

Value added tax (VAT): place of supply of services

2003/0329(CNS) - 12/02/2008 - Final act

PURPOSE: to amend the rules on the place of supply of services.

LEGISLATIVE ACT : Council Directive 2008/8/EC amending Directive 2006/112/EC as regards the place of supply of services

CONTENT: the Council adopted a package of measures on value-added tax (VAT), which includes a change in the rules on the place of supply of services in order to ensure that most types of services are taxed in the Member State of consumption.

At the same time, the package introduces the possibility for taxpayers who perform certain services to fulfil their EU-wide VAT reporting obligations in one single member state (using a "mini one stop shop") and thus reduce their compliance costs.

The package also provides for improved mechanisms for cooperation between member states in order to prevent tax avoidance under the new system. (Please refer to [CNS/2004/0261](#), [CNS/2005/0807](#) and [CNS/2004/0262](#))

The main features of the new rules are as follows:

1. for business-to-business services, taxation will be at the place where the customer is situated, and no longer at the place where the service provider is established, as is currently the case;
2. for business-to-consumer services:
 - for most services, the place of taxation will continue to be that where the supplier is established, as at present;
 - however, in certain circumstances, taxation of business-to-consumer services will be at the place of consumption in order to prevent distortions of competition between Member States operating different VAT rates. This category includes: restaurant services; the hiring of means of transport; cultural, sporting, scientific and educational services; and telecommunications, broadcasting and electronic services;
 - a "one-stop shop" system will be introduced for telecoms, broadcasting and electronic services in order to simplify arrangements made necessary by the new rules. The "one-stop shop" will enable service providers to fulfil in their home Member State a single set of obligations for VAT registrations, declarations and payments, covering services provided in Member States where they are not established. VAT revenue will then be transferred from the country where the supplier is located to that where the customer is situated, whose VAT rates and controls will be applicable;
 - for business-to-consumer supplies of telecoms, broadcasting and electronic services, application of the new rules and the one-stop shop scheme will be deferred to 1 January 2015. The Member State of establishment will, until 1 January 2019, retain a proportion of VAT receipts collected through the one stop shop scheme. This proportion will amount to 30% from 1 January 2015 until 31 December 2016, 15% from 1 January 2017 until 31 December 2018 and 0% from 1 January 2019 onwards.

Report: the Commission shall, by 31 December 2014, submit a report on the feasibility of applying efficiently the rule laid down in Article 5 for the supply of telecommunications services, radio and

television broadcasting services and electronically supplied services to non-taxable persons and on the question whether that rule still corresponds to the general policy at that time concerning the place of supply of services.

ENTRY INTO FORCE: 20/02/2008.