

VAT in the Digital Age proposal issued to modernize the EU VAT system

On December 8, 2022 the European Commission published its VAT in the Digital Age proposal. This is a set of proposals intended to modernize the EU's VAT system for technological advances, reduce VAT compliance burdens, and help combat VAT fraud.

The proposal covers three issues: (1) Digital Reporting Requirements (2) the VAT treatment of the platform economy and (3) changes to e-commerce rules and a 'single VAT registration'.

In this memorandum we summarize the most important highlights of the proposal and our initial observations.

Digital Reporting Requirements

E-invoicing

- The EU will gradually move to e-invoicing as the default system for issuing invoices.
- As of January 1, 2024 the definition of e-invoice will change and e-invoices must be issued in a structured format. The current requirement for e-invoices to be accepted by customers will be removed. EU Member States may impose e-invoicing obligations. They must allow e-invoices that comply with the European standard and may not introduce clearance models (i.e. requiring a verification token from tax authorities before e-invoices can be issued or requiring e-invoices to be issued through a tax authority platform). However, EU Member States with existing and previously approved clearance models may continue to apply these until January 1, 2028.
- As of January 1, 2028 e-invoicing will be the standard. EU Member States may authorize situations where paper invoices are allowed. However, e-invoicing will be mandatory for B2B intra-EU transactions. The deadline for issuing e-invoices for B2B intra-EU transactions will be reduced to two working days following the tax point.

Real-time reporting

- A near real-time reporting obligation will be introduced for B2B intra-EU transactions (goods and services) as of January 1, 2028.
- This is a transactional reporting requirement to be completed within two working days after the invoice date (or the last day on which the invoice had to be issued – see above).
- This near real-time reporting obligation will replace the existing EU Sales Listing system.
- EU Member States may introduce a similar real-time reporting obligation for B2B domestic supplies and/or other types of supplies (e.g. B2C supplies of goods or services).
- EU Member States with existing reporting systems have until January 1, 2028 to adapt these to the harmonized EU system.

VAT treatment of the platform economy

- A deemed supplier rule is proposed for platforms operating in the short-term accommodation rental and passenger transport sectors, to take effect as of January 1, 2025. Such platform operators will be required to account for VAT on C2C and C2B transactions they facilitate in several scenarios where the underlying supplier does not account for the VAT (e.g. because it is not a VAT-taxable business, is exempt from VAT, etc.). These platform operators must keep records on other B2C and B2B supplies that are not subject to this deemed supplier rule.
- Additionally, B2C facilitation services provided by platforms will be subject to VAT where the underlying facilitated transaction takes place for VAT purposes.

Changes to e-commerce rules and a single VAT registration

The following proposed rules will apply as of January 1, 2025:

- The existing Union One Stop Shop (OSS) scheme for B2C intra-EU supplies of goods and services will be extended. The extension includes B2C domestic supplies of goods in an EU Member State where the supplier does not have a VAT identification number.
- A new OSS scheme will be introduced for intra-EU movements of own stock. This scheme will be available to any taxpayer (also outside the e-commerce sector). The existing exemption for call-off stock arrangements will end. This exemption would no longer be required once intra-EU movements of own stock can be reported in the new OSS scheme. The exemption will no longer apply to call-off stock arrangements effected after December 31, 2024 and will end on December 31, 2025 (allowing a 12-month period to finalize call-off stock arrangements effected by December 31, 2024).
- A mandatory reverse-charge mechanism will be introduced for B2B supplies of goods and services where the supplier is not established in the country where VAT applies and the customer does have a VAT identification number in that country.
- The existing deemed supplier rule for marketplaces facilitating B2C supplies of goods will be extended. Currently, B2C supplies of goods within the EU are only caught by this deemed supplier rule where the underlying supplier is located outside the EU. All supplies of goods (B2C and B2B) within the EU facilitated by marketplaces will be caught by the extended deemed supplier rule. Intra-EU movements of own stock facilitated by marketplaces will also be subject to the extended deemed supplier rule.
- The Import One Stop Shop (IOSS) scheme for the importation of low-value consignments into the EU will be mandatory for marketplace operators.
- Further implementing rules will be introduced for the secure use of the IOSS scheme, e.g. by linking the unique consignment number to the IOSS number.

Next steps

The legislative proposal must be adopted by the Council of the EU before the rules can be enacted. The Council must vote unanimously on the proposal. KPMG will be actively participating in discussions with the European Commission and other stakeholders on these measures and we will keep you updated as the proposals progress.

What businesses can do to prepare for these changes

Although this legislative proposal must still be enacted, the proposed changes are significant.

An increasing number of EU Member States will be introducing e-invoicing (and digital reporting) obligations in the next few years. Businesses need to keep track of these developments, consider the impact of such obligations in countries where they operate, and how they compare with the EU proposals. Businesses may also want to consider their governance on dealing with the increasing number of e-invoicing and digital reporting obligations, their framework for implementation and the use of third-party solutions.

Platform operators in the short-term accommodation rental and passenger transport sectors need to consider the impact of the proposed deemed supplier rules on their VAT throughput and VAT processes. The same applies to marketplaces facilitating sales of goods within the EU and stock movements.

Online sellers may want to review the impact of the extended OSS scheme on their existing VAT registrations and consider de-activating any unnecessary local VAT registrations in due course. All businesses engaged in intra-EU movements of own stock may benefit from the new OSS scheme for such activities, while businesses using the exemption for call-off stock arrangements need to anticipate the end of this exemption. All businesses engaged in B2B supplies that are taxable in EU countries where they are not established, should consider the impact of the proposed mandatory reverse-charge mechanism for such supplies.

We will be hosting a seminar on the VAT in the Digital Age proposals at our offices in Amstelveen on January 19, 2023. The seminar will be held in Dutch. You can register [here](#) for this event. An international webcast will likely be hosted in the first quarter of 2023.

If you would like to discuss how these changes could impact your business, please do not hesitate to contact us.

KPMG Meijburg & Co
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