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Indirect Taxation and Tax administration  
Value added tax

**Group on the Future of VAT  
38<sup>th</sup> meeting – 6 May 2022**

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**GROUP ON THE FUTURE OF VAT**

**GFV No 124**

**MINUTES**

**38<sup>TH</sup> MEETING  
– 6 MAY 2022 –**

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**1. APPROVAL OF THE AGENDA**

The agenda (document taxud.c.1(2022)3462755) was not contested or discussed.

**2. NATURE OF THE MEETING**

The meeting was not open to the public.

**3. GFV N° 119 IOSS VAT IDENTIFICATION NUMBER - SECURING THE IOSS PROCESS**

The Commission services introduced the paper orally. Following the abolition of the VAT exemption for imports of low value goods not exceeding EUR 22, along with the associated introduction of the Import One-Stop Shop (IOSS) simplification, the Commission is cognisant of the need to bolster the security of the IOSS process in order to safeguard the scheme from potential VAT fraud.

The Commission services mentioned that they have facilitated a number of discussions with different stakeholders across various fora with the view to establishing the magnitude of the issue and identifying potential solutions. Although the magnitude of the problem could not be established, all parties recognise the potential risk of abuse and the importance of further securing the IOSS VAT identification numbers against possible fraud. Accordingly, appropriate actions should be taken to implement an effective solution to combat IOSS VAT identification number abuse.

The Commission services mentioned that the support of Member States will be needed to include a solution to this issue in the proposal on the Single VAT Registration (SVR) pillar of the VAT in the Digital Age initiative.

Following the oral presentation of the paper, ideas were exchanged on how to effectively tackle IOSS VAT Identification number abuse and possible solutions to help secure the process.

The majority of delegates that responded during the meeting were not aware of the extent of IOSS VAT identification number abuse. However, they recognised the need to further ensure the security of the IOSS process. As a result of their support, the Commission services will examine if a solution can be included in the proposal on VAT in the Digital Age. A number of delegates also expressed an opinion on possible solutions to help combat the issue, which could include new IT systems, further exchanges of information with platforms and possible improvements to the current monthly IOSS listing.

Delegates were invited to revert in writing with their possible solutions to help combat the issue of IOSS VAT identification number abuse.

**4. GFV N° 120 SINGLE VAT REGISTRATION (SVR) – TRANSFER OF OWN GOODS**

The Commission services introduced the topic via a PowerPoint presentation which focussed on the current VAT treatment of ‘the transfer of own goods’, the remaining situations for which VAT registration would still be required (after inclusion in the SVR) and the different options: 1) inclusion in the Digital Reporting Obligations (DRR), 2) extension of the One-Stop-Shop (OSS) (whereby the transfer would remain a taxable event (first sub-option) or would no longer constitute a taxable event (or be exempt) (second sub-option), and 3) extension of the ‘deemed supplier’ provision for transfers by platforms in combination with the OSS (and with the same two sub-options as above).

During the discussion round that followed the presentation, it became clear that no one of the delegates that took the floor was willing to consider the option that the ‘transfer of own goods’ would no longer constitute a taxable event (or would be exempt). It was recalled that the ‘transfers’ were not only intended to follow-up on the movement of goods but also to deal with the (different) deduction rules in the Member States (e.g. because of a standstill). In this context, reference was also made to the possible risk of optimisation in relation to business assets that are subject to an adjustment period, in case such goods would be transferred from a Member State (allowing full right of deduction) to another Member State (allowing only a limited right of deduction).

Another (negative) aspect that was mentioned were the required IT changes to include ‘transfers’ into the OSS; one delegation did not want any B2B operation (such as transfers) to be included in the OSS. Another delegate wanted to have the risk of new forms of carousel fraud to be assessed, possibly via Eurofisc. The view was also expressed that less VAT registrations decreased the control possibilities for tax administrations and that the extended use of the OSS would not necessarily be less burdensome.

While certain delegations expressed the view that an extension of the ‘deemed supplier provision’ for platforms (option 3) could be a way forward, others were rather reluctant on increasing the liability and the possible burden on platforms; one delegation suggested that the platforms could act as ‘global tax representatives’ for underlying suppliers.

Some delegations pointed out the advantages that a reduction in the number of VAT registrations could bring for businesses in terms of administrative burden. One delegation considered option 1 (inclusion in the DRR) to be the most promising option. Another delegate expressed to be rather in favour of option 2A (inclusion in the OSS as a taxable event); again another considered options 2A and 3A (extension deemed supplier provision for transfers as a taxable event) as the most interesting ones.

Several delegates pointed out that their view was not final and that further analysis and internal consultation was necessary.

**5. GFV N° 122: VAT IN THE PLATFORM ECONOMY – FOCUS ON SPECIFIC ISSUES – FOLLOW UP**

The Commission services introduced the paper, which outlined their thinking and sought Member States’ views on a number of issues relating to VAT in the platform economy, namely:

- The deemed supplier regime and the changes to the SME scheme in 2025
- How the platform identifies the tax status of the customer
- The impact of SME thresholds
- The deemed supplier regime and travel agents
- The exemption of short-term accommodation rental
- Record-keeping obligations

Delegations were generally positive towards the document, with two having doubts on the plan to clarify the exemption of short-term accommodation rental. Further, three delegations expressed doubts on the process by which the platform establishes the taxable status of the customer (how far should the platform go in establishing the status, who is liable if the platform acts on the wrong or missing information, possibly considering the idea of a specific prefix further). Finally, two delegations voiced concerns over the thresholds (one wanting higher thresholds and another wanting no thresholds).

The Commission services invited any further comment in writing within two weeks of the date of the meeting.

## **6. GFV NO 123 E-INVOICING AND THE NEED FOR EU STANDARDS AND INTEROPERABILITY**

The document aimed at getting delegates' views on the different elements of the design of a digital reporting system. For that purpose, three blocks of questions were addressed to the delegates:

- Separation between e-invoicing and e-reporting

The possibility of validation/clearance of electronic invoices by the tax administration obtained the support of several delegates. However, most of them were contrary to this possibility, pointing to its shortcomings; for instance, the possibility of limiting innovation in this field, and the existence of a single point of failure that could hinder the swift exchange of invoices between the parties. Further, some delegates raised the issue that invoicing is an obligation under civil law, so tax authorities should not interfere in the process.

Delegates considered that, if a clearance model was to be implemented, it should be limited to formal checks, not substantial checks. One delegate explained that the practical implementation of a clearance model has not raised problems, but helped taxpayers to verify the correctness of the declared data. In any case, no clearance should be put in place for invoices on intra-Community transactions.

In relation to the data to be sent, while some delegations preferred to receive only the necessary data for tax control purposes, others preferred to receive all data in the invoice, stating that for taxable persons it could be even more complicated to filter the data to be sent rather than just sending the totality of the data in the invoice (except for the name of private individuals in the case of B2C transactions). In general, delegations showed flexibility in this regard. For intra-Community transactions, most delegations agreed that the subset of data to be exchanged should be the same for all Member States, while for

domestic transactions the amount of data could be left at the discretion of Member States (possibly with a minimum set of common data).

Delegates argued that the implementation of a reporting system should be proportionate and the situation of SMEs should be taken into account, carefully analysing if mandatory e-invoicing was the best policy option for them.

- Mandatory/voluntary e-invoicing, need for standards and tool for the transmission of electronic invoices

While a few delegates questioned the necessity to impose e-invoicing, some delegates explained the need to have a fully automated process for the digital reporting system to be successful, starting therefore with the creation of e-invoicing. Delegates stressed that what is important is that the process is automated, but the way the data from the invoice is communicated is less relevant and could be left to the option of Member States. The costs of the different options for businesses, and in particular SMEs, is an important factor.

The most important issue for the delegates is to ensure the interoperability of systems. The implementation of standards seemed not necessary to all delegates, even though some of them defended their necessity to ensure interoperability. In this regard, the standard EN 16931 which is already used for B2G transactions, was the preferred option. The Commission services explained that interoperability at formal level is achieved by using this standard. The interoperability at exchange level is another aspect for which a standard can also be set at EU level.

Even though some delegates considered that mandatory e-invoicing was not necessary, a majority of them defended it as the best way forward, in particular for intra-Community transactions.

- Role of the recipient of the invoice

There were divergent views among the delegates on the preferred option, with some of them supporting the option of reporting by the acquirer, others the need to accept the invoice and another group defending that the acquirer should not be required to do anything. One delegate argued that the acquirer should only intervene to refuse the invoice, if necessary.

Nevertheless, the option regarding the acceptance of the invoice seemed to be the one that obtained less support, with some delegates expressly opposing this possibility.

## **7. GFV N° 118: VAT TREATMENT OF RETURNED GOODS IN THE CONTEXT OF DISTANCE SALES OF GOODS IMPORTED**

The Commission services made an oral presentation of its paper on the VAT treatment of returned goods in the context of distance sales of goods imported. It was mentioned that the purpose is not to make a legislative amendment but rather to examine the legal framework governing the importation of goods into the EU in order to assess whether the e-commerce package presents new challenges for the VAT treatment of returned goods. The Commission services emphasised that the main objective of this agenda point is to try

to establish a coherent and uniform VAT treatment of returned goods, especially where import VAT was charged.

Due to time constraints, the Commission services quickly guided the participants through the whole of the paper. The Chair then opened the floor for initial feedback but as there was none, delegates were invited to provide written feedback to the questions raised in the paper.

## **8. INFORMATION POINTS**

### **8.1. VAT e-commerce package – presentation of the results of the evaluation**

Delegations were thanked for their valuable replies provided to the questionnaire evaluating the VAT e-commerce package after its 6 months of entry into application. These replies confirm the success in its aim to reshape and modernise the system of taxation with a view to ensure its relevance given the new realities of the e-commerce market: fairer taxation, simplified VAT collection and increase in VAT revenue.

The successful implementation and very positive results were illustrated by the almost EUR 8 billion of VAT collected via the OSS and IOSS schemes:

- Approximately EUR 6.8 billion VAT collected in the Union One-Stop Shop and non-Union One-Stop Shop schemes, which equates to at least EUR 13.6 billion on an annual basis.
- Almost EUR 1.1 billion VAT collected via the Import One-Stop Shop in relation to imports of low value consignments with an intrinsic value not exceeding EUR 150.
- Further EUR 965 million of import VAT collected in relation to imports of non-IOSS low value consignments during the same period.
- EUR 692 million of new VAT directly generated as result of the abolition of the EUR 22 exemption threshold on imported goods.

These figures validate the popularity of the e-commerce simplifications among traders in the e-commerce market. The evaluation will be accompanying the impact assessment in view of the possible proposal on VAT in the Digital Age scheduled for end-October 2022.

The need for improvements of the current schemes was raised in the presentation, improvements that will also be addressed in the VAT in the Digital Age initiative.

Finally, some operational issues were briefly presented together with the current ongoing steps to overcome these issues:

- Cases of double taxation, for which a temporary solution has been agreed by the Member States, while discussions with the Universal Postal Union are ongoing to ensure an electronic transmission of IOSS data to the postal operators of destination in the EU.

- Potential abuse of the IOSS number, against which common and innovative solutions to better secure the IOSS process are supported by the Commission services and will be addressed in the VAT in the Digital Age initiative.
- High postal fees, against which the Commission and Member States received several complaints. For better transparency, the Commission is planning to publish on its website the relevant information on the level of service fees applicable by national postal operators.

It was concluded that, by reshaping and modernising the VAT system, the VAT e-commerce package has achieved its main objectives of fair taxation, simplification and protection of VAT revenue.

This allows to suggest a further extension of the OSS and further improvements of the IOSS alongside implementing quick fixes that can address the need for improvements of the current rules and processes.

Due to lack of time, delegates were invited to submit their comments and questions, if any, in writing.

## **8.2. 2020 Action Plan – Update of the state of play**

### **▪ Way forward on the VAT in the Digital Age Initiative**

The Commission services provided an update on the state of play of the VAT in the Digital Age initiative and its way forward. The Public Consultation and Call for Evidence closed on 5 May 2022. 193 and 322 contributions were received respectively for the Public Consultation and Call for Evidence and the results will feed the Study and the Impact Assessment. The results of the evaluation of the e-commerce package will also be incorporated to the Impact Assessment, which will be submitted to the Regulatory Scrutiny Board (RSB) on 25 May and discussed with the RSB in a meeting on 22 June. The Commission services further indicated that the legislative proposal is envisaged to be ready in the Autumn.

### **▪ VAT package on travel and tourism**

With the focus being on travel and tourism, this initiative will be looking at the special scheme for travel agents, the VAT rules on passenger transport and the exemption on supply of goods to non-EU travellers. A study has been launched with a view to collect the data necessary to feed into the impact assessment.

### **▪ Exemption certificate (GFV No 109) – Follow up**

Following discussions at the last meeting on transforming the exemption certificate into an electronic form and put in place an electronic procedure, SCIT has been mandated to look into the issue of feasibility and cost.

▪ **VAT exemptions to non-EU travellers – Follow up**

At the last GFV meeting, the delegates were asked to submit their opinions in relation to the VAT exemptions to non-EU travellers. The Commission services presented the results and main conclusions of this questionnaire, which show that the current refund system for non-EU travellers is prone to fraud, which can be solved with digitization. Harmonization at EU level is recommended, or at least interoperability should exist. Some Member States consider that the rules related to the tax-free shops and refund to travellers procedures should be revisited, while some other Member States consider that a reform in this area is not necessary.

**9. AOB**

Finally, the Commission services informed the delegates on the link between the Margin Scheme operation (as a result of the recent VAT rate Directive) and the VAT in the Digital Age initiative. The Impact Assessment for VAT in the Digital Age will therefore also look at this issue.

The next meeting of the group will take place in principle on 23 September 2022.

**10. LIST OF PARTICIPANTS**

Commission officials from DG TAXUD Unit C1, DG BUDGET Unit B2, and the members of the Group on the Future of VAT as published in the Register of Commission Expert Groups and other similar entities<sup>1</sup>.

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<sup>1</sup> <http://ec.europa.eu/transparency/regexpert/index.cfm?do=groupDetail.groupDetail&groupID=2609&NewSearch=1&NewSearch=1>