



EU VAT Agenda

VAT Congress
Lisbon 11 December 2019



2016 VAT Action Plan

Content of the Communication is twofold:

Short term: improvements in the current VAT system

- VAT and E-commerce
- Quick Fixes

Longer term

- SME proposal
- VAT rates proposal
- Definitive VAT System
 - based on principle of charging VAT on cross-border supplies of goods and services



EU VAT e-commerce rules



VAT and E-commerce - first package

Extension of the EU OSS

- OSS can be used to declare and pay VAT on ALL intra-EU B2C services;
- inclusion of intra-Community distance sales;
- abolition of the threshold per Member State for distance sales.

Extension of the NON-EU OSS

- can be used to declare and pay VAT on ALL B2C supplies of services supplied by 3rd country suppliers.

OSS for distance sales of imported goods

- abolition of the exemption for small consignments from non-EU countries;
- for consignments of a value \leq EUR 150, the Import OSS can be used to declare and pay the VAT.

Adopted on 5 December 2017; entry into force on 1/1/2021



VAT and E-commerce - second package

General agreement at the ECOFIN Council of 12 March 2019;
Opinion of the European Parliament – new legislature;
Adoption on 21/11/2019, also enters into force on 1/1/2021

- Further changes to the VAT Directive
 - Adjust provisions on electronic interfaces
- Implementing Regulation
 - implementing rules related to the deemed supplier provisions (marketplaces)
 - updating provisions on functioning OSS



Quick Fixes





Quick Fixes Directive

- **Call-off stock:**
 - Supplies treated as intra-community supplies so suppliers no longer need to register and pay VAT in another Member State when they store goods there
- **Chain transactions:**
 - Transport always assigned to the supply made for the taxpayer in charge of the transport, unless he communicates a VAT number of the MS of departure of the goods.
- **Value VAT Identification Number:**
 - Substantive value assigned to the VAT identification number of the customer + recapitulative statement of the supplier in order to exempt from VAT an intra-Community supply of goods
 - good faith of the supplier relevant in case he has not submitted the recapitulative statement
- **Proof of IC transport: presumption in the Implementing Regulation**

Adopted on 4 December 2018, enters into force on 1/1/2020

Work on-going in view of a smooth implementation:
explanatory notes

Simplification of VAT rules for SME's



New elements of SME special scheme

Agreed at ECOFIN 8/11/2019

Enters into force on 1/1/2025

1. Exemption for small businesses **opened to non-established businesses within the EU**
2. **Maximum exemption threshold** set for all Member States at EUR 85 000 of Member State annual turnover + **anti-abuse safeguard** at EUR 100 000 of Union annual turnover
3. **Transitional period** – special measure to allow exempt businesses smooth transition to full taxation (optional for Member States)



Definitive VAT system for B2B supplies of goods



Definitive VAT system Cornerstones

Defined in the Proposal of October 2017, Article 402

- principle of taxation in the Member State of destination;
- the liability of the supplier **or** acquirer if he is a certified taxable person (a CTP);
- a One Stop Shop (OSS) for declaration, payment and deduction.

The Council did not approve the cornerstones

Proposal of May 2018 puts these cornerstones into operation for intra-Union B2B supplies of goods

Definitive VAT System proposal

Converting the principle of taxation at destination into the VAT Directive

The concept of "Intra-Union supplies of goods"

[Art.14(4)(3)].

- supplies by a taxable person to a taxable person or non-taxable legal person;
- transport or dispatch of goods from one MS to another

Place of the supply of goods with transport

- **General rule:** place where transport begins (= current rule of Art. 32 which is not amended).
- **NEW place of supply rule for Intra-Union supplies:**
= place where transport ends [new Art. 35a].

Definitive VAT system proposal

Liability of supplier or acquirer if CTP

General rule: VAT is payable by any taxable person carrying out a taxable supply of goods (including intra-Union supply of goods) and services, except...

Exception for supplies of goods:

Article 194a: **liability of Certified Taxable Person (CTP)** if the goods are supplied by a taxable person not established within the territory of the Member State in which the VAT is due (this covers Intra-Union supplies of goods and also domestic supplies).

The CTP concept is covered in the proposed Article 13a:

- the criteria for obtaining the CTP status;
- exclusion of certain taxable persons from CTP status;
- the procedural aspects and the reciprocity.

CTP status does not play a role as regards the VAT liability on supply of services,

Definitive VAT system proposal

One Stop Shop (OSS) scheme

Further extension of the EU MOSS

What remains:

- optional character;
- only 1 MS of identification for OSS;
- single payment.

What are the main changes:

- broad scope including B2B supplies;
- deduction of input tax within the OSS scheme;
- more data on OSS return;



III. Rates

VAT rates proposal

- Proposal presented by the Commission in January 2018;
- More flexibility for Member States;
- Member States may apply 2 reduced rates of at least 5%;
- Member States may apply one reduced rate below 5% and a zero rate;
- Reduced and zero rates must be to the benefit of the final consumer;
- List of goods and services excluded from reduced or zero rate (negative list);
- Need to ensure that the weighted average rate is above 12%.

What is proposed for the negative list?

The negative list **includes**:

- High value and easily transportable goods (potential risk: cross-border shopping)
- Excisable products (potential risk: cross-border shopping)

The negative list **does not include**:

- Most services for final consumption
- Goods and services supplied for intermediate consumption of businesses (generally excluded from reduced rates)



What's next?

What's next?

- New technology
- Keeping pace with new business models

New technologies

- *On-going trend in the Member States*
 - **Faster reporting;**
 - **More detailed reporting (transaction level);**
 - **Increases efficiency in collecting VAT;**
 - **BUT: businesses facing divergent systems;**
- *Use of blockchain, Artificial Intelligence;*
- *Conference organised by Commission on 6 December.*

New business models

- **Financial Services**
- **Travel Agents**
- **Sharing economy**
- **Other?**

Financial Services

- *Rules date back to 1977 (Sixth VAT Directive);*
- *Proposals in 2007;*
- *Proposals withdrawn in 2016;*
- *ECJ-decision in 2017 on cost-sharing exemption;*
- *Statement to the minutes by the Council and the Commission, in the context of the adoption of the Quick-fixes Directive: Commission will launch a study;*
- *Results of the study expected mid-2020*



Travel Agents scheme

*Articles 306 to 310 of Council Directive
2006/112/EC*

Rules date back to 1977 (Sixth VAT Directive)

Two aims:

- 1. Simplification*
- 2. Allocation of VAT revenue to the Member State where the final consumption takes place*



Travel Agents Scheme

2002: Proposals COM(2002) 64 + COM(2003) 78

2002-2011: Council negotiations

2014: Withdrawal of proposal

2015: Discussions in VAT Committee

2017: Study by KPMG

2018: FISCALIS workshop

2019: Evaluation

2020: Possibly: impact assessment

2021: Earliest possibility for an initiative

VAT and the sharing economy

- ***Reflection at an early stage;***
- ***First discussion with experts from Member States and in VAT Expert Group***
- ***Main issues:***
 - *Is the supplier a B(Business) or a C(Consumer)?*
 - *Service by the platform provide to a B or a C? This affects the place of supply rules for cross-border services*
 - *Management by the tax authorities: many taxable persons with low turnover?*
 - *Need to legislate at EU level?*