

VAT in the Digital Age (“VIDA”)

11 April 2024



**Kilkenny
Chamber**
Advancing business together



Agenda

- 1 What is VAT in the Digital Age?
- 2 The proposal for a new real time digital reporting system based on e-invoicing
- 3 The proposed digital reporting system for Intra EU transactions
- 4 Updated VAT rules for the platform economy
- 5 A single VAT registration for businesses selling to consumers across the EU
- 6 The current status of the proposals generally



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VAT in the Digital Age ("VIDA")

The Big Picture in 2015



The Big Picture in 2024

01

Indirect tax

- Rapid global VAT reform
- ESS/remote services (90+ countries, mainly B2C model)
- Low value imported goods (growing number of rules)
- *VAT in the Digital Age*
- *Digital reporting and e-invoicing*
- New rules for digital platforms in the sharing economy (full liability vs. information reporting)
- DAC7 (all taxes)
- CESOP (payment reporting)
- Crypto, digital assets and NFTs (all taxes + reporting)
- Music streaming tax
- Cultural levies (audio visual)
- CBAM, environmental taxes

02

US inbound

- Wayfair case (Sup Ct, June 2018)
- Physical presence no longer required for sales tax
- Digital presence
- Significant impact + marketplace rules

03

Direct tax reform

- International tax reform: Beyond BEPS, Inclusive Framework
- Pillar 1 and 2 (momentum gathering)
- Allocation of profits across borders
- Some DST obligations
- Data is key



VAT in the Digital Age (ViDA)

As we adapt to the digital age, we also need to update our VAT rules to new digital realities, such as the rapid growth of e-commerce and platform working. **Digital technologies like e-invoicing are a powerful way to raise VAT revenues while helping our businesses to grow, especially small ones.** They can help to fight fraud, saving many billions of euros lost in tax revenues every year and lessening the pressure on stretched public finances. Today's proposals will simplify and streamline our VAT rules, make life fairer for businesses and promote the digital transition across Europe.

Valdis Dombrovskis, Executive Vice-President for an Economy that Works for People (Dec 2022)

Objectives



01

fight fraud (and collect more tax)



02

modernise, harmonise and streamline VAT



03

promote the digital transition across Europe

Why?

The Commission considers that the current 30 year old VAT rules for cross-border trade are prone to fraud, increasingly complex for businesses and no longer suitable for the modern digital economy.

Who?

If agreed, these proposals will create fundamental changes to the way that businesses operate in the EU.

When?

Most of the changes were proposed to be implemented by 1 January 2025, however these proposals will first require unanimous agreement from Member States.

Next Steps

A vote on the ViDA proposals is awaited and is expected at the May/June 2024 meeting of the Economic and Financial Affairs Council (ECOFIN).



The VAT in the Digital Age (“VIDA”) proposal addresses:

E-invoicing & Digital Reporting Requirements

Platforms: Deemed supplier for accommodation and transport digital platforms

Single VAT registration: reducing the need for VAT registrations in multiple EU Member States for businesses selling to consumers across the EU



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E-invoicing & Digital Requirements

High-level overview of proposed changes (non-exhaustive)

Changes to (electronic) invoicing

- 1) Changes to the **definition** of electronic invoice from **2029(?)** onwards
- 2) Changes to concept of invoice:
 - Mandatory e-invoicing will be possible without EU approval from 1 January 2025(?) onwards
 - **E-invoicing becomes the norm** as from 1 January 2029(?): structured e-invoices will be the default system for the issuance of invoices.
- 3) As of 1 January 2029(?), Intra-EU invoice shall be issued no later than **2 working days (now likely to be 8-10 days)** following the chargeable event.
- 4) Data elements added to mandatory invoice content as of 1 January 2029(?)



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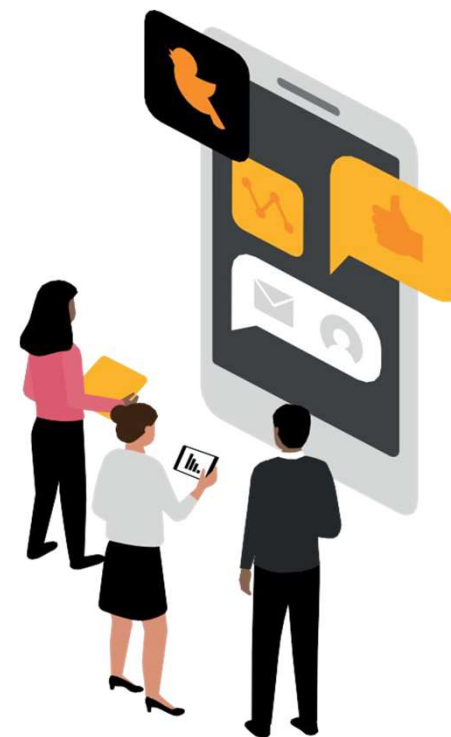


Digital Reporting System for Intra EU Transactions

High-level overview of proposed changes (non-exhaustive)

Digital Reporting Requirements

- 1) VIES statements will be replaced by a **Digital Reporting Requirements (DRR) for intra-Community transactions** as of 1 January 2029 (most likely).
- 2) The **information transmitted needs to be transactional** instead of aggregated, with new fields added for detection of fraud.
- 3) Reporting of information on intra-Community acquisitions is no longer optional but **mandatory** as of 1 January 2029(?).
- 4) Harmonisation of existing and future reporting systems for domestic transactions as of 1 January 2029(?).
- 5) The data collected feeds a newly established **Central VIES**



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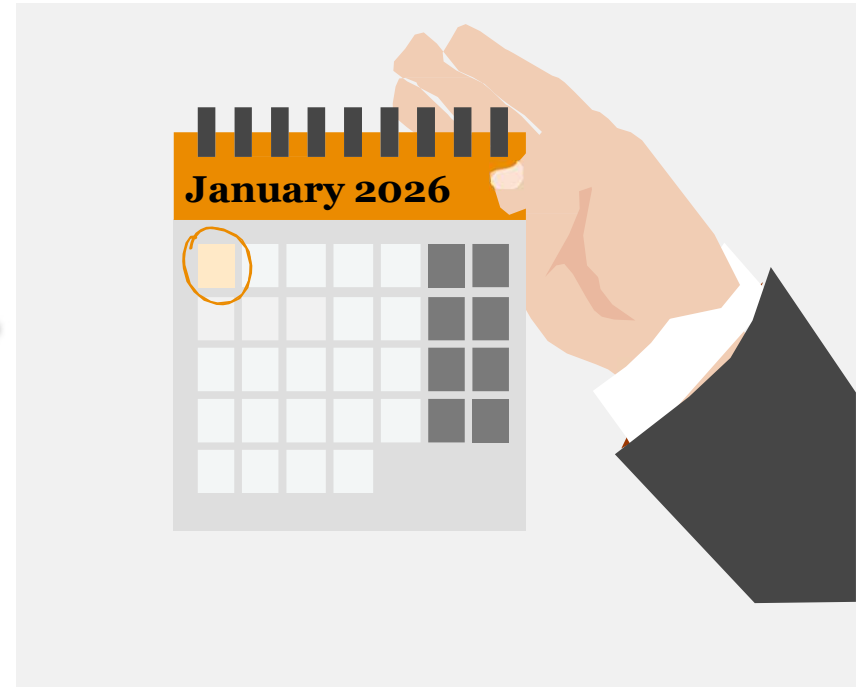
Platform Economy

Platform Economy – Role of the platforms in the collection of VAT



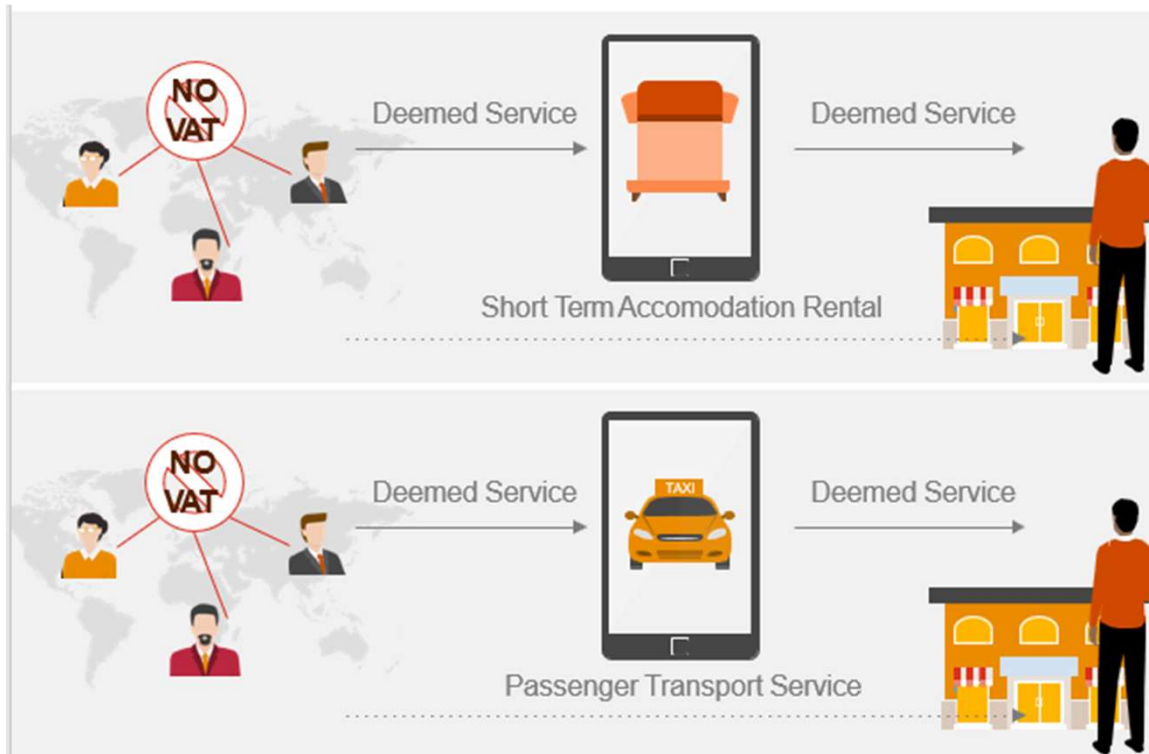
Addressing the challenges of the Platform Economy

- ❑ Deemed supply of accommodation rental and passenger transport services for electronic interfaces.
- ❑ Deemed supply of goods for electronic interfaces – irrespective of the VAT status of the purchaser and location of the supplier and goods
- ❑ Mandatory Import One Stop Shop for deemed supplier platforms of imported consignments sent to consumers



Changes are proposed to enter into force as of 1 January 2026(?)

Platform Economy – Example



If a person decides to put their house up as a holiday rental and uses a platform to do that, prior to 1 January 2026, they would have had to report the VAT on the supply to the end customer.

From 1 January 2026 under these proposals, the platform will become liable for the VAT.

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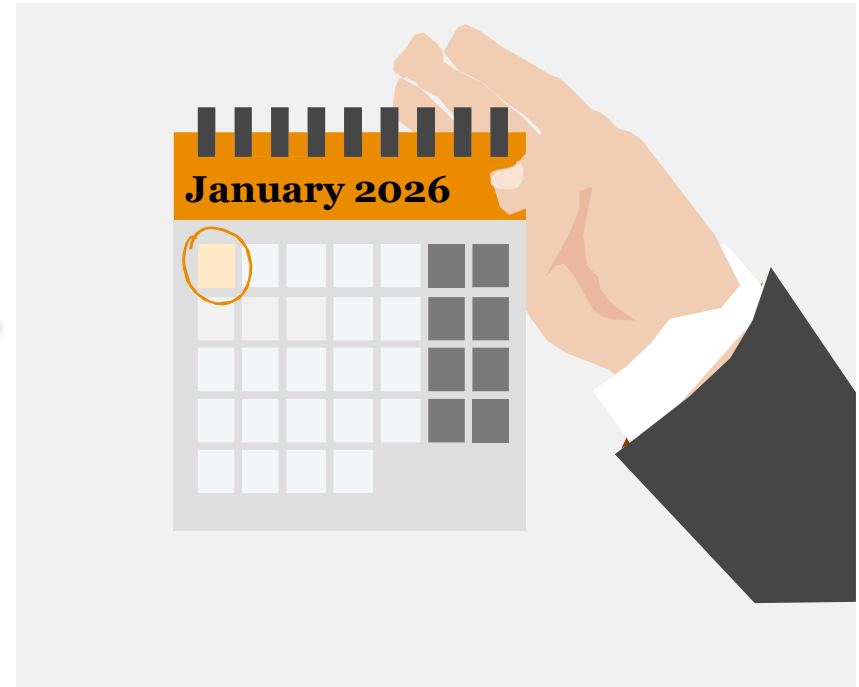
Single VAT Registration

Single VAT Registration



VAT Registration Requirements

- Extension of the one stop shop.
- Introduction of a specific one stop shop for call off stock and movement of own goods.
- Mandatory Import One Stop Shop for deemed supplier platforms of imported consignments sent to consumers.
- Mandatory reverse charge



Changes are proposed to enter into force as of 1 January 2026(?)

Mandatory Reverse Charge

- Currently B2B sale of goods located in another EU Member State can give rise to VAT registration in the Member State
- Proposal to make reverse charge mandatory where the purchaser is established in that Member State
- Would still require VIES / Intrastat / DRR
- Likely to be 1 January 2026



Extension of the OSS

Declaration via OSS – Proposal

- Intra-community distance sales
- Supply of services
- Local B2C supplies (only for marketplaces where deemed supplier rules apply)

Possible Declaration via OSS - Today

- As of today plus:
 - Supply with installation
 - Supply on board of ships, aircrafts or trains
 - Supply of gas, electricity, heating and cooling
 - Local B2C supplies (e.g., local supply from a warehouse)
 - (Deemed) intra-Community supply/acquisition



- Intra-Community Supply/Acquisition
- Export Supply
- Input VAT

Still not reportable in the OSS

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Current Status of the Proposals

ViDA Progress

Public consultation in **Ireland** on real time digital reporting and e-invoicing

- Ireland is supportive of ViDA
- to support DRR, e-invoicing will be mandatory for intra-EU B2B/B2G transactions

ViDA challenges to date

- original timeline envisaged implementation between 2024 - 2028 but this will be extended to 2025/26 - 2029/30 (or longer)

- a) Single VAT registration - Jan 2026 (?)
- b) Platforms - Jan 2026 (?)
- c) DRR - 2030 (?)

Irish consultation + work on ViDA - ongoing



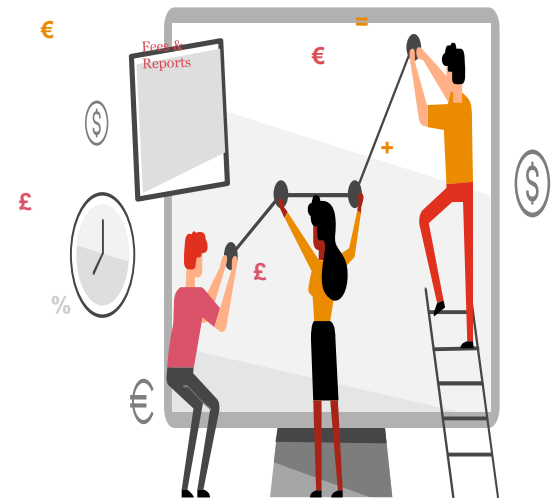
Practical issues

Practical considerations:

- lock in e-invoicing criteria, don't chop and change
- phased introduction with an appropriate lead in time (note: impact on smaller businesses with other tax/payroll reporting)
- test period
- credit notes
- data and privacy issues need to be addressed
- lengthen the proposed 2-day digital reporting deadline
- pre-clearance vs. basic verification of the information on the invoice
- B2C?
- compliance guidance and FAQs
- harmonisation across EU (wrt e-invoicing criteria) is better than fragmented rules

Tips:

- plan thoroughly, allow resources/budget
- make it fit within natural business systems (rather than build new)



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Questions