VAT e-commerce package – distance sales of goods and services: postponement of the date of application due to the outbreak of the COVID-19 crisis

2020/0082(CNS) - 08/05/2020 - Legislative proposal

PURPOSE: to postpone the date of application of the already adopted legal framework of the VAT e-commerce package due to the crisis linked to the COVID-19 pandemic.

PROPOSED ACT: Council Decision.

ROLE OF THE EUROPEAN PARLIAMENT: the Council adopts the act after consulting the European Parliament but without being obliged to follow its opinion.

BACKGROUND: Council Directive 2006/112/EC as amended by Council Directive (EU) 2017/2455 and Council Directive (EU) 2019/1995 lays down the legal framework of the legislative package on the modernisation of value added tax (VAT) for cross-border business-to-consumer (B2C) e-commerce. The majority of the new provisions are to be applied as from 1 January 2021, in order to give member states sufficient time to adapt their legislation and IT systems.

This proposal is made as a consequence of and reaction to the outbreak of the COVID-19 crisis, which confronts Member States with challenges at national level to tackle the current emergency situation and which causes some of them difficulties in guaranteeing a timely implementation of the required changes in their domestic IT systems.

Similar concerns were raised by key economic operators, especially postal and courier operators, who urged the Commission to postpone the date of application of the VAT e-commerce package by six months due to the COVID-19 crisis.

CONTENT: the proposal consists of a six-month postponement of the date of application, set for 1 January 2021, of the amendments provided for in Council Directive (EU) 2017/2455 and Council Directive (EU) 2019/1995. The proposed new date of application is therefore **1 July 2021**. This means that the rules shall apply from 1 July 2021 instead of 1 January 2021. Therefore, Member States would have to adopt and publish their transposition measures by 30 June 2021 instead of 31 December 2020.

A postponement of six months is suggested, because the delay should be kept as short as possible to minimise additional budgetary losses for Member States.

Budgetary impact

It is estimated that Member States shall suffer budgetary losses of around EUR 5-7 billion per year if the VAT e-commerce package is not successfully implemented. A delay of six months would therefore lead to losses of around EUR 2.5 to 3.5 billion.

However, the Commission notes that if Member States and businesses are not ready to apply the new VAT e-commerce rules, the risk of the system not working properly could entail almost the same losses.