

VAT in the Digital Age – Real Time Reporting, “One-stop-shop”, and Platforms

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The aim of this presentation

The commission proposal ViDA, VAT in the Digital Age (COM/2022/701 final).

- Make the VAT system work better for the businesses and to make it more resilient to VAT fraud
- Promoting digitalization
- Modernizing VAT reporting obligations
- Addressing the challenges of the platform economy
- Avoiding the need for multiple VAT registrations in the EU
- Improving the functioning of the tool implemented to declare and pay the VAT due on distance sales of goods (One-stop-shop).

The background features several pieces of crumpled white paper scattered across a light gray surface. A single, bright yellow sticky note is prominently placed in the lower right quadrant, partially overlapping the white paper. The text is overlaid on this scene in a clean, white, sans-serif font.

The aim of this presentation

Explain, discuss and analyze the VIDA
proposal

Outline

1. Overview of the ViDA proposal
2. The current status in the areas that the ViDA proposal concerns
3. The three pillars of the ViDA proposal
4. Can the ViDA proposal the serve as a role model for the VAT challenges of the digital economy?

A 3D maze background with the text "Overview of the ViDA proposal" centered in the middle.

Overview of the ViDA proposal

The ViDA proposal in short

The ViDA proposal consists of three pillars

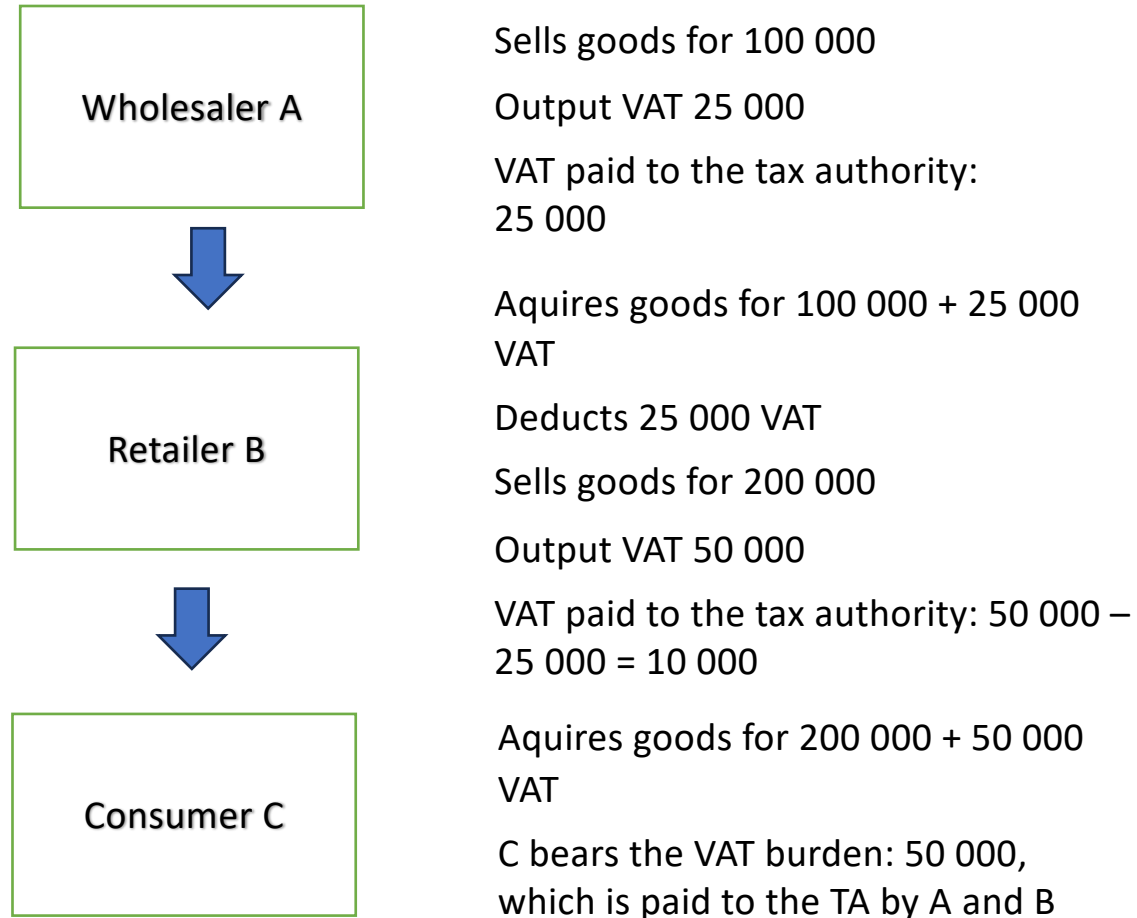
1. A real-time digital reporting system based on e-invoicing – 1 January 2028
2. Updated VAT rules for the platform economy (PDS – platforms and deemed supplies) – 1 January 2025
 - Platforms which facilitate passenger transports and short-term accommodation
3. A single VAT registration (SVR) for businesses selling to consumers across the EU – 1 January 2025

The current status in the areas
that the ViDA proposal concerns



27 EU Member States – one VAT system – not everything is harmonized in detail

How VAT works



1. A real-time digital reporting system based on e-invoicing

- The EU VAT system does not allow compulsory e-invoicing and does not contain any rules on real-time reporting
- Some Member States already apply digital real-time reporting systems and similar tools, in addition to the requirements in the VAT directive of VAT returns
- Some requires the transmission of monthly reports of business transactions, whereas others require the real-time submission of invoices.
- Some Member States apply the real or almost real time transmission of invoice data to the tax authorities, and others apply the submission of tax and accounting data or VAT records.
- Spain, Italy, Hungary, Poland and Greece are most advanced)

2. Updated VAT rules for the platform economy (PDS – platforms and deemed supplies) – 1 January 2025

- Platforms which facilitate passenger transports and short-term accommodation
- Uber and Airbnb
- If a private individual rents out his/her apartment or drives people around, no VAT is charged
- Low thresholds for VAT registration – Sweden: 30 000 until 2022, now 80 000 proposed to increase to 120 000 SEK (approximately 3 000, 8 000 and 12 000 EUR)

2. Updated VAT rules for the platform economy (PDS – platforms and deemed supplies) – 1 January 2025

- The control problem is already “solved”
- Following the Council Directive 2011/16/EU of 15 February 2011 on administrative cooperation in the field of taxation and the amendment in Directive 2021/514/EU, the so-called **DAC 7**, platforms are **required to collect information** about the supplies that they facilitate and about the persons that are doing business over the platforms.
- Platforms are burdened by **different requirements in different Member States** regarding the timeframe and the format for this information.

3. A single VAT registration (SVR) for businesses selling to consumers across the EU – 1 January 2025

- The one-stop-shop system (OSS), here called "A single VAT registration (SVR) already exists for Business-to-Consumer distance sales (B2C) of goods
- OSS also applies for electronic services and telecommunication services in B2C transactions
- Common threshold of 10 000 EUR / year to other EU Member States

3. A single VAT registration (SVR) for businesses selling to consumers across the EU – 1 January 2025

Company X sells goods over internet to consumers in Belgium, Denmark and France. Company X declares Belgish, Danish and French VAT in the OSS return which is submitted to the Swedish Tax Authority. The foreign VAT is transferred to Belgium, Denmark and France by the Swedish tax authority.



The three pillars of the ViDA
proposal

1. A real-time digital reporting system based on e-invoicing

- The reporting obligations will be modernized by introducing **Digital Reporting Requirements (DRR)**
- Through this, the information that needs to be submitted by each taxable person will be **standardized**
- **Each cross-border transaction will be reported in almost real time** to the tax authorities. (within 2 days)
- Since the tax authorities will already have information about the transactions, there will be **no need for recapitulative statements anymore**, which will reduce the administrative burdens for the companies.

1. A real-time digital reporting system based on e-invoicing

There will be a **common template**, which will be harmonized with the standard set up in Directive 2014/55/EU on electronic invoicing in public procurement

Data extracted from the **e-invoices would be transmitted to an EU database** called the central VAT information exchange system, or the **central VIES**

Member States will also have the **option** to move towards a digital reporting system for **domestic transactions**

2. Updated VAT rules for the platform economy (PDS – platforms and deemed supplies) – 1 January 2025

- Platform companies in those sectors will become responsible for collecting and remitting VAT to tax authorities when their users do not (C2C)
- A deemed supply from the platform by which platforms will account for the VAT on the underlying supply where no VAT is charged by the supplier
- The currently VAT free supplies of short-term accommodation and passenger transportation will consequently be subject to VAT
- Why? Neutrality with the hotel sector

3. A single VAT registration (SVR) for businesses selling to consumers across the EU – 1 January 2025

- The OSS is proposed to be expanded to all businesses that are selling to consumers (B2C)
- Decrease the need of multiple VAT registrations in several Member States

What happens next?

- Final version is expected 8 December 2023
- Expected approval: 31 December 2023
- Pillar I (DRR) and pillar II (platform economy) seem to be delayed 1-2 years

The background features a dark, textured surface with several vertical, glowing lines in shades of green and cyan. A horizontal, glowing bar is positioned across the middle of the image, behind the text. The overall aesthetic is futuristic and digital.

Can the ViDA proposal serve as a
role model for the VAT challenges of
the digital economy?

European Parliament's Committee on Economic and Monetary Affairs (25 March)

- Digital real-time reporting: Should be 10 days instead of 2 days
- Implement Pillar 1 in 2029 instead of 2028

Economic and Financial Affairs (Ecofin) 16 June 2023

- Broad agreement on Pillar 1
- Concern about implementation date
- Some Member States wanted more flexibility
- Most Member States agreed upon Pillar 2
- France and Ireland were concerned that the proposal would distort the competition
- Several countries asked for more extensive platform reporting to be considered.
- Pillar 3 was most popular

More concerns

- Collective invoices will not be possible
- The proposals should be dealt with separately

My remarks

- Pillar I has the potential to abolish VAT returns and automate the collection of VAT, if it is implemented for all transactions – “tax just happens”
- A mixed system increases the administrative burdens
- New VIES – a huge database
- The one-stop-shop has proven to be successful, even though it was difficult in the beginning
- Pillar 2 is a huge deviation from what normally applies in VAT – should be carefully considered



Thanks - Takk