

Value added tax (VAT) system: harmonising and simplifying certain rules and definitive system for the taxation of intra-Union trade

2017/0251(CNS) - 04/12/2018 - Final act

PURPOSE: to adopt short-term solutions to improve the functioning of the VAT system in the context of trade between cross-border companies.

LEGISLATIVE ACT: Council Directive (EU) 2018/1910 amending Directive 2006/112/EC as regards the harmonisation and simplification of certain rules in the value added tax system for the taxation of trade between Member States.

CONTENT: Pending the future definitive VAT system, the Directive lays down certain rules to improve the day-to-day operation of the current VAT system in the following areas:

1) Call-off stocks

Call-off stock refers to the situation where, at the time of the transport of goods to another Member State, the supplier already knows the identity of the person acquiring the goods, to whom these goods will be supplied at a later stage and after they have arrived in the Member State of destination. This currently gives rise to a deemed supply (in the Member State of departure of the goods) and a deemed intra-Community acquisition (in the Member State of arrival of the goods), followed by a 'domestic' supply in the Member State of arrival, and requires the supplier to be identified for VAT purposes in that Member State.

To avoid this, such transactions, where they take place between two taxable persons should be, under certain conditions, considered to give rise to one exempt supply in the Member State of departure and one intra-Community acquisition in the Member State of arrival.

2) Chain operations

Chain transactions refer to successive supplies of goods which are subject to a single intra-Community transport. In order to avoid different approaches amongst Member States, which may lead to double taxation or non-taxation, and in order to enhance legal certainty for operators, a common rule should be established that, provided certain conditions are met, the transport of the goods should be attributed to one supply within the chain of transactions.

3) The VAT identification number

The inclusion of the VAT identification number of the person acquiring the goods in the VAT Information Exchange System (VIES), assigned by a Member State other than that in which the transport of the goods begins, become, in addition to the condition of transport of the goods outside the Member State of supply, a substantive condition for the application of exemption rather than a formal requirement.

4) Proof of intra-EU delivery

A common framework is established for the supporting documents necessary to apply for VAT exemption for intra-EU supplies.

ENTRY INTO FORCE: 27.12.2018.

TRANSPOSITION: no later than 31.12.2019.

APPLICATION: from 1.1.2020.