



VAT in the Digital Age (Part 2): "Single VAT Registration" to avoid foreign registrations

1 The problem: Registration for VAT purposes abroad

Often seen as a burden, VAT registration abroad is part of everyday business for taxable persons with cross-border business models. Above all, the registration requirement for transactions without tax implications or even without the involvement of other parties - such as intra-Community transfers of own goods - in practice meets with little understanding. This is because each additional registration abroad costs effort and money. For this reason, the EU Commission has presented the Single VAT Registration (SVR) in its proposal to amend the VAT Directive "VAT in the Digital Age" ("ViDA"). The SVR is intended to make it possible to report transactions, subject to registration in other EU countries, in the country of domicile. This is intended to eliminate the registration obligations in other EU countries for many taxable persons. This is to be achieved, among other things, by extending the scope of the One-Stop-Shop (OSS) and the Import-One-Stop-Shop (IOSS).

2 The Commission's proposed solution

In order to implement the SVR, the EU Commission has proposed the following new regulations. These cover both the B2B and B2C sectors:

- B2B: For all transactions (except subject to margin taxation) of a taxable person not established in the country of supply, the VAT liability is to be shifted to the recipient of the supply if the latter is registered for VAT there.
- B2B: The simplification rule for supplies via a consignment warehouse, which was only introduced in 2020, is to be abolished as of 31.12.2025.
- B2B: In future, it will also be possible to report intra-Community transfers of own goods OSS, except for capital goods. The transfer is to remain reportable, but in the OSS. The corresponding acquisition is exempt.



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- B2B/B2C: The deemed reseller model for online marketplaces is to be extended to all supplies (see KMLZ VAT Newsletter 52 | 2022). The online trader should always make a local VAT exempt supply to the electronic interface.
- B2B: Local supplies subject to the margin scheme should be able to be reported in the OSS. In exchange, the general shift of VAT liability for supplies to another taxable person would be not applicable.
- B2C: In future, it will be possible to report in the OSS the supply (regardless of whether zero-rated or taxable under a reduced or regular VAT rate) of goods (with or without installation), supply of goods on board of ships, aircrafts, or trains, and the supply of gas, electricity, heating and cooling in other EU Member States.
- B2C: All distance sales under the deemed reseller model for online marketplaces are to be reported in the IOSS.

3 Consequences for the practice

The EU Commission's proposal addresses many sore points. Nevertheless, it remains to be seen whether all Member States will agree with the proposal. This is because it must go through the EU legislative process, requiring Council of the EU and EU Parliament approval. The Commission has set a very ambitious timeline for the regulations to come into force. The new legal framework is to be introduced gradually from 01.01.2025. However, it is possible that the package will be too large and will ultimately be adopted piecemeal so that national administrations can better manage its implementation.

Online traders will largely benefit from these measures. The new OSS created for reporting intra-Community transfers of own goods will, in practice, prove to be a great relief. This is because up until now, when using so-called fulfillment structures, online traders are still required to register in other EU countries, despite reporting their outbound sales in the OSS. This will be eliminated to a great extent with the creation of the additional OSS and the deemed reseller model (KMLZ VAT Newsletter 52 | 2022). Intra-community supplies, from the country of storage without an online marketplace, will still lead to a registration obligation. The extension of the IOSS is also to be welcomed. Unfortunately, the abolition of the EUR 150 threshold has been postponed and is to take place later with a Customs Codex reform.

However, other industries will also benefit from the new regulations. Taxable persons with consignment warehouses abroad will no longer have to pay attention to the requirements of the simplification regulation to legally avoid a registration obligation in the country of storage. In the future, the stocking of warehouses can be reported in the OSS. The subsequent supplies should be subject to the reverse charge mechanism, at least if the customer is registered in the warehouse country. Other industries, where transfer facts typically lead to the obligation to register abroad, could also benefit. However, care should be taken, that not all goods can be reported in the OSS, because capital goods are excluded from the regulation.

The extended reverse charge mechanism for B2B transactions in other EU countries will also relieve many taxable persons. However, it may happen, in practice, especially where several parties are involved, that the recipient of the supply is not registered in the country of destination and that the regulation does not apply.

The question of reporting intra-Community acquisitions remains open. If the acquisition, regardless of whether it is a transfer or a purchase, is to be taxed as before, the obligation to register in the other EU Member State would remain, even if the subsequent transaction is subject to the reverse charge mechanism. One possible solution is for these acquisitions to be VAT-exempt. In this case, however, the Member States would have to waive the requirement of declaration of VAT-exempt acquisitions.