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**Group on the Future of VAT
43rd meeting – 9 November 2023**

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GROUP ON THE FUTURE OF VAT

GFV No 132

MINUTES

**43RD MEETING
– 9 NOVEMBER 2023 –**

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1. WELCOME AND INTRODUCTION

The Chair welcomed the delegates.

2. APPROVAL OF THE AGENDA

The agenda (document taxud.c.1(2023)11143007) was not contested or discussed.

3. NATURE OF THE MEETING

The meeting was physical and was not open to the public.

**4. GFV NO 129 EXEMPTIONS FOR INTERNATIONAL ORGANISATIONS -
ELECTRONIC EXEMPTION CERTIFICATE**

The Commission services presented the working paper, stressed the need for an electronic exemption certificate and referred to the technical work done in SCAC and SCIT, during which option 3 has turned out to be the most supported one as that would come along with a PDF e-form embedded in a complete electronic process.

Almost all delegates taking the floor welcomed the approach to digitalise the procedure, most of which supported option 3.

Some delegates asked questions on how to handle access to the system at Member State level. The Commission services explained that the system will come with a complete process and a component for managing profiles that allows users to interact and that the only task for Member States is to manage users and decide who is eligible to get access. The technical solution would be based on UUM and DS and users will only be able to see what they should see.

Some delegates requested more information about the costs for Member States and how data protection would be guaranteed. The Commission services confirmed that the costs for Member States are considered low given that the system is developed and provided by the Commission, also taking into account that the costs linked to the handling of the paper versions will disappear. Further work at technical level will look into the elements that will better allow Member States to assess their individual costs. The Commission services also confirmed that data protection is taken seriously and solutions to meet specific needs in this respect may be identified during the upcoming work on technical implementation.

Asked whether Member States need to provide translations, the Commission services explained that this is only needed in rare cases of modifications to the system itself, which, once running, contains standard translations of the forms in all languages.

As regards the question whether documents can be attached, the Commission services confirmed that the system will have features to cross-check with other information like that from invoices.

Asked about the interaction with excise duties, the Commission services confirmed to be aware about possible confusion given that there is also a certificate for excise duty only. Member States however have different administrative structures and there is already a legal basis in the field of excise duties that allows moving towards an electronic solution. The Commission services assured that the issue is taken care of through internal consultations with excise colleagues.

Some delegates asked if further work will be done in SCAC and SCIT, which was confirmed by the Commission services. Asked if the electronic certificate will be applicable for all exemptions under Article 151 of the VAT Directive, the Commission services replied in the affirmative.

Asked for an implementing date, the Commission services confirmed to be aware of the high number of IT projects Member States have to cope with and assured to be flexible in this context.

The Commission services concluded that there is a consensus on the principle of having a digital solution for the exemption certificate and noted that there is a preference for option 3. The Commission services will further reflect on the appropriateness of preparing a legal proposal now and confirmed that SCAC and SCIT will look further into technical details that will also allow Member States to obtain elements needed for calculating their costs. The Commission services also stressed that it is important to be flexible on the timing aspect.

5. GFV NO 130 AMENDMENTS IN A LATE SUBMITTED OSS/IOSS VAT RETURN

The Commission services presented the working paper stressing the need for a harmonised correction mechanism for the three One-Stop Shop (OSS) schemes and seeking Member States opinion regarding the two solutions detailed in the working paper.

While all delegates supported the need for the same common correction process to be applied in the three special schemes, a vast majority of Member States expressed a preference for the second solution only allowing corrections to previous tax periods. This solution requires amendments to Articles 365 and 369t of the VAT Directive in order to align the wording of these Articles with the wording of Article 369g for the Union scheme. This solution will also trigger updates of the IT specifications and systems.

As the VAT in the Digital Age proposal includes improvements to the current OSS schemes and is currently being negotiated in Council, the Commission services proposed to suggest to the Council Presidency the inclusion of these amendments in the compromise text.

Moreover, one delegate mentioned the need for more detailed declarations of corrections in the OSS VAT returns suggesting the same level of details as the primary declaration (e.g. split of goods and services). The Commission services mentioned their support for this suggestion that, if supported by the Member States, could be included in a revised version of Commission Implementing Regulation (EU) 2020/194.

6. GFV No 131 SPECIAL SCHEME FOR SMEs - MEMBER STATES' SUGGESTIONS OF TOPICS TO BE COVERED IN THE SME EXPLANATORY NOTES

The Commission services presented the first draft of the Explanatory Notes on the special scheme for small enterprises, 'SME scheme'. The objective of the Explanatory Notes is to provide practical information on the functioning of the SME scheme that is easy for small enterprises who are not experts in the field of VAT to understand. The delegates welcomed the work done on this first draft, especially on the examples and figures which provide concrete guidance to small enterprises.

Some delegates made comments and suggestions on topics they consider relevant to be included in the Explanatory Notes. The Commission services will analyse the additional comments received and informed that a working paper going through the whole SME scheme – and which analyses the topics mentioned by the delegates – will be discussed by Member States at the next VAT Committee meeting. The outcome of the discussion in that forum will be included in a more advanced version of the Explanatory Notes.

The delegates can provide the Commission services with additional written comments and suggestions on the SME Explanatory Notes up until **15 January 2024**. A second round of consultation on a more advanced version of the SME Explanatory Notes will take place in March 2024.

7. INFORMATION POINTS

7.1. VAT in the Digital Age (ViDA) package – state of play of negotiations in Council

The Commission services provided a brief update on the state of play of the negotiations in Council, where good progress has been made in the three work streams of the proposal. Since more technical discussions are needed notably as regards some aspects of Digital Reporting Requirements (DRR) or the customs related part of the proposal, discussions on ViDA will resume under the Belgian Presidency in 2024.

7.2. Customs reform, including the VAT proposal (COM(2023)262 final)

The Commission services gave a high level presentation on the customs reform. The delegates were informed that on 17 May 2023, the Commission adopted the customs reform addressing the current pressures under which EU Customs operates, including a huge increase in trade volumes, especially in e-commerce, a fast-growing number of EU standards that must be checked at the border, and shifting geopolitical realities and crises. The reform aims at the simplification of customs processes for business, especially for the most trustworthy traders.

The reform is based on three pillars:

- **An EU Customs Data Hub** to digitalise the procedures, which will be open for e-commerce consignments in 2028, followed (on a voluntary basis) by other importers in 2032, leading to immediate benefits and simplifications.

- A new **EU Customs Authority** that will help Member States to prioritise the risks and coordinate their checks and inspections.
- A coordinated approach between customs and VAT rules regarding the importations of goods in the context of **e-commerce**.

In particular, the proposal COM(2023)262 final lays down VAT rules relating to taxable persons who facilitate distance sales of imported goods, making online platforms key actors in ensuring that goods sold online into the EU comply with all customs obligations.

The e-commerce pillar of the customs reform entails that:

- Platforms will be responsible for ensuring that customs duties and VAT are paid at purchase, so consumers will no longer be hit with hidden charges or unexpected paperwork when the parcel arrives at destination.
- The current threshold whereby goods valued at less than EUR 150 are exempt from customs duty will be removed tackling fraud and undervaluation.
- Simplification of customs duty calculation for the most common low-value goods bought from outside the EU.

The customs reform, including the VAT proposal, received the support of the European Economic and Social Committee.

As the negotiations in Council on this Customs reform and on the IOSS related changes of the ViDA proposal will take place under the Belgian Presidency, the Commission services did not enter into discussion on the details. A joint meeting with customs delegates is under consideration and the delegates of the GFV were encouraged to coordinate the national positions with their customs experts.

8. AOB

Expiration of the Commission Decision (EU) 2023/829 on importation granted for goods to be distributed or made available free of charge to persons fleeing the military aggression in Ukraine and to persons in need in Ukraine

The Commission services informed the delegates that on 19 October 2023 the Commission consulted Member States to identify their interest in continuing the application of the relief from import duties and the exemption from VAT provided in the Decision. On 6 November 2023, five Member States requested the extension, and the Commission is preparing the Decision for the adoption. Member States will be consulted on the draft decision.

The Commission services thanked the delegates for their participation and the fruitful discussions and informed that the next meeting of the group will probably take place on 21 March 2023.

9. LIST OF PARTICIPANTS

Commission officials from DG TAXUD Unit C1 and B4, and the members of the Group on the Future of VAT as published in the Register of Commission Expert Groups and other similar entities¹.

¹ [Register of Commission expert groups and other similar entities \(europa.eu\)](#)