

ViDA approval not obtained and work continues on a key aspect

16 May 2024

In brief

What happened?

On 14 May 2024, the EU Finance Ministers at ECOFIN debated the revised VAT in the Digital Age (ViDA) package released by the European Commission (EC) on 8 May 2024. During the ECOFIN debate, Estonia raised a concern in relation to the platform rules and this aspect now needs to be worked through.

Positively, two of the three core ViDA proposals were accepted. As unanimous consent is required on all parts of the ViDA package, none of the proposals can proceed until a compromise solution is found.

Why is it relevant?

ViDA is highly significant in the European Union and on the global tax policy stage. The ViDA proposals are designed to:

- help streamline and harmonise the EU's VAT rules (thus lessening fragmentation and making the VAT more apt for the modern economy and the single market);
- reduce administrative burdens for businesses operating cross-border; and
- safeguard significant tax revenues for Member States.

The latest ViDA package contains several compromises and new start dates, compared to the original 8 December 2022 proposals (see previous [PwC Tax Policy Alert](#)). The main pillars of ViDA are:

1. Digital Reporting Requirements (DRR) and mandatory e-invoicing on intra-EU business-to-business (B2B) transactions;
2. Addressing the challenges of the platform economy; and

3. Simplifying VAT compliance and reducing the need for multiple VAT registrations.

Actions to consider

The Belgian presidency will try to seek a compromise solution at the next ECOFIN meeting on 21 June 2024. It's possible that more time may be needed beyond that meeting to work on some detail. The overall preference is for the three pillars of ViDA to pass as one package and not be split up.

Hopefully a solution can be worked through in the true spirit of compromise. If a workable solution is found, most (if not all) of the new start dates discussed in this alert are likely to remain the same and businesses will need to start preparing for the changes.

In detail

1. VAT and digital reporting

The following changes are proposed:

- **Electronic invoicing** will become the **default system** for issuing invoices. However, Member States will be allowed to authorise other invoices for domestic supplies.
- Invoices that have been issued, transmitted and received in electronic format that allows for automatic electronic processing will be considered to be electronic invoices and they should in principle comply with the **European Standard** (EN16931).
- The electronic invoices for cross-border transactions must be issued no later than **10 days** following the chargeable event.
- The current recapitulative statements (EC sales listings) will be replaced with DRR for cross-border supplies of goods and services. The reporting of the invoice data by the supplier needs to happen in **real time** (i.e. at the time the invoice is issued or should have been issued). However, in situations of self-billing or reporting by the buyer, the buyer needs to transmit the information no later than **five days** after the invoice is issued or should have been issued.
- Although real-time reporting of domestic transactions is not required under the EU VAT Directive, should Member States opt to implement such a system, it will need to align with the digital reporting requirements for cross-border supplies. Member States can decide that holding an electronic invoice issued in compliance with the required standard becomes a **substantive condition** to be entitled to deduct or reclaim the VAT due or paid.
- Member States will not be allowed to impose any additional general transaction-based reporting requirements, but may keep e.g. SAF-T requirements as well as cash registers in place.

The requirements above will apply as from **1 July 2030** with specific rules for Member States with domestic digital real time transaction-based reporting obligations already in place on 1 January 2024.

2. VAT treatment of the platform economy

From **1 July 2027**, it's proposed that a taxable person who facilitates, through the use of an electronic interface, the supply of **short-term accommodation rental (maximum 30 nights)** and/or **passenger transport** by road, will be deemed to be the supplier of the underlying service, unless:

- the underlying service provider communicates to the platform their local VAT ID; and
- declares that they will charge any VAT due on that supply.

Estonia raised concerns in relation to the cost to small and medium-sized enterprises and the administrative burden of this proposal and preferred an 'opt in' model. The proposed ViDA rules allow platforms to leave it to underlying sellers to collect VAT. Also, other rules for special schemes (e.g. travel agents) and small businesses can be applied. The EU regulators may need to look to other countries for a workable solution. The Canadian GST platform rules are an example of a pragmatic model, as they allow the platform and the underlying seller to decide who collects the GST.

3. Single VAT registration and reverse charge

The EC aims to alleviate the administrative challenges faced by businesses operating within different EU Member States by expanding the One Stop Shop to a number of situations, introducing a special scheme for transfers of own goods, and applying a mandatory reverse charge mechanism (from **1 July 2027** with some modifications).

Let's talk

For a deeper discussion of how these proposals might affect your business, please contact:

Tax policy leadership

Will Morris, *United States*
+1 (202) 213 2372
william.h.morris@pwc.com

Edwin Visser, *PwC Netherlands*
+31 (0) 88 7923 611
edwin.visser@pwc.com

Indirect tax policy leadership

Daniel Anghel, *Romania*
+40 742 394 208
daniel.anghel@pwc.com

Eugen Trombitas, *Ireland*
+353 087 4899214
eugen.a.trombitas@pwc.com

Sandra Zölch, *Germany*
+49 89 57906840
sandra.zoelch@pwc.com

Tax policy editors

Phil Greenfield, *United Kingdom*
+44 (0) 7973 414 521
philip.greenfield@pwc.com

Adina Vizoli, *Romania*
+40 721 236 243
adina.vizoli@pwc.com

Indirect tax contributors

Ellen Cortvriend, *Belgium*
+32 472 60 30 94
ellen.cortvriend@pwc.com

Nicole Stumm, *Germany*
+49 170 2290 696
nicole.stumm@pwc.com

Corina Mortici, *PwC România*
+40 737 267 462
corina.mortici@pwc.com

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