



VAT IN THE DIGITAL AGE



Value Added-Tax (VAT) is one of the most important revenue streams for Member State authorities. It contributes to the public services we all make use of such as schools, hospitals, libraries and public transport. But new figures show that in 2020, EU Member States lost around €93 billion in VAT revenues, around a quarter of which is due to cross-border VAT fraud.

To address these losses, the Commission is proposing that the EU modernise VAT rules by capitalising on and promoting the digital transition. The proposed changes will at a stroke help Member States to fight VAT fraud, while making life simpler and fairer for businesses and supporting SMEs in their efforts to scale-up within the EU.



THE THREE CHANGES WE NEED TO MAKE VAT FIT FOR THE DIGITAL AGE



A NEW REAL TIME DIGITAL REPORTING SYSTEM BASED ON E-INVOICING




UPDATED VAT RULES FOR THE PLATFORM ECONOMY




A SINGLE VAT REGISTRATION FOR BUSINESSES SELLING TO CONSUMERS ACROSS THE EU






Modernising how companies account for VAT in cross-border business, removing cumbersome administrative procedures and streamlining processes for all. At a stroke, the new system makes sure that Member State authorities are fully informed of transactions in almost real time, allowing them to immediately address instances of VAT fraud.

Member States will recoup up to **€11 billion** in lost VAT revenues a year for the next 10 years. Businesses will save **€4.1 billion** a year over the next 10 years in compliance costs



Platform economy operators in the short-term accommodation and passenger transport sectors will be deemed responsible for collecting VAT when service providers do not, and for remitting this VAT to tax authorities.

Introducing a **level playing field** with traditional providers, while **simplifying compliance** for SMEs and individual service providers



Allowing businesses that want to sell to consumers in another Member State to register only once for VAT purposes for the entire EU and fulfil their VAT obligations in one language, via a single online portal.

Save businesses, **especially SMEs**, some **€8.7 billion** in registration and administrative costs over a ten year period

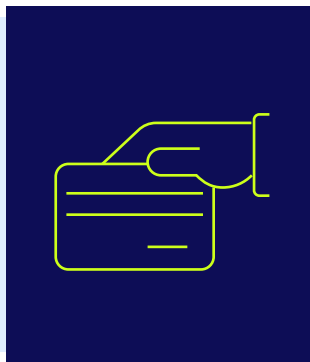
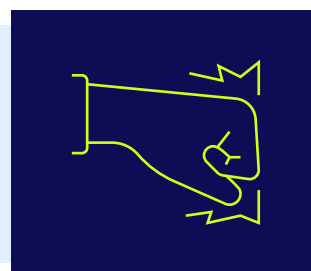


FIGHTING VAT FRAUD



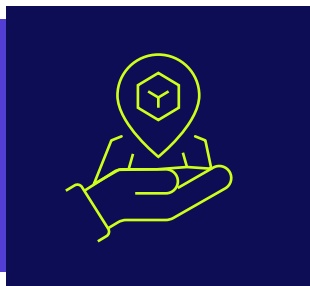
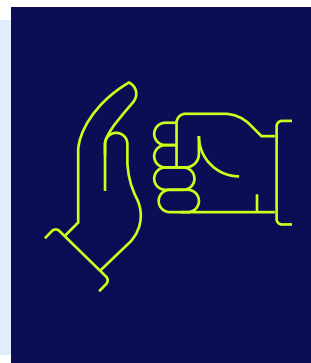
How will the new reporting system help?

VAT Missing Trader fraud is a criminal activity. It exploits the fact that VAT is not immediately charged on business to business transactions of goods between EU Member States.



A typical example is when a VAT registered trader buys goods from a business in another Member State. He does not pay VAT to the supplier, only accounting for VAT in his own Member State. On the other hand, suppliers selling cross-border do not have to apply VAT on their sales and have the right to reclaim the VAT they have already paid.

Fraudsters can take advantage of the system by acquiring goods free of VAT and reselling them on the domestic market inclusive of VAT, and at a lower price than competitors. Fraud takes place when that VAT is not passed on to the national authorities. In the blink of an eye, the fraudulent company can simply disappear, pocketing the collected VAT.



By ensuring that national authorities can track supplies between Member States for VAT purposes in real time, they will be in a much better position to crack down on fraud.

