



**ACCOUNTANCY  
EUROPE.**

# **VAT IN THE DIGITAL AGE**

Modernising the European 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 issued in December 2022 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 2028. Implementing the provisions will be a challenge 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 proposed Council Directive's main provisions in respect of [VAT rules in the Digital Age](#). It covers selected elements of the proposal, the entire set of provisions can be found [here](#).

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 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

The effective dates stated below in the document are those shown in the draft Directive. They may be subject to change as the proposal progresses through the legislative process.

All article numbers refer to the [VAT Directive 2006/112/EC](#). (the Directive).

## DIGITAL REPORTING REQUIREMENTS

### E-INVOICING (2024 & 2028)

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

From 1 January 2024 the following changes will come into effect:

- a new definition of e-invoice to align with the existing rules on electronic invoicing for public procurement. 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 (new Article 217)
- an option for Member States to impose e-invoicing consistent with the European standard (new Article 218a)
- the removal of right for the recipient of the e-invoice to reject the e-invoice and require a paper version (deletion of Article 232)

From 1 January 2028 the following changes will come into effect:

- e-invoicing will be the general rule for invoices issuance and cannot be subject to prior mandatory authorisation by Member States' tax authorities. It will be mandatory for supplies of certain services and for B2B intra-community supply of goods
- paper invoices will only be possible when a Member State so authorises (revised Article 218) and if this does not affect the duty to report electronically intra-EU cross border supplies of goods and services
- there will be a common European standard for e-invoices (revised Article 218)
  - the information required on e-invoices is the same as currently required in Article 226 with additional fields

- for corrective invoices, the sequential number that identifies the original invoice to be corrected (Art 226 (16))
- the IBAN number of the supplier's bank account into which payment for the invoice will be deposited (or equivalent information if no IBAN number is available (Art 226 (17))
- The date(s) on which payment(s) are due (Art 226 (18))
- Member States that already have mandatory e-invoicing can continue to use their existing system until 31 December 2027
- the invoice is to be issued within 2 days of the chargeable event taking place (Art 222)

The new time limit specifically concerns issuing invoices for intra-EU cross-border transactions as specified in Articles 138, 194 and 196 of the Directive. The current time limit for issuing an invoice for such transactions, within of 15 days after the end of the month when the chargeable event took place, is substantially reduced.

### **REAL-TIME REPORTING (RTR) REQUIREMENTS (2028)**

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

The Commission believes that introducing a transaction-by-transaction reporting system that provides almost real-time information on cross-border transactions will provide timely and better-quality information to feed into Member States' risk analysis systems.

A common template will be established to combat the lack of harmonisation of Member States' domestic reporting systems.

By 1 January 2028 Member States are required to implement new RTR, or adapt existing RTR systems, compatible with the harmonised requirements (revisions to Articles 262 to 268).

RTR would be mandatory for each transaction made by taxable persons in respect of:

- an intra-Community supply of goods in accordance with Article 138
- an intra-Community acquisition of goods in accordance with Article 20
- a supply of a service that is taxable in a MS other than that in which the supplier is established
- supplies subject to a mandatory reverse charge under Article 194 (detailed below) (Article 267)

Amended Article 263 contains the main features:

- the information to be transmitted follows that of existing recapitulative statements but on an invoice level for each transaction (Article 264) and with the additional three fields mentioned in the section on E-invoicing above
- the data is to be transmitted within two days after the issue of the invoice or the date when the invoice was due to be issued
- the data is to be transmitted by a taxable person or their representative
- Member States are to provide 'electronic means' for submitting such data consistent with the European Standard, or a domestic standard that is compatible with the European Standard

Member States have the option to introduce a reporting system for domestic supplies of goods and services carried out between taxable persons within that Member State (new Article 271a Para 1) and for other purposes (new Article 271a Para 2), such as for domestic B2C supplies of goods and services.

If Member States use the option(s) in Articles 271a 1 and 2, any such domestic schemes must comply with the features required in Article 271b, which are mostly identical to the requirements for the RTR system for intra-EU transactions.

Recapitulative statements will no longer be required (Articles 262 to 271 amended or deleted).

Member States will have to require that all taxable persons who make intra-community **acquisitions** of goods submit the relevant data (revised Article 268). It is, and remains, a Member State option to require such taxable persons to produce and file a recapitulative statement.

## VAT TREATMENT OF THE PLATFORM ECONOMY (2025)

From 1 January 2025 the deemed supplier<sup>1</sup> rule applies where an electronic interface facilitates:

- supplies of all goods within the EU, irrespective of:

the underlying  
supplier location

the place of departure  
of the goods

the taxable status of the  
purchaser (revision to  
Article 14a)

- supplies by certain persons of short-term accommodation rental or passenger transport. The persons affected include non-taxable persons, non-established persons and users of flat rate farmer schemes (new Article 28a). Supplies falling within the new Article are excluded from the Tour Operators' Margin Scheme (Article 306)

Short-term accommodation rental is defined as, broadly, the uninterrupted rental of accommodation, with or without the provision of other ancillary services, for a maximum of 45 days (new Article 135(3)).

The deemed supply to the platform by the underlying supplier will be exempted for VAT purposes and right for input VAT recovery will be granted.

<sup>1</sup> Article 14a para 2 "Where a taxable person facilitates, through the use of an electronic interface such as a marketplace, platform, portal or similar means, the supply of goods within the Community by a taxable person not established within the Community to a non-taxable person, the taxable person who facilitates the supply shall be deemed to have received and supplied those goods himself."

**Currently**, the deemed supplier rule only applies where an electronic interface facilitates supplies of goods in the following intra-Community supplies (Article 14a):

- distance sale of goods imported from third countries in consignments not exceeding €150, or
- the supply of goods within the EU to non-taxable persons by taxable persons established in third countries

## **SINGLE VAT REGISTRATION AND IMPROVEMENTS TO THE EXISTING E-COMMERCE RULES AND THE MARGIN SCHEME (2025)**

### **CALL-OFF STOCK ARRANGEMENTS**

Call-off stock arrangements apply where goods are transported from one Member State to another, but ownership is not transferred until a later date. There are currently specific provisions (Article 17a) in the VAT Directive to deal with such stock movements in certain circumstances. The existing provisions covering despatch or transport of own goods expire on 31 December 2024.

From 1 January 2025 transfers of own goods will be reported via the extended OSS (new Article 14a (3)). This should reduce the need for multiple VAT registrations in different Member States (where currently the call-off stock quick fix does not apply). 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).

### **MANDATORY REVERSE CHARGE FOR SUPPLIES BY NON-ESTABLISHED PERSONS**

From 1 January 2025, for new rules will apply to taxable supplies of goods or services within a Member State between a non-established taxable person and a VAT registered taxable person in the Member State of the supply. The taxable person receiving the goods and services must pay the VAT if registered for VAT in the Member State where the goods or services are supplied (revised Article 194), whether the recipient is established in that Member State or not.

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 (new Article 194(2)).

The new provision does not affect transactions for which the reverse charge already applies under Articles 195 and 196 the Directive.

Currently, the application of the reverse charge under Article 194 is a Member State option.

### **DISTANCE SUPPLY OF SECOND-HAND GOODS ETC.**

From 1 January 2025 the definition of distance sale of goods is extended to cover second-hand goods, works of art, collector's items and antiques (amended Article 14(4) (1)(a)). Furthermore, supplies of these goods are now covered by the OSS simplification rules (with the deletion of Article 35 and new Article 369b(e)(b)).

It is also specifically confirmed that the place of supply of such goods is the place where the customer is established (new Article 39a), where the despatch and receipt takes place in the same Member State.

## 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

From 1 January 2025 the main proposed changes are as follows:

**NON-UNION OSS**

From 1 January 2024, non-EU businesses supplying services in the EU to any non-taxable persons can use this scheme (revised Article 359). Effectively, this extends the scope to all ‘use and enjoyment’ of relevant services within the EU - not just by non-taxable persons who are established, have a permanent address or who usually reside in a Member State, as is currently the case.

**UNION OSS**

From 1 January 2025, the following supplies are added to the ‘Member State of consumption’ (new Article 369b(d)) and 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:

- supplies of goods with installation or assembly (Article 36)
- supplies of goods on board ships, aircraft and trains (Article 37)
- supplies of gas, electricity, heating and cooling (Article 39), and
- domestic supplies of margin scheme goods to any other taxable person supplied under the margin scheme by taxable dealers

Essentially, this extends the OSS to all supplies of goods within a Member State – in addition to the services covered already under Article 369b (c).

**IOSS**

From 1 January 2025, use of the IOSS will be mandatory for electronic interfaces facilitating certain distance sales of imported goods, acting as a deemed supplier (Article 369m para 4).

There is still no right to recover input VAT through the OSS\IOSS. It is explicitly confirmed that input VAT recovery is only available in the Member State of consumption, if incurred in that Member State, through other means (revised Articles 369j and 369w), such as those provided in the refund directives.

## 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 two-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.

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



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