Value added tax (VAT) - administrative cooperation and combating fraud: postponement of the date of application due to the outbreak of the COVID-19 crisis

2020/0084(CNS) - 08/05/2020 - Legislative proposal

PURPOSE: to postpone the date of application of the VAT e-commerce package on administrative cooperation and combating fraud in the field of value added tax, due to the COVID-19 pandemic.

PROPOSED ACT: Council Regulation.

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 Regulation (EU) 2017/2454 is part of the package of legislation on modernising VAT for cross-border B2C e-commerce. It amends Regulation (EU) No 904/2010 on administrative cooperation and combating fraud in the field of value added tax, which provides the basis for the underlying IT infrastructure and the necessary cooperation by Member States to ensure the success of the extension of the Mini One Stop Shop (MOSS).

However, due to the unforeseen outbreak of the COVID-19 crisis and its major impact, Member States had to shift priorities and re-allocate resources from the implementation of the VAT e-commerce package to fighting this pandemic.

As a result of the crisis caused by the COVID-19 pandemic, several Member States are experiencing difficulties in finalising the establishment of the IT systems necessary to apply the rules laid down in Regulation (EU) 2017/2454 and in meeting the deadline of 1 January 2021 for this application. Some Member States have therefore requested a deferral of the dates of application of that Regulation.

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 6 months due to the COVID-19 crisis.

CONTENT: the proposal, presented in response to the COVID-19 pandemic, aims to postpone by six months the date of application of the amendments to the VAT e-commerce package set out in Regulation (EU) 2017/2454 and originally foreseen for 1 January 2021. The new date of application should therefore be 1 July 2021.

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.

The proposal does not change the substance of the rules. It goes hand in hand with the proposal to postpone the 1 January 2021 date of application of the VAT e-commerce package, including thus all the legal acts affected.

Budgetary implications

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.