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VAT'S UP
VAT NEWSLETTER

VAT in the Digital Age – Approval in EU Council

43 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, to reporting obligations and electronic invoicing, as well as regarding single VAT registrations (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 Belgian Council Presidency and published on 8 May 2024. However, this was also not approved. Estonia had concerns about the changes to the platform economy. As a result, a further compromise proposal was published on 30 October 2024, which was unanimously adopted by the EU Council today, 5 November 2024.

There were no major changes to the previous proposal of the ViDA-Directive. However, the Member States will now have more time to implement the new regulations. In this newsletter, we would like to give you a brief overview of the changes that will come into force over the next few years.

2 Single VAT Registration

The concept of a single VAT registration is based on a number of measures that are intended to eliminate the previous need for VAT registrations abroad. To achieve this, the One-Stop-Shop procedure and the rules on the reverse charge mechanism for B2B supplies by non-resident taxable persons in other EU Member States will be gradually extended as of 1 January

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2027 and 1 July 2028. However, as is so often the case, the devil is in the detail. Member states can exercise options, and certain transactions will continue to require a registration abroad.

In addition, a One-Stop-Shop for intra-Community transfers will be introduced from 1 July 2028, which is primarily intended to exempt businesses in eCommerce from registration and reporting obligations, but is also applicable to all other businesses.

These changes also mean that the simplification rule for consignment stocks introduced as part of the "Quick Fixes" on 1 January 2020 is no longer necessary. It will only apply to goods stored until 30 June 2028 and will effectively expire on 30 June 2029.

3 Fictitious supply chain for digital platforms

The existing fiction of a supply chain for B2C supplies within the EU, which online traders based in third countries provide via online marketplaces, will be extended to B2B supplies from 1 January 2027.

In addition, digital platforms that support short-term accommodation rental (up to 30 nights) or passenger transport are to be treated as if they had received and provided these services themselves. This shall not apply if the supplier provides the digital platform with its VAT-ID and declares that it will charge VAT on its own transactions. Member States can also provide for an exemption for small businesses. Member states must apply this supply chain regulation from 1 January 2030. However, they can implement it voluntarily as early as 1 July 2028.

4 E-Invoicing and digital reporting requirements

Changes relating to the issuing, transmission and receipt of electronic invoices, and the associated digital transactional reporting obligations, will come into force in three stages.

The first changes will enable Member States to introduce e-invoicing obligations for national transactions shortly after publication of the ViDA-Directive in the Official Journal of the European Union. This will make the need to apply to the EU Council for a derogation from the EU VAT Directive obsolete.

As from 1 July 2030, e-invoicing will become a central component of the definition of invoices and an obligation at European level. Member States can deviate from the e-invoice obligation in certain constellations.

In addition, transactional reporting obligations will be established for cross-border transactions to replace recapitulative statements. Existing national reporting obligations must be adapted to the EU requirements by 2035.

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