



Position paper on the VAT in the digital age package (ViDA)

Introduction

The European Commission published on 8 December 2022 a package of proposals called [“VAT in the digital age”](#) (ViDA), which is structured around three main pillars:

- the introduction of common e-invoicing and digital reporting requirements,
- updated VAT rules for passenger transport and short-term accommodation platforms,
- and the introduction of a single VAT registration across the EU.

As preliminary remarks, the European Tax Adviser Federation (ETAF), which represents 215 000 regulated tax advisers, would like to point out the importance of this reform for the tax profession as a significant part of today’s service towards SMEs is the preparation of VAT-returns.

We see this huge step towards more digitalisation as an opportunity that will free some time for tax advisers to focus more on the core business of their work, i.e. giving advice. However, digitalisation does not come without any risk and some safeguards will have to be put in place to make a successful transition.

As a member of the European Commission’s VAT Expert Group, ETAF is happy to provide the European Commission with its comments and recommendations on:

- technical parameters of e-invoicing and digital reporting requirements,
- the data protection safeguards needed,
- gradual implementation for SMEs,
- the necessary support from national authorities,
- and the role of the regulated tax profession for a smooth transition.

I. Common e-invoicing and digital reporting requirements

A. E-invoicing parameters

As already expressed in our [answer](#) to the European Commission's public consultation on 4 May 2022, ETAF members agree and recognize the potential of e-invoicing and digital reporting requirements to reduce tax fraud, in particular missing trader intra-community (MTIC) fraud, if the transition is well managed. To meet this target, we believe that the EU should impose an intelligent e-invoicing standard, which is at the same time human readable and machine readable.

1. *Definition of electronic invoice*

According to the proposal, as of 1 January 2024, all businesses will be obliged to be able to issue and receive e-invoices based on the European standard for e-invoicing (EN 16931) for intra-community supplies. Member States will be authorized, but not forced, to introduce mandatory e-invoicing for domestic B2B transactions. E-invoicing systems with mandatory pre-authorisation or verification of the e-invoices by the tax authorities could no longer be introduced, and any existing models would have to be phased out and to converge with the new pan-EU reporting standard by the beginning of 2028.

An electronic invoice is defined in the proposal as a document that contains the information required by the Directive and which has been issued, transmitted and received in a structured electronic format that allows for its automatic and electronic processing. ETAF believes that the definition of an invoice in a structured electronic format will contribute to legal certainty.

The transmission of the data should be done according to the European standard EN 16931 or in a data format that ensures interoperability with the European standard. From our point of view, this flexibility given to Member States is necessary in order not to hinder the technological development of modern data formats.

2. *Co-existence with paper invoices*

According to the proposal, Member States may continue to recognise paper or other documents as invoices for transactions that are not subject to intra-community reporting requirements. One foreseeable challenge for businesses and their tax advisers will therefore be handling in parallel invoices issued electronically and in paper form.

While authorizing small craft businesses to continue issuing invoices in paper form would be reasonable, we fear that if the Member States grant these exceptions too generously, it could open up the possibility for systematic abuse and VAT fraud. We therefore suggest that the possibility of granting exceptions by the Member States should be limited to specific areas.

3. Issuance and transmission deadlines

The proposal sets up a deadline of two days after the chargeable event takes place for the issuance of invoices. From ETAF's point of view, this deadline is way too demanding, especially for SMEs, and should be extended. Such a short unrealistic deadline would, among other things, pose difficulties in dealing with holidays and special situations such as illness.

If the deadline is however to be maintained, it is necessary that Member States are not too strict in the implementation phase and do not impose sanctions. Moreover, as there is no harmonisation between EU Member States regarding when VAT arises, some guidance to determine when the deadline has to begin would be very necessary.

On the other hand, we find the two days' time limit between the issuance of the invoice and the transmission of the reporting data to the national e-invoice reporting system more balanced and appropriate. Even if the transmission should usually take place in only one relatively quick step, this time limit would allow to take into account possible difficulties, such as IT disruptions or SMEs' resource constraints.

B. Scope of the reported data

As of 1 January 2028, the proposal introduces quasi-real time digital reporting of transaction summary data to be consolidated at the EU level. This would only apply to B2B transactions for the moment. Consequently, companies will no longer need to report monthly through recapitulative statements as they do now. Taxpayers may submit the information directly or via a third party, such as a tax advisor.

Overall, we think that the replacement of the recapitulative statement by the reporting obligation will be a long-awaited and welcome change for the profession but the success of this measure will depend on the time given for preparation.

To provide tax authorities with more detailed information, the Commission proposes to add a number of elements to the invoicing content standard, such as the IBAN number of the supplier's bank to which the payment of the invoice will be credited as well as the time of the payment.

For data security reasons, we believe that only data that are strictly necessary for anti-fraud purposes should be transmitted. In this regard, ETAF members don't see the need to transmit these new elements.

C. Gradual introduction for SMEs

As most of the big companies already work with e-invoicing, the impact of the reform will be rather small for them, whereas it will be very important for SMEs, especially for street traders, antique dealers, craftsmen and other businesses and sectors where digitisation has not really started or is difficult to achieve.

As far as the tax profession is concerned, tax advisers and accountants will gain a lot of time for their clients who can work electronically but they will need support for helping their other clients to shift towards e-invoicing. 98% of ETAF members typically provide services to SMEs.

For the above-mentioned reasons, we believe that a phased introduction for SMEs and micro-enterprises could be considered. While all businesses, regardless of their size, should be able to at least receive e-invoices, SMEs could be granted a transitional period of one year for issuing e-invoices. Such a gradual introduction would increase the acceptance of the e-invoicing system among SMEs and micro-enterprises and thus also increase the chances of a successful transition.

D. [Data protection warnings](#)

As information contained in invoices may reveal sensitive information, we welcome the fact that the information to be provided to the tax administration under the digital reporting requirements are an extract of the information from the invoice and not the whole invoice as such, and that it excludes the name and address of the customer from the information to be transmitted.

We also support the [recommendation](#) from the European Data Protection Supervisor (EDPS) to explicitly specify in the enacting terms of the proposal that the information collected through digital reporting may only be processed for the purpose of fighting VAT fraud by the competent tax administration.

Moreover, EU legislators have to keep in mind that, with this reform of e-invoicing rules, new market players, technical solutions and business models are expected to appear. In this new environment, commercial intermediaries with no ethical obligations could be tempted to market the financial data of companies without any control. These companies have become accustomed to offering the company's own data, both to the company itself and to the accounting firm, in return for payment. This opens the broader question of a need for regulation of these new e-invoicing players.

From ETAF's view, there might be a need for a General Data Protection Regulation for business data. In case of a data leak, the credibility and the whole future of the new digital reporting system might be questioned and Member States might be tempted to introduce different safeguards measures, which would again create a fragmented system.

E. [Timeline](#)

The timeline proposed for the implementation of the new e-invoicing rules and the digital reporting requirements is likely to reveal challenging. As Member States are currently at different levels of implementation of digital reporting and e-invoicing, and taking into account the differences in tax administrations and tax law procedures, we cannot exclude that some Member States might need one or two years longer to properly implement the new rules. As explained in point C, it will also be more challenging for SMEs to get prepared.

In any case, detailed rules must be known well ahead, at least 8 months in advance. For the tax profession, it will take time to inform their customers and help them to adapt to the new legislation.

Moreover, some guidelines at EU level on common important issues, such as the correction of e-invoices, archiving rules and how to deal with contested invoices, would be very welcomed.

II. Introduction of a centralised VIES system

The proposal foresees the creation of a new “Central VIES” (VAT Information Exchange System) database, from 1 January 2028, that would be developed, maintained, hosted and technically managed by the Commission. The most essential part of information exchanged through the central VIES would be the information collected through the digital reporting requirements. The central VIES would be able to aggregate per taxable person information on cross-border (intra-community) B2B transactions transmitted by the Member States.

A. Data protection and security

A centralised VIES system will certainly enable faster cross-referencing of data and thus a more efficient monitoring of transactions within the EU. However, particular attention should be paid to the protection of data and the protection of the IT infrastructure against possible cyber-attacks. Regular security checks should be carried out.

We particularly welcome the fact that the central VIES would only be accessible to authorised officials appointed by their Member States and for the exclusive purpose of the control of compliance with VAT legislation.

Furthermore, our members reported a lot of complaints from tax advisers regarding the availability of the VIES. The overall performance of the VIES system should therefore also be improved.

B. Data retention period

In ETAF’s view, the five-year period proposed for the storage of the data in the central VIES is too long. Such a long retention period would not only represent an unnecessary security risk but it would also require a high and cost-intensive storage capacity.

Moreover, a retention period of five years runs against the idea that the introduction of a central VIES is intended to combat VAT fraud precisely by means of a timely audit by the competent authorities of the Member States. For these reasons, we believe that a limitation of the retention period to one year would be more proportionate.

III. VAT treatment of the platform economy

Another key measure of the ViDA package is the introduction, from 1 January 2025, of a “deemed supplier model” for platforms in the short-term accommodation and passenger transport sectors. Under the deemed supplier rule, when the underlying supplier is a non-taxable person and thus does not charge VAT himself, the platform would automatically become responsible for charging and collecting VAT from the customer and remitting it to the authorities.

These new provisions will ensure a more level playing field between online and traditional accommodation and passenger transport services and can therefore only be welcomed. ETAF also agrees with the two sectors chosen as they are the ones where the most obvious distortions of concurrence exist. From our point of view, a step-by-step approach could be considered to extend this measure in the future to other services provided via intermediary platforms after carrying out an impact assessment.

The proposal also brings a number of further clarifications, such as that the facilitation service provided by a platform should be regarded as an intermediary service to allow for a uniform application of the place of supply rules for the facilitation service. Finally, it clarifies definitively that the short-term rental of accommodation is not exempt from VAT in the EU. Here, it is of particular importance that the definitions and terms are defined carefully and unambiguously.

IV. Introduction of a single VAT registration across the EU

To further reduce the need for businesses to have multiple VAT registrations, the Commission proposes expanding the existing VAT One Stop Shop (OSS) to allow businesses selling to consumers in another Member State to register only once for VAT purposes for the entire EU as of 1 January 2025. They shall then be able to fulfil their VAT obligations via a single online portal in one single language. ETAF is convinced that this measure will be a real game changer for companies and their tax advisers as well as a real source of simplification.

The proposal also makes it mandatory for platforms selling goods from third countries to consumers in the EU to register for the Import One-Stop Shop (IOSS) and contains further quick-fixes of the OSS and IOSS systems, including removing call-off-stock arrangements and making the IOSS mandatory for electronic interfaces. To make the OSS and IOSS even more efficient, our members do believe that there should be a possibility of a broader retroactive registration.

V. Extension of the reverse charge procedure

Finally, the proposal provides for a mandatory reverse charge procedure as of 1 January 2025. Until now, the application of the reverse charge procedure has been an option for the Member States. We welcome the extension of the reverse charge procedure, which has proven its advantages in the fight against carousel fraud in particular.

This measure would concern B2B transactions from supplies of goods and services by taxable persons who are not established in the Member State in which the VAT is due, provided that the recipient of the service is registered there for VAT purposes.

However, we would like to point out that, in the period until the planned abolition of the recapitulative statements in 2028, this means that taxpayers will have to report additional information in the recapitulative statement, which will create additional bureaucratic burden.

Conclusion

In conclusion, ETAF would like to point out once again that adequate preparation time will be needed. Moreover, we expect national authorities to properly support companies, in particular SMEs, and their tax advisers and accountants to make a successful transition in such a short period of time.

The importance of the regulated tax profession for the successful digitalisation of companies should also be emphasized.

As an example of best practice, our Belgian member, the Institute for Tax Advisors and Accountants (ITAA), concluded an agreement with Unifiedpost to make their Billtobox e-invoicing platform accessible free of charge for accountancy firms. The ITAA ensures that the offered product respects the deontological rules of our profession and guarantees the security of the data for each company. This is a good illustration of the clear added value of the regulated tax profession.

Notes

For more information on the ViDA package and its expected impact on the tax profession, you can rewatch the ETAF [conference](#) "VAT goes digital - the tax practitioners' perspective" on 7 December 2022.

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About ETAF

The European Tax Adviser Federation (ETAF) is a European umbrella organisation for tax professionals whose activities are regulated by law. It is set as an international not-for-profit organisation (AISBL) governed by Belgian law, based in Brussels and was launched on 15th December 2015. It represents more than 215,000 tax professionals from France, Germany, Belgium, Romania, Hungary and Austria. ETAF is a registered organisation in the EU Transparency Register, with the register identification number 760084520382-92.