

Value added tax (VAT): requirements for payment service providers

2018/0412(CNS) - 17/12/2019 - Text adopted by Parliament, 1st reading/single reading

The European Parliament adopted by 590 votes to 19, with 81 abstentions, under the consultation procedure, a legislative resolution on the proposal for a Council directive amending Directive 2006/112/EC as regards the introduction of certain requirements for payment service providers.

The European Parliament approved the Commission proposal subject to amendments.

Deepening transnational cooperation to combat VAT fraud

Parliament recalled that the existence of significant differences between Member States, with VAT gaps ranging from 0.6% to 35.5%, underlined the need to deepen transnational cooperation to better combat VAT fraud, in the context of e-commerce in particular, but also in a more general context (including carousel fraud). Indeed, according to the Commission, the difference between the expected VAT revenue and the amount actually collected, in the Union amounted to EUR 137 billion in 2017, representing EUR 267 of lost revenue per person in the Union.

New record keeping requirements

The proposed Directive requires payment service providers to retain, for each calendar quarter, sufficiently detailed records of beneficiaries and payment transactions corresponding to the payment services they provide, in order to assist Member States fight e-commerce VAT fraud.

Parliament proposed that this obligation shall apply when a payment service provider executes more than 25 payment transactions to the same payee in the course of a calendar quarter or executes a transfer of funds with a monetary value of at least EUR 2500 in a single payment transaction.

In addition, records shall be kept in electronic format by the payment service provider for a period of three years (instead of the proposed two years) from the end of the year during which the payment transaction was executed.

The payer's place of establishment shall be considered to be in the Member State that corresponds to the IBAN of the payer's payment account or any other identifier which unambiguously identifies the payer and the payer's location.

The record keeping and reporting obligation should also arise in cases where a payment service provider receives funds or acquires payment transactions on behalf of the payee and not only where a payment service provider transfers funds or issues payments instruments for the payer.

Virtual currencies exchange platforms

By 31 December 2022, the Commission shall present a report on the need to include virtual currencies exchange platforms in the scope of the Directive. That report shall be accompanied, where appropriate, by a legislative proposal.

Strategy for fighting against VAT fraud

Parliament stated that this strategy should evolve in parallel with the increasing modernisation and digitalisation of the economy while rendering the VAT system as simple as possible for businesses and citizens. Member States should therefore continue to invest in technology-led tax collection, notably by automatically linking corporate cash registers and sales systems to VAT returns.

In addition, tax authorities should continue their efforts towards closer cooperation and exchange of best practices.

Tax authorities should work towards an effective communication and interoperability between all databases regarding fiscal matters at Union level. Blockchain technology could also be used in order to better protect personal data and improve the online exchange of information between tax authorities.

Prosecuting fraudsters

Parliament stressed the need to adopt an ambitious mandate for the European Public Prosecutor's Office in cooperation with national judicial authorities in order to ensure the efficient prosecution of fraudsters in national courts. Organised cross-border VAT fraud shall be duly prosecuted and fraudsters shall be punished.

Transposition and application

Members proposed that the transposition date shall be set at 31 December 2023 (instead of 2021) and that the provisions shall apply from 1 January 2024 (instead of 2022).