

# Value added tax (VAT): administrative cooperation arrangements needed for the digital age

2022/0409(CNS) - 08/12/2022 - Legislative proposal

**PURPOSE:** to develop a new central system for the exchange of VAT information between Member States' tax administrations at EU level that is adapted to the specificities of digital reporting requirements.

**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:** the proposal to amend Council Regulation (EU) No 904/2010 is an important part of the package. The VAT in the Digital Age package modernises the way cross-border transactions within the single market are reported for VAT purposes to make use of well-established technology and address VAT fraud. The current way of collecting aggregated data through **recapitulative statements** and exchanging data through the VAT Information Exchange System has been in use since the introduction of the single market in 1993. It is no longer fit for purpose in light of the scale of cross-border transactions and the level of VAT fraud.

The amended VAT Directive replaces recapitulative statements with new, **transaction-based reporting obligations**. To complement these changes, the amended Regulation provides for the necessary practical rules on how these newly collected data will be exchanged between Member States, the IT infrastructure required, and the personal data protection rules that will govern the new exchanges. These details are necessary to ensure that the new rules are implemented smoothly and that the new measures can reduce VAT fraud.

This proposal is part of the package of legislation on the VAT in the Digital Age initiative, together with a proposal for a Council Directive on amending Directive 2006/112/EC as regards VAT rules for the digital age, and the proposal for a Council implementing Regulation amending Council Implementing Regulation (EU) No 282/2011 as regards information requirements for certain VAT schemes.

**CONTENT:** the Commission proposal sets out modifications required to Council Regulation (EU) No 904/2010 on administrative cooperation and the fight against fraud in the field of VAT stemming from changes to the VAT Directive.

The main objective of the proposal is to **modernise VAT reporting obligations**, by introducing digital reporting requirements, which will standardise the information that needs to be submitted by taxable persons on each transaction to the tax authorities in an electronic format. At the same time it will impose the use of **e-invoicing for cross-border transactions**.

More specifically, the proposal lays down the following provisions:

## ***Central electronic system for VAT information (the central VIES)***

The proposal seeks to develop a new central system for the exchange of VAT information between Member States' tax administrations at EU level that is adapted to the specificities of digital reporting

requirements. It establishes the central VIES system by determining that the Commission should develop, maintain, host and technically manage the central system, while each Member State should develop, maintain, host and technically manage a national electronic system to automatically transmit different categories of information to the central VIES.

Member States should make all necessary updates and adopt measures in order to ensure that the central VIES data is kept up-to-date and is complete and accurate. The information should remain available in central VIES for five years from the end of the year in which the information was transmitted to the central VIES.

### ***Phasing out the existing VIES system***

The proposal also deals with the phase out of the legacy VIES. The existing VIES system needs to be retained for two years after establishing the central VIES system in order to facilitate the controls of transactions which were reported with recapitulative statements, prior to the introduction of the digital reporting requirements.