

Electronic value added tax exemption certificate

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PURPOSE: to amend the VAT Directive to allow for a digital VAT exemption certificate.

PROPOSED ACT: Council Directive.

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

BACKGROUND: Article 51 of Council Implementing Regulation (EU) No 282/2011 laying down implementing measures for Directive 2006/112/EC on the common system of value added tax provides that the value added tax (VAT) and/or excise duty exemption certificate set out in Annex II to that Implementing Regulation serves to confirm that a supply of goods or services made to an eligible body or individual qualifies for an exemption under Article 151 of Council Directive 2006/112/EC. Implementing Regulation (EU) No 282/2011 provides for an exemption certificate in paper form to be signed by hand. It is necessary to **digitalise the process of creating and submitting the exemption certificate** and to **replace the paper document with a document in electronic format** in order to minimise bureaucracy and the administrative burden and to reduce costs in the long term.

CONTENT: the Commission proposes to amend Directive 2006/112/EC to provide that Member States use an electronic certificate to confirm that a transaction qualifies for an exemption under the VAT Directive. This certificate will be issued by the eligible body or person to whom the exempt supply of goods or services is made and who, together with the host Member State, will sign that certificate by electronic means.

The Commission will, by means of implementing acts, determine the technical details and specifications as regards the electronic format of the certificate and its processing.

If the goods or services are intended for official use, Member States may dispense the eligible body or individual from the requirement to have the certificate signed by the host Member State under the conditions they may lay down. This dispensation may be withdrawn in the case of abuse.

In view of the large number of resource-intensive IT projects in which Member States are involved, Member States will be allowed to continue to use the paper form set out in Annex II to VAT Implementing Regulation for transactions carried out until 30 June 2030.

It should be noted that, if the conditions for exemption are not met or cease to apply, the body or exempt individual who issued the electronic certificate is liable for the VAT in the Member State in which it is due.

In cases where the conditions for exemption are not met or cease to apply, the eligible body or individual who issued the certificate is liable to pay any VAT due.

Budgetary implications

The proposal will remove the administrative burden and costs associated with processing the paper version of the VAT exemption certificate. Most of the costs for the implementation and operation of the digital solution, estimated at EUR 2.9 million, will be borne by the Commission, fully financed by FISCALIS programme within its foreseen financial envelope in the current Multiannual Financial

Framework. The costs for Member States, mainly related to providing access to the central application, are estimated to be low.

The new electronic certificate will not affect the scope of VAT exemptions applied. There will therefore be no impact on the EU budget as the own resources based on gross national income (GNI) will not be affected.