Basic information

2016/0370(CNS) CNS - Consultation procedure Directive	Procedure completed
Value added tax (VAT): certain obligations for supplies of services and distance sales of goods Amending Directive 2006/112/EC 2004/0079(CNS) Amending Directive 2009/132/EC 2008/0181(CNS) Amended by 2020/0082(CNS) **Subject** 2.40 Free movement of services, freedom to provide 2.70.02 Indirect taxation, VAT, excise duties 3.45.05 Business policy, e-commerce, after-sales service, commercial distribution	

Key players

European Parliament

Committee responsible	Rapporteur	Appointed
ECON Economic and Monetary Affairs	IVAN Cătălin Sorin (S&D)	15/12/2016
	Shadow rapporteur LANGEN Werner (PPE) LUCKE Bernd (ECR) NAGTEGAAL Caroline (ALDE) LÓPEZ BERMEJO Paloma (GUE/NGL) SCOTT CATO Molly (Verts/ALE) KAPPEL Barbara (ENF)	

Committee for opinion	Rapporteur for opinion	Appointed
IMCO Internal Market and Consumer Protection	The committee decided not to give an opinion.	
JURI Legal Affairs	The committee decided not to give an opinion.	

Council of the European Union

Council configuration	Meetings	Date
Economic and Financial Affairs ECOFIN	3582	2017-12-05

	Economic and Financial Affairs ECOFIN	3572	2017-11-07

European Commission	Commission DG	Commissioner
	Taxation and Customs Union	MOSCOVICI Pierre

Key events

Date	Event	Reference	Summary
01/12/2016	Legislative proposal published	COM(2016)0757	Summary
16/01/2017	Committee referral announced in Parliament		
10/10/2017	Vote in committee		
16/10/2017	Committee report tabled for plenary, 1st reading/single reading	A8-0307/2017	Summary
07/11/2017	Debate in Council		
30/11/2017	Decision by Parliament	T8-0471/2017	Summary
30/11/2017	Results of vote in Parliament		
05/12/2017	Act adopted by Council after consultation of Parliament		
05/12/2017	End of procedure in Parliament		
29/12/2017	Final act published in Official Journal		

Technical information

Procedure reference	2016/0370(CNS)
Procedure type	CNS - Consultation procedure
Procedure subtype	Legislation
Legislative instrument	Directive
Amendments and repeals	Amending Directive 2006/112/EC 2004/0079(CNS) Amending Directive 2009/132/EC 2008/0181(CNS) Amended by 2020/0082(CNS)
Legal basis	Treaty on the Functioning of the European Union TFEU 113
Other legal basis	Rules of Procedure EP 165
Stage reached in procedure	Procedure completed
Committee dossier	ECON/8/08648

Documentation gateway

European Parliament

Document type	Committee	Reference	Date	Summary

Committee draft report		PE604.735	23/05/2017	
Amendments tabled in committee		PE606.187	13/07/2017	
Committee report tabled for plenary, 1st reading/single reading		A8-0307/2017	16/10/2017	Summary
Text adopted by Parliament, 1st reading/single reading		T8-0471/2017	30/11/2017	Summary

European Commission

Document type	Reference	Date	Summary
Legislative proposal	COM(2016)0757	01/12/2016	Summary
Commission working document (SWD)	SWD(2016)0379	01/12/2016	
Commission working document (SWD)	SWD(2016)0382	01/12/2016	
Commission response to text adopted in plenary	SP(2018)8	10/01/2018	
Commission working document (SWD)	SWD(2020)0031	07/02/2020	

National parliaments

Document type	Parliament /Chamber	Reference	Date	Summary
Contribution	PT_PARLIAMENT	COM(2016)0757	30/01/2017	
Contribution	BE_CHAMBER	COM(2016)0757	06/02/2017	
Contribution	DE_BUNDESRAT	COM(2016)0757	21/02/2017	

Additional information

Source	Document	Date
European Commission	EUR-Lex	

Final act

Directive 2017/2455
OJ L 348 29.12.2017, p. 0007 Summary

Corrigendum to final act 32017L2455R(05)
OJ L 225 06.09.2018, p. 0001

Value added tax (VAT): certain obligations for supplies of services and distance sales of goods

2016/0370(CNS) - 01/12/2016 - Legislative proposal

PURPOSE: to modernise the VAT rules in the context of cross-border business to consumer (B2C) e-commerce.

PROPOSED ACT: Council Directive.

ROLE OF THE EUROPEAN PARLIAMENT: the Council adopts the act after consultation with the European Parliament but without needing to follow the latter's opinion.

BACKGROUND: In its communication of May 2015 entitled 'Strategy for Digital Single Market for Europe' and its communication of April 2016 on an action plan on VAT entitled 'Towards a single EU VAT area', the Commission placed a high priority to **overcoming barriers to cross-border e-commerce** arising from onerous VAT obligations as well as an inherent lack of neutrality which harms EU business.

It feels that there are three reasons to take action:

- it has been estimated that **the costs of complying with VAT obligations are on average EUR 8 000 annually** for each Member State to which a business supplies. This is a significant cost for business, in particular SMEs;
- **the current system is not neutral** as EU businesses are at a clear disadvantage to non-EU businesses which can legitimately and through high levels of noncompliance make VAT-free supplies into the EU;
- the complexity of the existing system as well as the **current exemption for the importation of small consignments** means that Member States lose valuable tax revenues. It is estimated that between VAT foregone and non-compliance from cross-border e-commerce such losses are currently as high as EUR 5 billion annually.

In preparing this proposal the Commission carried out a **regulatory fitness check** of the existing Mini One Stop Shop (MOSS), which applies to B2C supplies of electronic services as well as the 2015 changes to the place of supply rules for such services.

The proposal takes due account of this assessment. In particular, the proposal will address shortcomings and barriers faced by SMEs and micro-businesses.

IMPACT ASSESSMENT: the impact assessment on the proposal was examined in June 2016 by the Regulatory Scrutiny Board. The Board gave a positive opinion to the proposal with some recommendations that have been taken on board.

CONTENT: the proposal aims to amend Directive 2006/112/EC and Directive 2009/132/EC as regards certain value added tax obligations for supplies of services and distance sales of goods. The main provisions in the proposal are as follows:

- **extension of MOSS from 1 January 2021 to intra-Community distance sales** of tangible goods and services other than electronic services as well as to distance sales of goods from third countries;
- the introduction of a **simplified arrangements for global declaration and payment of import VAT** for importers of goods destined for final consumer where VAT has not been paid through the MOSS system; it is proposed that VAT will be collected from customers on importation and a simple monthly declaration to customs will be transmitted by the transporter;
- the **removal of the existing intra-Community distance sales thresholds** which are a cause of distortions in the single market;
- the **removal of the existing VAT exemption** for the importation of small consignments (total value between EUR 10 and EUR 22) from suppliers in third countries which disadvantages EU sellers;
- the introduction of a **new annual threshold of EUR 10 000** below which the place of supply of services that may be covered by the intra-Community special scheme for electronic services remains in the Member State of the supplier; and the introduction of an annual threshold of **EUR 100 000** below which simplified rules will apply to determine the place of establishment; these thresholds may be applied from 2018 to ecommerce and 2021 at the latest for distance sales;
- allowing for EU sellers to apply **home country rules** in areas such as invoicing and record keeping; and
- **greater coordination between Member States** when auditing of cross-border businesses who use the VAT system to ensure high compliance rates.

In quantitative terms, the introduction of an intra-EU cross-border threshold in 2018 will take 6 500 businesses out of the current MOSS system leading to a potential cost saving for these businesses of EUR 13 million. The introduction in 2018 of simplified evidence requirements will benefit an additional 1 000 businesses. The threshold which will also apply to goods when the MOSS is extended in 2021 will benefit 430 000 businesses with potential savings to these businesses of up to EUR 860 million.

BUDGETARY IMPLICATIONS: the proposal is expected to increase VAT revenues for Member States by **EUR 7 billion per year**. It is estimated that the proposal will reduce administration burdens for business by **EUR 2.3 billion annually**.

Value added tax (VAT): certain obligations for supplies of services and distance sales of goods

2016/0370(CNS) - 16/10/2017 - Committee report tabled for plenary, 1st reading/single reading

The Committee on Economic and Monetary Affairs adopted, following a special legislative procedure (Parliament's consultation), the report by Cătălin Sorin IVAN (S&D, RO) on the proposal for a Council directive amending Directive 2006/112/EC and Directive 2009/132/EC as regards certain value added tax obligations for supplies of services and distance sales of goods.

The committee called on Parliament to approve the Commission proposal subject to the following amendments:

Need for a definitive system: Members introduced a recital urging the adoption of a definitive VAT regime based on the destination principle, recalling in this respect that the VAT gap in the EU was approximately EUR 152 billion in 2015, while cross-border fraud accounted for a loss of VAT revenue of approximately EUR 50 billion a year.

The amended text recalled that the Commission's proposal is only a building block for closing the VAT gap and that further measures are needed to effectively combat VAT fraud in the Union.

Online platforms: the Commission's proposal provides for online platforms to be held responsible for the collection of VAT in supplies of services. Members, however, proposed that these platforms should also be **held liable for the collection of VAT when they act as intermediaries in supplies of goods imported from third countries** where the intrinsic value of the items does not exceed EUR 150 and they have an annual turnover exceeding EUR 1 million.

Place of supply of services: the proposal provides that the place of supply of telecommunications, broadcasting and television services and services provided by electronic means to a non-taxable person shall be the place where that person is established.

Members pointed out that this provision should not apply where the total value, exclusive of VAT, of such supplies does **not in the current calendar year exceed EUR 35 000** (EUR 10 000 according to the Commission proposal) and did not exceed this threshold in the previous calendar year.

Record keeping: one amendment proposed that the records shall be kept for a period of **five years** from the end of the calendar year during which the transaction was carried out.

Implementation period: the Commission and Member States have a legal obligation to allow business to register to the new one-stop-shop by 31 December 2020. Members, however, considered that **business should be given 3 additional months until 1 April 2021** (instead of 1 January 2021), to adapt their own IT systems to connect it to the new one-stop shop.

Impact on postal services: Member States and the Commission should pay particular attention to the impact on the postal services sector as the amending Directive could lead to an increase in administrative costs for small consignments.

Value added tax (VAT): certain obligations for supplies of services and distance sales of goods

2016/0370(CNS) - 30/11/2017 - Text adopted by Parliament, 1st reading/single reading

The European Parliament adopted by 540 votes to 30, with 68 abstentions, in line with a special legislative procedure (Parliament’s consultation), a legislative resolution on the proposal for a Council directive amending Directive 2006/112/EC and Directive 2009/132/EC as regards certain value added tax obligations for supplies of services and distance sales of goods.

Parliament approved the Commission proposal subject to the following amendments:

Need for a definitive system: Parliament introduced a recital urging the adoption of a definitive VAT regime based on the destination principle, recalling in this respect that the VAT gap in the EU was approximately EUR 152 billion in 2015, while cross-border fraud accounted for a loss of VAT revenue of approximately EUR 50 billion a year. It also stressed the need for additional measures to effectively combat VAT fraud in the Union.

Mini-One-Stop-Shop (MOSS): Member States should further promote the mini-one-stop shop to a wider range of SMEs as 99% of VAT revenue processed through the mini-one-stop shop is reported by only 13% of registered companies.

Online platforms: the Commission's proposal provides for online platforms to be held responsible for the collection of VAT in supplies of services. Members, however, proposed that these platforms should also be held **liable for the collection of VAT when they act as intermediaries in supplies of goods imported from third countries** where the intrinsic value of the items does not exceed EUR 150 and they have an annual turnover exceeding EUR 1 million.

Place of supply of services: the proposal provides that the place of supply of telecommunications, broadcasting and television services and services provided by electronic means to a non-taxable person shall be the place where that person is established.

Members pointed out that this provision should not apply where the total value, exclusive of VAT, of such supplies **does not in the current calendar year exceed EUR 35 000** (EUR 10 000 according to the Commission proposal) and did not exceed this threshold in the previous calendar year.

Record keeping: one amendment proposed that the records shall be kept for a period of five years from the end of the calendar year during which the transaction was carried out.

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Impact on postal services: Member States and the Commission should pay particular attention to the impact on the postal services sector as the amending Directive could lead to an increase in administrative costs for small consignments.

Value added tax (VAT): certain obligations for supplies of services and distance sales of goods

2016/0370(CNS) - 05/12/2017 - Final act

PURPOSE: facilitate the collection of VAT when consumers purchase goods and services online.

LEGISLATIVE ACT: Council Directive (EU) 2017/2455 amending Directive 2006/112/EC and Directive 2009/132/EC as regards certain value added tax obligations for supplies of services and distance sales of goods.

CONTENT: this Directive aims to amend Directive 2006/112/EC and Directive 2009/132/EC as regards certain value added tax obligations for supplies of services and distance sales of goods.

The new rules are part of the EU's 'digital single market' strategy, and are aimed at making it easier for online businesses to comply with VAT obligations.

The Directive provides for:

- the introduction, **from 1 January 2019**, of simplification measures for intra-EU sales of electronic services;
- the extension, **from 1 January 2021,** of the current EU **one-stop shop** to distance sales of goods, both intra-EU and from third countries, as well as the **elimination of the VAT exemption for small consignments** (worth less than EUR 22); a new portal will be established for distance sales from third countries for sums of less than EUR 150.

The Directive makes **online platforms** liable for collecting VAT on the distance sales that they facilitate.

VAT will be paid in the Member State of the consumer. However, in cases **below EUR 10 000** of cross-border online sales per year, a company may continue to apply the VAT rules of its country of origin.

ENTRY INTO FORCE: 18.1.2018.

TRANSPOSITION: by 31.12.2018 and 31.12.2020 depending on the relevant provisions.

APPLICATION: from 1.1.2019 and from 1.1.2021 depending on the provisions.