Response to
Public Consultation

Brussels, 3 April 2023

EFAMA STATEMENT ON THE EUROPEAN COMMISSION'S ViDA PROPOSAL
VAT IN THE DIGITAL AGE (ViDA)

Following up on the comments delivered during the public consultation **EFAMA welcomes the ViDA proposal** released in December 2022 and is re-engaging to deliver the following remarks.

After reviewing the information made available by TAXUD (e.g. proposal, impact assessment, a summary of impact assessment and a factual summary report of the public consultation) **EFAMA's members' concerns are limited to the Digital Reporting Requirements (DRRs) (e.g. electronic invoices) that will be introduced**.

One of the aims of this DRR element of the proposal is to fight tax fraud (which can be hard to happen in transactions that are VAT exempt). **We understand that the exemption to issue invoices for exempt supplies will remain available and these rules will not be impacted by the ViDA proposal.** The modernisation and simplification of the VAT reporting obligations are to be welcomed by the concerned businesses, such as the investment management sector, but also by tax authorities that, otherwise would have to start handling a huge volume of data that most likely and ultimately would be useless because exempt services are not a source a VAT fraud.

We welcome the consistency of the proposal and the fact that VAT-exempt services will not be covered by the new DDR. Hopefully, the requirements that already apply will not be changed by the ViDA proposal. With this solution, **the proposal should allow tax authorities to focus on the real risk of tax fraud cases and should not create new burdensome procedures/compliance obligations that would represent new costs that in the end would be imposed on clients/consumers (e.g. end investors) for no reason.**

At first glance, this important proposal might not have a major impact on **our industry** that **would continue to benefit from the exemption to issue invoices for exempt services of article 220.2 of the VAT Directive**[1], which we understand is not affected by the ViDA proposal and that must be kept – otherwise, its suppression would imply an additional administrative burden that would be useless due to the absence of VAT fraud in case of exempt services.

Notwithstanding, **as some actors in the investment management sector may perform VAT-taxable services (few) – and they may have to deal with the new DDR rules – we take the opportunity to raise our voice and share the following specific comments** on the proposal:

[1] Council Directive 2006/112/EC, of 28 November 2006 on the common system of value added tax.

- **Article 222** – **The two-day delay** to issue and report invoices **is extremely short**, will lead to many practical difficulties and impose huge investments and will be detrimental to the qualify of the reported information. In this respect, we note that other reporting aimed at fighting against VAT fraud (e.g. DAC7 or Central Electronic System of Payment information (CESOP)) foresee a much longer delay.

- **Article 223 (to be deleted)** – **Summary invoices must be maintained** because they are an extremely useful tool in case of long-term relationships which is typically the case in the investment management industry. The fact that summary invoices are used in the case of long-term relationships indicates that the risk of fraud in these cases is limited.

- **Article 232 (to be deleted)** – It is proposed that the authorisation of the customer to accept electronic invoices should be removed as from 1st January [2024 – deadline that Member States will have to adopt, publish and apply the ViDA proposal provisions]. This would require that all Member States unanimously agree with this proposal and the issuance of national guidance will be required. **Suppliers and customers will need to update their systems and controls to send and receive invoices electronically.** Consequently, with these challenges in mind**, Member States should consider the introduction of an additional delay of one year** and remove the authorisation of the recipient rule only as of 1st January [2025].

The transposition deadlines of the ViDA proposal will be challenging both for **Member States and** for **businesses** that **should be allowed sufficient time to implement the new rules**. We understand that these concerns will be examined in more detail by other affected and/or specialized stakeholders (namely business and tax authorities representatives that will be requested to implement the new rules from an IT perspective).

These comments are being shared with the Commission and with all Fiscal Attachés/Ministers of Finance of the 27 EU Member States. **EFAMA stands ready to assist and discuss the issues raised in this document with the technical teams of the relevant stakeholders that will work in the upcoming negotiations of this proposal**.

EFAMA

ABOUT EFAMA

EFAMA is the voice of the European investment management industry, which manages over EUR 30 trillion of assets on behalf of its clients in Europe and around the world. We advocate for a regulatory environment that supports our industry's crucial role in steering capital towards investments for a sustainable future and providing long-term value for investors. Besides fostering a Capital Markets Union, consumer empowerment and sustainable finance in Europe, we also support open and well-functioning global capital markets and engage with international standard setters and relevant third-country authorities.

EFAMA is a primary source of industry statistical data and issues regular publications, including Market Insights and the authoritative EFAMA Fact Book.

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