

Common system of value added tax (VAT): rules for the digital age

2022/0407(CNS) - 22/11/2023 - Text adopted by Parliament, 1st reading/single reading

The European Parliament adopted by 570 votes to 17, with 52 abstentions, in the framework of a special legislative procedure (consultation), a legislative resolution on the proposal for a Council directive amending Directive 2006/112/EC as regards VAT rules for the digital age.

Parliament approved the Commission proposal subject to amendments.

Aim of the amendments

The aim of the proposal is to amend the current VAT rules in order to take full advantage of technological and digital advances to create an updated VAT system that is more resilient to criminal VAT fraud. It forms part of the 'VAT in the Digital Age' package which is due to be phased in from 1 January 2025. Members want to introduce amendments to Directive 2006/112/EC with effect from **1 January 2025, 2026 and 2027**.

Electronic invoices

Under the proposed Directive, Member States should make it compulsory to issue electronic invoices, i.e. invoices containing the information required by the Directive and which have been issued, transmitted and received in a **structured electronic format** allowing automatic and electronic processing. Member States may also authorise the issue of electronic invoices in a different format, provided that they also authorise the use of the European standard.

For domestic transactions, Member States may oblige taxable persons established within their territory to issue electronic invoices for supplies of goods and services within their territory.

Micro and small enterprises and not-for-profit entities could use standards recognised and in force in the Member State other than the standard provided for in Directive 2014/55/EU, provided that these standards comply with the Directive.

The amended text stated that **until 31 December 2027**, the use of an electronic invoice should be subject to acceptance by the recipient for the acquisition of goods and for supplies of a service that is taxable in a Member State other than the Member State in which the supplier is established.

From 1 January 2028, the use of an electronic invoice should not be subject to acceptance by the recipient for the acquisition of goods carried out in accordance with proposed directive and for supplies of a service that is taxable in a Member State other than the Member State in which the supplier is established.

Deemed supplier

The proposal provides that where a taxable person facilitates, through the use of an electronic interface such as a marketplace, platform, portal or similar means, the transfer of goods to another Member State by a taxable person, the taxable person who facilitates the transfer should be deemed to have received and supplied those goods. The deemed supplier may plead good faith and not be held liable in the event that an underlying supplier deliberately fails to declare that he or she is not a taxable person.

Member States should prepare and make available **dedicated guidance** for those individuals listed in this Directive who opt to register as taxable persons, following the introduction of the deemed supplier regime in the accommodation and passenger transport sectors in the platform economy.

The Commission should commission an **independent study** after 31 December 2027, to assess whether the rules regarding deemed suppliers have been successful and if so to identify new sectors in a similar situation, as well as to assess the advantages and disadvantages of making IOSS mandatory. It should submit this study to the European Parliament and to the Council.

Members stated that deemed supplier scheme should not apply to platforms which are **small and medium-sized undertakings**, e.g. small suppliers of Short Term Rental (STR) accommodation (hosts or VAT-exempt businesses) that contribute to sustainable tourism in the Union and promote travel to less frequented places.

VAT rules applicable to passenger transport and short-term accommodation platforms

According to Members, it is necessary to lay down clear, balanced and proportionate rules to address potential distortions of competition in the short-term accommodation rental and passenger transport sectors through the introduction of the deemed supplier model.

The following activities should be regarded as having a similar function to the hotel sector:

- the uninterrupted rental of accommodation for a maximum of 31 nights with or without the provision of other ancillary services;
- the provision of three or more ancillary significant services during the rental of accommodation.

General obligations

Records should be kept by the taxable person concerned for a period of seven years from the end of the year during which the transaction was carried out.

Review clause

By 31 December 2024, the Commission should present a report on the VAT one-stop shop. This report should:

- analyse the effectiveness of the VAT one-stop shop and identify remaining shortcomings;
- explore the merits of further extending the VAT one-stop shop towards the remaining areas of business-to-consumer transactions that are not yet covered;
- explore the merits of extending the scope of the one-stop shop to also cover business-to-business transactions;
- explore areas to further simplify the procedures for small and medium-sized companies and thus to encourage single market integration.