member States are obliged to transpose this Directive by 31 December 2026.

The various implementation dates are included in each section.

DIGITAL REPORTING REQUIREMENTS (DRR)

E-invoices are an essential starting point for almost real-time digital reporting.

E-INVOICING (2030)

All changes in the table below are effective as from 1 July 2030.

Key change	Description	Article reference	Comments
New e-invoice definition	A new definition of e-invoice will be introduced to align with the existing rules on electronic invoicing for public procurement. The e-invoice will conform to a European standard and its syntaxes	New Article 217 Article 218 (3))	An e-invoice is defined as a document that contains the information required by the Directive (see below) and which has been issued, transmitted and received in a structured electronic format that allows for its automatic and electronic processing
E-invoicing by default for cross-border B2B invoices	E-invoicing will be the general rule for issuing cross-border B2B invoices and cannot be subject to prior mandatory authorisation by Member States' tax authorities.		Member States have the option to allow for paper invoices or e-invoices using a different format than the European standard (new Article 218 paragraph 2) for transactions not subject to the digital reporting requirements (see below)
Rejection of e-invoice no longer possible	The right for the recipient to reject the e-invoice and request one in a different format has been removed for in scope cross-border B2B supplies of goods and services subject to the digital reporting requirements		Member States who exercise options under Articles 218 (2) may still permit the recipient to accept/reject e-invoices for domestic transactions.
Common European standard	There will be a common European standard for e-invoices, based on a common technical standard	Revised Article 218	
Obligations fulfilled by third party	Member States must allow for a taxable person issuing the invoice to use a third party to fulfil their obligations	Article 218 (5)	
Use of a public portal	Member States have the option to allow the use of a public portal in respect of e-invoicing	Article 218 (5)	
E-invoice issuance	The invoice is to be issued within 10 days of the chargeable event taking place or of receipt of a payment on account	Article 222 (4)	The new time limit specifically concerns issuing invoices for intra-EU cross-border transactions as specified in Articles 138, 194, 196 and 197 of the Directive. The current time limit for issuing an invoice for such transactions - within 15 days after the end of the month when the chargeable event took place - is reduced

E-invoice required information	<ul style="list-style-type: none"> • issuing date • sequential number • supplier's VAT identification number • customer's VAT identification number • quantity and nature of goods / services supplied • date of supply or date of receipt of a payment on account • price per unit or rate, separate discount – all net of VAT • reference to appropriate legislation if an exemption is applied • 'triangular transaction' is to be mentioned where relevant (in addition to the existing requirement to disclose 'reverse charge', such as where the tax is due to be paid by the customer/recipient of the supply) • for corrective invoices, the sequential number that identifies the original invoice to be corrected • the bank account number of the supplier's bank account into which payment for the invoice will be deposited (or equivalent identifier) 	<p>Article 226 (1) Article 226 (2) Article 226 (3) Article 226 (4) Article 226 (6) Article 226 (7) Article 226 (8) Article 226 (11)</p> <p>Revised Article 226 (11a)</p> <p>New Article 226 (16) New Article 226 (17))</p>	
Summary invoices	<p>Member States must allow taxable persons the option to issue summary invoices – detailing several supplies of goods or services provided that the VAT due is chargeable in the same calendar month:</p> <ul style="list-style-type: none"> • summary invoices must be issued within 10 days of the end of the relevant calendar month • Member States can revoke the right to issue summary invoices in certain 'fraud sensitive sectors' – the VAT Committee must be notified if a Member States applies this option 	Article 223	

REAL-TIME REPORTING (RTR) REQUIREMENTS (2030)

ISSUES WITH CURRENT SYSTEM

The key issues with the current arrangements for reporting cross-border transactions are the following:

- not all Member States have digital reporting requirements, and as these vary widely in scope this risks fragmentation of the regulatory framework
- recapitulative statements are considered ineffective in fighting intra-EU fraud due to the time lag in their submission and the reporting of aggregated data rather than individual transactions
- recapitulative statements cannot be cross matched with the relevant acquisitions as the reporting of intra-community acquisitions is optional for the Member States based on the VAT Directive

All changes in the table below are effective as from 1 July 2030.

Key change	Description	Article reference	Comments
Mandatory RTR	<p>RTR will be mandatory for each transaction made by taxable persons in respect of:</p> <p>a) an exempt intra-Community supply of goods in accordance with Article 138 (1) and 138(2)(c)</p> <p>b) an intra-Community acquisition of goods under Article 20 and transactions treated as such under Articles 21 or 22</p> <p>c) supplies of goods and services subject to a mandatory reverse charge under Articles 194, 195, 196, or 197</p> <p>d) acquisition of goods and services subject to a mandatory reverse charge under Articles 194, 195, 196, 197 or 204</p> <p>Relevant data can be transmitted by the taxable person or a third party engaged on that person's behalf and Member States must provide for an electronic data transmission system compliant with the European Union standard.</p>	Article 262	Member States have the option to disapply the reporting requirements in respect of b) and d). If they exercise this option, they must notify the Commission who will inform the other Member States
Immediate reporting of individual transactions	Each individual transaction must be reported when the invoice is issued or should have been issued	Article 263	
Time limit for invoices raised by the recipient	For invoices raised by the recipient of the goods or services, the time limit for reporting is within 5 days of when the invoice was issued or should have been issued	Article 263	
Information to be reported	<p>All the information contained in the e-invoice (see table above) must be transmitted.</p> <p>There are additional rules covering certain supplies and acquisitions.</p>	Article 263 Detailed in revised Article 264, (b) to (e)	
Data transmission	The data is to be transmitted by the taxable person or their representative	Article 263	
Electronic submission of data	Member States are to provide 'electronic means' for submitting such data consistent with the European Union Standard, or a domestic standard that is compatible with the European Union Standard	Article 263	
Recapitulative statements	Recapitulative statements will no longer be required	Articles 262 to 271 are amended or deleted	

Transitional provisions covering existing reporting systems				
From 25/03/2025	Member States may introduce mandatory domestic e-invoicing	Member States have the option to require that taxable persons within their territory issue electronic invoices for the domestic supply of goods and services Member States that exercise this option have the option to remove the right of acceptance from the recipient of the e-invoice	New Article 218 Paragraph 2 New paragraph 2, Article 232	
Until 30/06/2035	Retaining existing domestic digital real-time transaction-based reporting system	Member States that have an existing mandatory RTR system in place on 1 January 2024 (or had adopted national legislation or been granted an authorisation on the basis of Article 395 by that date) can continue to use those existing systems for domestic transactions until 30 June 2035.	Article 5(5) of the VIDA revisions	
Until 30/06/2030	Existing general transaction-based reporting obligations	Member States that had these obligations in place on 1 January 2024 for either supplies and / or acquisitions of goods and services and that have maintained these systems until they introduce the EU compatible real-time reporting system – i.e. until 30 June 2030	Revised Article 273	
From 01/07/2030	Domestic supplies of goods and services	Member States have the option to: <ul style="list-style-type: none"> introduce a reporting system for domestic supplies of goods and services made by taxable persons within that Member State introduce a reporting system for domestic supplies of goods and services made to taxable persons within that Member State Member States can restrict such domestic reporting to certain categories of taxable persons or certain types of transactions. Those Member States that have exercised the option in Article 271a(1) also have the option to require possession of an appropriate e-invoice to deduct or reclaim input VAT	New Article 271a (1). New Article 271a (2) Revised Article 168	If Member States use either or both of these options, any such domestic schemes must comply with the features required in Article 271b - which are broadly aligned to the requirements for the RTR system for intra-EU transactions.

VAT TREATMENT OF THE PLATFORM ECONOMY (2027 & 2028)

	Key change	Description	Article reference	Comment
01/01/2027	Extension of deemed supplier rule for non-EU suppliers	The deemed supplier rule will be extended to supplies of goods within the EU made by taxable persons not established in the EU to both taxable and non-taxable persons in the EU.	Revised Article 14a paragraph 2.	A deemed supplier is a taxable person who is not the actual supplier of certain goods, but who facilitates the supply a supply of goods that is concluded between a supplier (underlying supplier) and a customer through

		<p>Currently, this only applies to supplies made by non-EU taxable persons to EU non-taxable persons.</p> <p>The deemed supply to the platform by the underlying supplier is exempt for VAT purposes and right for input VAT recovery is granted.</p>		the use of an electronic interface. For VAT purposes only, the deemed supplier is treated as the supplier
01/07/2028	Extension of deemed supplier rule to road passenger transport and short-term accommodation	<p>Extension of the deemed supplier rule to cover:</p> <ul style="list-style-type: none"> supplies of short-term rental accommodation. A supply of short-term accommodation rental is defined as, broadly, the uninterrupted rental of accommodation to the same person for a maximum of 30 days. The same conditions that a Member State applies to the hotel sector shall apply to such supplies road passenger transport services from one point in the EU to another point in the EU 	<p>New Article 28a</p> <p>New Article 135(2)(aa)</p>	<p>This requirement does not apply if the taxable person providing these supplies has:</p> <ul style="list-style-type: none"> provided to the platform etc. their VAT identification number(s) for the Member States where the supply takes place, and declares to the platform etc. that they will charge any VAT due on that supply. <p>Member States have the option to require that the platform etc. validates the VAT number.</p> <p>The deemed supplier rule does not apply in respect of either supplies of short-term accommodation or road passenger transport services when covered by the Tour Operators' Margin Scheme ('TOMS') (Article 28a Paragraph 3 and new Article 306 Paragraph 3).</p> <p>Member States have the option to exclude businesses whose turnover is within the national exempt threshold from the deemed supply rules covering either the supply of short-term accommodation rental services or the supply of road passenger transport services, or both. If this option is exercised, the Member State must inform the VAT Committee.</p>
01/07/2028	Clarification of existing provisions affecting services provided by electronic interfaces	<p>Certain clarifications enter into effect:</p> <ul style="list-style-type: none"> that the place of supply of facilitation services is the place where the underlying transaction is supplied that the supply to a taxable person (the platform) of services under Article 28a is an exempt supply that the supply of exempt services by the platform that received them and/does not affect the right of input VAT deduction for the platform 	<p>New Article 46a</p> <p>New Article 136b</p> <p>New Article 172a</p>	

SINGLE VAT REGISTRATION AND IMPROVEMENTS TO THE EXISTING E-COMMERCE RULES

CALL-OFF STOCK ARRANGEMENTS

	Key change			Comments
until 30/06/2028	Existing call-off stock arrangements	Current specific call-off stock quick fix provisions remain available for stock movements that take place up to 30 June 2028.	Article 17a	Call-off stock arrangements apply where goods are transported from one Member State to another but ownership is not transferred until a later date.
01/07/2028	Switch to reporting via the OSS	Transfers of own goods will be reported via the extended OSS. The details of the requirements using the OSS for transfer of own goods are contained in new Section 5 – Special scheme for transfers of own goods. (Articles 369xa to Article 369xk	This should reduce the need for multiple VAT registrations in different Member States (where currently the call-off stock quick fix does not apply).
01/07/2029	Withdrawal of current call-off stock provisions	End of current call-off stock arrangements for goods already moved	New Article 17a paragraph 8	Article 17a provisions will continue until 30 June 2029 in respect of stock movements to 30 June 2028 at the latest.

MANDATORY REVERSE CHARGE FOR SUPPLIES BY NON-ESTABLISHED PERSONS

01/07/2028	Mandatory reverse charge	<p>New rules will apply so that the taxable person receiving the goods and / or services must pay the VAT if:</p> <ul style="list-style-type: none"> they are registered for VAT in the Member State where the goods or services are supplied, and the supplier is a non-established taxable person in the Member State of supply and is not VAT identified in the Member State of supply. <p>If the non-established supplier is VAT registered in the Member State of the supply, the Member State of the supply may provide that the VAT is due on the supply by the taxable person receiving the supply of goods or services.</p> <p>It is required that an invoice in respect of such transactions is issued within 15 days of the end of the month when the chargeable event occurs</p>	<p>Revised Article 194</p> <p>Article 194 (1) second paragraph</p> <p>Revised 1st paragraph, Article 222</p>	<p>Currently, the application of the reverse charge under Article 194 is a Member State option.</p> <p>This reverse charge does not apply where the supply is of goods subject to special margin schemes covering second hand goods, works of art, collector's items, and antiques.</p> <p>The new rules do not affect transactions for which the reverse charge already applies under Articles 195 and 196 the Directive.</p>
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CHANGES TO THE UNION ONE-STOP SHOP (OSS) NON-UNION OSS AND IMPORT ONE STOP SHOP (IOSS)

The Commission has identified certain issues with the operation of the existing OSS and IOSS, for example:

- some supplies of goods and services are not covered
- the IOSS is optional, and this reduces its effectiveness in reducing the need for multiple registrations in different Member States by the same taxable person. Proposals to deal with these issues have mostly been removed from the final VIDA text and will be dealt with in the proposed revisions to the EU Customs Code.

NON-UNION OSS

01/01/2027	Extended OSS access for non-EU businesses supplying services	Non-EU businesses supplying services in the EU to any non-taxable persons can use this scheme. This extends the scope to all 'use and enjoyment' of relevant services within the EU - not just by non-taxable persons with an establishment, permanent address or who usually reside in a Member State, as is currently the case.	Revised Article 359	
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UNION OSS

1 January 2027 to 30 June 2028	Temporary inclusion of energy supplies in OSS	Supplies of gas, electricity, heating and cooling covered by Article 39 are deemed to be intra-Community distance sales of goods and can be reported through the Union OSS.	New Article 369aa	This is a temporary provision via new Article 369aa until 1 July 2028 when such supplies will be covered by new Article 369b(d) (see below).
01/07/2028	Expanded scope of supplies reported via Union OSS	The following supplies can be reported through the Union OSS scheme if supplied to a non-taxable person or a taxable person whose intra-EU acquisition of goods is not subject to VAT: <ul style="list-style-type: none"> ▪ supplies of goods with installation or assembly (Art 36) ▪ supplies of goods on board ships, aircraft and trains (Art 37) ▪ supplies of gas, electricity, heating and cooling (Art 39) 	New Article 369b(d))	Replaces the temporary measure under Article 369aa.
01/07/ 2028	Inclusion of domestic non-transported supplies in OSS	Supplies of goods without dispatch or transport or where the dispatch or transport begins and ends in the same Member State, to a taxable person, or a non-taxable legal person whose intra-Community acquisitions of goods are not subject to VAT pursuant to Article 3(1), or to any other non-taxable person.	New Article 369(b)(e)	Extends OSS to some domestic B2C transactions.
01/07/ 2028	Inclusion of call-off stock in OSS	Supplies by a taxable person who is not established in the Member State to which the goods have been transferred using	New Article 369(b)(f)	Article 16 - personal usage of business assets

		the special scheme relating to call-off stock set out in Title XII, Chapter 6, Section 5, and the goods are subject to VAT under Articles 16, 18, 26 or when an adjustment of deduction is required under Title X, Chapter 5		Article 18 -supply of self-services to the business, use of taxable goods for a non-taxable purpose and retention of business goods on cessation of business), Article 26 (private use of business goods or services)
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IOSS

From 25/03/2025	Strengthen IOSS controls	The Commission has been given powers to introduce legislation to reinforce controls on the usage of the IOSS regime.	Article 143 1a	Most changes to the IOSS regime included in the initial ViDA proposal have been deferred to be considered as part of the the proposals for a revised Union Customs Code.
From 01/07/2027	No right to recover input VAT via OSS/IOSS	Is explicitly confirmed that input VAT incurred in the Member State of consumption is not recoverable through the IOSS and only recoverable through other means by non-established suppliers - such as those provided in the refund directives. The right for a Member State to refuse refunds under Articles 2(2) and 4(2) of Directive 86/560/EEC does not apply to refunds relating to goods and services covered by the Union OSS.	Revised Articles 369j and 369w	
From 01/07/2027	Clarification on input VAT for non-IOSS supplies	It is clarified that the prohibition on recovering input VAT through the IOSS for suppliers not established in the EU only relates to those supplies made under the special scheme.	Revised Article 368	Non-EU-established suppliers have the right to recover input VAT on non-IOSS supplies in the Member State of consumption if the non-established supplier has a VAT registration in the Member State of consumption.
From 01/07/2028	Process for amending OSS/IOSS VAT returns	For each of the non-union, union and import OSS, amendments to the VAT return must be included on the return to be filed when the amendments are identified. Where amendments are identified in respect of a VAT return already submitted, these are to be included in a VAT return of a subsequent tax period up to three years after the date on which the initial VAT return was required to be submitted.	Revised Articles 365, 369g, 369t, 369xg	

SME ISSUES




The move to e-invoicing and real-time reporting will impact all businesses but smaller entities are likely to be particularly affected, due to fewer financial and personnel resources and their reliance on third party software suppliers.

SMEs will need systems adequate to issue and receive e-invoices and produce the electronic reporting - manual accounting records will be completely untenable.

Specifically, SMEs may need to change internal systems to deal with the ten-day deadline for invoicing cross-border transactions (and then the two-day deadline for submission to the national tax authority). This is a significant change from the current time limit for invoicing - 15 days from end of month in which the chargeable transaction took place.

They may also need to change their accounting systems or, at least, ensure that their existing accounting system provider is making the necessary updates to comply with the digital reporting requirements. Some SMEs may still provide goods/ services cross-border who currently do not use computerised accounting systems. From the 30 June 2030 this is not a realistic option and to alleviate the costs of transition, Member States may consider implementing a basic online accounting system that ensures that such businesses are not precluded from intra-EU cross-border trade.

Staff training for the new procedures and systems will clearly be vital.

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