

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

2022/0407(CNS) - 25/03/2025 - Final act

PURPOSE: to adapt the VAT system to the digital age.

LEGISLATIVE ACT: Council Directive (EU) 2025/516 amending Directive 2006/112/EC as regards VAT rules for the digital age.

CONTENT: the rise of the digital economy has had a significant impact on the functioning of the Union's value added tax (VAT) system, which is not adapted to new digital business models and does not allow for the full exploitation of data generated by digitalisation. This Directive amends Council Directive 2006/112/EC (VAT Directive) to take account of this development.

A new real-time digital reporting system based on electronic invoicing

The new rules will enable the full digitalisation of VAT reporting obligations for cross-border transactions by 2030.

A digital, real-time VAT reporting system will be implemented using electronic invoices. Businesses will issue electronic invoices for cross-border business-to-business transactions and automatically report the data to their tax authorities. National tax authorities will then share the data using a new IT system capable of providing analyses of suspicious activity.

The use of electronic invoicing should become the **default system** for issuing invoices. Nevertheless, Member States should be allowed to authorise other invoices for domestic supplies.

An update of the VAT rules applicable to the platform economy

Currently, many providers of online accommodation rental and passenger transport services (often individual providers or small businesses) do not pay VAT. This leads to large amounts of VAT not being collected and sometimes to unfair competition between traditional accommodation and transport services and those operating through platforms.

The amending directive will **require online platforms** to pay VAT on short-term accommodation and passenger transport services in most cases where individual service providers do not charge VAT.

A single VAT registration system for businesses selling to consumers cross-border

The new rules will improve and expand VAT **one-stop shops** so that businesses do not have to go through costly registrations for VAT in every Member State in which they do business.

The directive now extends the scope of the existing 'one stop shops' to business-to-consumer sales of certain items, like **electricity or gas**, which are conducted within a member state other than their own - not just cross-border supplies. This will include situations where companies simply want to move stock to another Member State in order to sell it there directly to consumers at a later stage.

Lastly, the rules on **the deemed provider or supplier** will enter into force initially on a voluntary basis from 1 July 2028, and then on a mandatory basis from 1 January 2030. Member States will also be

authorised to exempt SMEs from the deemed supplier regime without having to report to the VAT committee.

ENTRY INTO FORCE: 14.4.2025.

TRANSPOSITION: no later than 31.12.2026, 30.6.2028, 30.6.2029 and 30.6.2030 according to the provisions.

APPLICATION: from 1.1.2027, 1.7.2028, 1.7.2029 and 1.7.2030 according to the provisions.