



EUROPEAN COMMISSION  
DIRECTORATE-GENERAL  
TAXATION AND CUSTOMS UNION  
Indirect Taxation and Tax administration  
**Value added tax**

**VAT Expert Group  
36<sup>th</sup> meeting – 6 June 2024**

**taxud.c.1(2024)5749830**

Brussels, 10.07. 2024

## **VAT EXPERT GROUP<sup>1</sup>**

**VEG No 119**

### **SUMMARY MINUTES**

**36<sup>TH</sup> MEETING  
– 6 JUNE 2024 –**

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<sup>1</sup> Group of experts on value added tax to advise the Commission on the preparation of legislative acts and other policy initiatives in the field of VAT and to provide insight concerning the practical implementation of legislative acts and other EU policy initiatives in that field.

**1. APPROVAL OF THE AGENDA**

The agenda ([document taxud.c.1\(2024\)4029020](#)) was not contested or discussed and was approved by the members.

**2. NATURE OF THE MEETING**

The meeting took place in the form of videoconference and was not open to the public.

**3. VAT AFTER ViDA – PROGRESS UPDATE BY THE VEG INFORMAL WORKING GROUP**

As a follow-up to the exchange of views held in the previous VEG meeting about the future of VAT, deeper reflections were held on the subject by an informal working group of VEG members that presented a progress report of its work to the rest of the members.

Following the Commission services proposed reflection on the future of VAT after ViDA, a member of the of informal working group presented a progress report.

This working group informed of interesting discussions on different topics to be further explored, from simplification to greener VAT and technology.

The Commission services reminded that the informal working group is expected to deliver and present their report for discussion in a meeting of the VEG to be held towards the end of the year (around mid-December 2024). The report is also expected to be presented to the Group on the Future of VAT (GFV).

**4. DESTRUCTION OF GOODS AND VAT TREATMENT OF DONATIONS – EXCHANGE OF VIEWS**

The Commission services presented the current situation on donations and destruction of goods and opened the discussions on the different treatment for destruction and donation of goods:

- (1) for destruction the right to deduct input VAT is kept, regardless of the reason for destruction; and
- (2) on donations, the VAT exempt charities pay VAT on goods purchased that they donate and cannot deduct this VAT, the same as private individuals, while businesses initially deducting VAT when purchasing goods must correct the VAT input if they donate them.

VEG members expressed the need for more advantageous VAT treatment or, at least, for clearer VAT guidance on donations, in line with the report on the Single Market spearheaded by Enrico Letta.

The Commission services informed the VEG members that Member States are also discussing this issue.

Members mentioned that the issue of donations and destruction of goods will also be addressed in the report on the future of VAT that the VEG informal working group is expected to present by the end of the year.

## **5. VEG N° 117: VAT IN THE DIGITAL AGE (ViDA) - SINGLE VAT REGISTRATION - Implementation - First analysis**

A first analysis on the implementation of the Single VAT Registration (SVR) elements of the VAT in the Digital Age (ViDA) package was provided. This analysis, based on the last compromise text submitted by the Belgian Presidency to the ECOFIN of 14 May 2024, included the possible IT changes that will be necessary, and listed the areas where updates of the Implementing Acts, Explanatory Notes and Guides are needed.

This presentation was the precursor to a workshop that has been announced for the end of June in Helsinki. The accompanying document intended to provide a comprehensive overview of the required changes and will serve as basis for exchange of views during the workshop.

The objectives of the workshop were also recalled: developing solutions and providing input for the Commission Implementing Regulation that would cater for the SVR part of the proposal as well as trying to identify the preferred solutions to secure the use of the IOSS identification number.

On this last topic, the Commission services provided a state of play as regards the Import One Stop Shop (IOSS) scheme introduced by the VAT e-commerce package, whose main objective is to simplify the collection of VAT on low value distance sales of imported goods. It was mentioned that the success of the reform has been widely recognised, but experience has also shown the need for improvements, which have been included in the ViDA proposal.

Indeed, a major improvement included in the ViDA package is the mandate for the Commission to adopt an implementing act to introduce special measures to prevent certain forms of tax evasion or avoidance by better securing the correct use and verification process of IOSS VAT identification numbers.

Furthermore, the Commission services explained the problems linked to the current process:

- Potential misuse of the IOSS identification number by fraudulent actors seeking to unlawfully benefit from VAT exemption at import;
- Distribution/transport chain (including customs formalities) often carried out by different actors who are not connected with the platforms selling the goods, which makes crosschecking of data difficult;

- Impractical physical (cross)checks given the massive number of low value parcels.

To solve the above-mentioned issues, the verification process should be improved in a streamlined and automated way. The Commission services indicated that they are currently discussing potential solutions with stakeholders and IT experts which could include the use of a secured transaction number or the digital signature technology by platforms and/or suppliers. It was mentioned that the possible options will be further explored in the upcoming SVR workshop.

## **6. INFORMATION POINTS**

The Commission services presented the latest developments related to their on-going work, in particular in relation to:

### **a. ViDA package – state of play of negotiations in Council**

The Chair updated the group on the last developments in the negotiations in Council, of which the status was summarised as follows:

- Technical work on the compromise text is seen as complete and the results well balanced and ready for adoption.
- The Belgian Presidency invited delegations to agree with the proposed compromised solutions with a view to obtaining a political agreement on the file at the ECOFIN on 14 May.
- All Member States agreed on the three parts of the package, except Estonia that could not agree on the platform part.
- The Belgian Presidency is looking for solutions in view of the next ECOFIN in June.- The part of the package related to mandatory IOSS will be dealt with the customs reform under the Hungarian Presidency.

### **b. New SME scheme – Implementation – Update**

The Commission services outlined the state of the SME Explanatory Notes and the SME Guide. Both are currently being finalised taking into account comments made during the last meeting or shared subsequently by members.

Members were also updated on work still to be done to complete the SME Web Portal and on progress made on SME-on-the-Web, an application for use to verify EX numbers attributed to SMEs, and the Taxes-in-Europe database (TEDB) to be used by Member States to report thresholds applied.

### **c. Miscellaneous**

As regards the report on vouchers, due to be drawn up under Article 410b of the VAT Directive, members were informed that this is currently in the process of being approved by the Commission. The Commission services also made a brief mention of steps being taken to enable the VAT exemption certificate to be transformed into an electronic form.

## **7. AOB**

One member brought to the attention of the group a number of issues that have arisen in connection with the implementation of the new rules<sup>2</sup> to combat VAT fraud with regard to the technical requirements needed to set up the Central Electronic System of Payment information (CESOP) database. This member called on the Commission to closely follow the work done by all Member States towards the implementation of CESOP requirements and take enforcement actions where necessary to ensure that the new rules are being correctly implemented.

The Chair closed the meeting by thanking members for their participation and announced that the next meeting of the group is not yet confirmed, but will most likely be online and is tentatively scheduled for 4 October 2024.

## **8. LIST OF PARTICIPANTS**

Commission services and the members of the VAT Expert Group as published in the Register of Commission Expert Groups<sup>3</sup>.

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<sup>2</sup> [Commission Implementing Regulation \(EU\) 2022/1504](#) of 6 April 2022 laying down detailed rules for the application of Council Regulation (EU) No 904/2010 as regards the creation of a central electronic system of payment information (CESOP) to combat VAT fraud

<sup>3</sup> <https://ec.europa.eu/transparency/expert-groups-register/screen/expert-groups/consult?lang=en&do=groupDetail.groupDetail&groupID=2813&NewSearch=1&NewSearch=1>