VAT'S UP
VAT NEWSLETTER

VAT in the Digital Age – Compromise proposal: overview and timetable

23 I 2024

1 Background

On 8 December 2022, the EU Commission published the draft Directive for the 'VAT in the Digital Age' initiative. This provided for changes to the platform economy, reporting obligations and electronic invoicing, as well as a single EU VAT registration (see KMLZ VAT Newsletter 52 - 54 | 2022). However, the EU Member States were not in agreement with all of the proposed amendments. A compromise proposal was therefore drawn up under the current Belgian Council Presidency and published on 8 May 2024. As soon as the EU Council has reached an agreement, we will inform you, in detail, concerning the upcoming changes. In this newsletter, we would like to give you a brief overview of the currently suggested new timetable and compromise proposals.

2 Timetable

A postponement of 2.5 years is planned for most of the changes. This is intended to give authorities and businesses more preparation time for the changeover. The changes for the platform economy and the implementation of a single EU VAT registration will be postponed from January 2025 to July 2027. The digital reporting obligations and mandatory electronic invoicing, which were initially expected to be introduced in January 2028, will now not be introduced until July 2030.

3 Changes from 2024 – after implementation of the Directive

- EU Member States will be authorised to implement mandatory e-invoicing for domestic supplies by established taxable persons. Prior authorisation by the EU Council and the consent of the invoice recipient will no longer be required.

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4 Changes as from 1 January 2026

- A clarification regarding the threshold of €10,000 for distance sales and cross-border B2C services will be introduced. Only distance sales from the country of residence will be considered for the threshold, not distance sales from warehouses in other Member States.
- B2C supplies of electricity and of heating, cooling and natural gas via networks may be reported via the OSS.

5 Changes as from 1 July 2027

- Digital platforms supporting short-term accommodation rental (new: up to 30 nights) or passenger transport will continue to be treated as if they had received and provided these supplies themselves, unless the supplier informs the digital platform of its VAT-ID and declares to the digital platform that it intends to charge VAT on its own transactions. Member states will have the option of excluding small businesses from this scheme.
- A mandatory reverse charge mechanism will apply to all supplies of goods and services (with the exception of margin scheme supplies) by a supplier who is not established in the Member State of supply and is not registered for VAT in that Member State if the recipient of the supply is already registered in that Member State. For situations in which the supplier is not established in the country of supply but is already registered there, the Member States will be entitled to provide for a reverse charge and determine the further conditions for this themselves.
- The scope of application of the special OSS for intra-Community transfers of own goods will be extended to capital goods. The transfer of goods, for which there is no full right to deduct input VAT, remains excluded. In connection with this, an obligation will be introduced to inform the owner of the goods about the transfer, if the transfer is not done at his explicit request.

6 Changes as from 1 July 2030

- Member States will only be entitled to claim input VAT deductions for transactions that fall under a national digital reporting obligation dependent on the existence of an e-invoice in the new format.
- E-invoices for transactions that fall under the digital reporting obligation will no longer need to be issued within 2 days, but rather within 10 days from the date of supply.
- Summary (e)-invoices will still be permitted, but with the restriction that they may only cover a maximum of one calendar month's supplies and that they must be issued by the 10th day of the following month. However, Member States may prohibit summary invoices for sectors susceptible to fraud.
- The due date will no longer be a mandatory part of the invoice content. However, despite much debate, the supplier's bank details will remain as such.
- The digital reporting of transaction data will need to be made by the invoice issuer immediately at the day on which the invoice was issued or should have been issued the latest. The recipient shall report the data no later than 5 days after the invoice is issued or should have been issued.

7 Changes as from 1 January 2035

- Member States that have already introduced a domestic transaction-based (real-time) reporting system by 1 January 2024 or have received EU approval for this will be obliged to adapt it to the new EU standard for e-invoices and the digital reporting obligation by 31 December 2034.

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