



Sovos Response to Public Consultation regarding the European Commission Proposal for a Council Directive amending Directive 2006/112/EC as regards VAT rules for the digital age

Sovos welcomes the opportunity given by the European Commission to provide input in a public consultation on the European Commission Proposal for a Council Directive amending Directive 2006/112/EC as regards VAT rules for the digital age (hereinafter referred to as the 'Proposal').

As an e-invoicing and tax technology vendor with a team of experts who possess extensive industry and regulatory experience in the field of international e-invoicing and e-reporting, Sovos would like to refer to the European E-Invoicing Service Providers Association's (EESPA) response to the public consultation regarding its general comments on the proposed changes concerning Digital Reporting Requirements (DRRs).

While EESPA's response touches upon the key points regarding DRRs – most importantly the promotion of a [Decentralized Continuous Transaction Controls and Exchange \(DCTCE\) model](#) –, Sovos would like to supplement the EESPA position with additional feedback on one practical dimension that could facilitate the adoption of the Proposal and the rollout of the proposed changes.

The Proposal prohibits Member States from introducing so-called 'clearance' mechanisms as part of DRRs. These are defined as 'prior mandatory authorization or validation'; however, it is our understanding that this provision was also implicitly designed to move the EU away from so-called centralized CTC systems. Aside from the discussion about clearance (as per the EESPA statement and request for clarification: *clearance and centralized CTC are not necessarily overlapping concepts*), the EESPA position refers to additional arguments against Member States requiring the use of a single platform for all B2B e-invoicing; these include the creation of a single point of failure, and the reduction in incentives for innovation in supply chain automation compared to such invoicing transactions being brokered by private sector vendors.

It is our understanding that some Member States view the centralized CTC approach as beneficial primarily because it guarantees timely and inexpensive e-invoicing enablement for companies of all sizes. We believe that this objective can be achieved in a model which minimizes the aforementioned drawbacks.

We encourage the European Commission to consider providing a migration path for Member States such as Italy, Poland, and Romania to adopt the DCTCE model while *repurposing existing centralized*



CTC platforms as specialized access points in the 5-corner DCTCE model with basic e-invoicing services for small companies or other specific use cases where taxpayers cannot optimally leverage a private sector (in-house or external) access point.

This would provide a more distributed approach to the provision of e-invoice transmission functionality, while continuing to leverage existing investments in member states with established centralized systems for both reporting and e-invoice transmission. The model adopted by France in its VAT reform towards e-invoicing and e-reporting could serve as one inspiration for this compromise approach.

Sovos remains at your disposal for further clarifications at the following email addresses: Christiaan Van Der Valk (christiaan.vandervalk@sovos.com) and Anna Nordén (anna.norden@sovos.com).