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DIRECTORATE-GENERAL
TAXATION AND CUSTOMS UNION
Indirect Taxation and Tax Administration
Value Added Tax Policy

**Group on the Future of VAT
VAT Expert Group
Joint meeting – 25 June 2026**

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**GROUP ON THE FUTURE OF VAT
VAT EXPERT GROUP**

**GFV No 160
VEG No 139**

**MINUTES
JOINT MEETING
– 25 JUNE 2026 –**

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1. APPROVAL OF THE AGENDA

The agenda (*documents Ares(2026)5475990 and Ares(2026)5475897*) was not contested or discussed.

2. NATURE OF THE MEETING

The meeting was not open to the public. The meeting was a joint meeting of the Group on the Future of VAT with the VAT Expert Group which counted with the presence of external experts on the discussed fields.

3. POINTS DISCUSSED

3.1. Study on the taxation of the financial sector – Presentation of the final report

The Chair informed the participants that the external *Study on the taxation of the financial sector*, launched in summer 2024, was about to be published on the 30th of June 2026. The general and specific policy objectives of the Study were briefly recalled by the leading Unit, who also specified that the policy considerations developed to address the problems identified in the Study would inform our ongoing reflections on how best to achieve the objective of a coherent tax framework.

The Chair gave then the floor to the contractor to update the participants on the main results of the Study.

The contractor presented the key findings of the *Study on the taxation of the financial sector*, structured around three parts: a comprehensive assessment of the current situation (Part A), an identification of the problems caused and the policy objectives and considerations that a potential initiative could address (Part B), and an in-depth assessment of the likely impacts of the possible policy considerations put forward (Part C). The contractor then outlined these policy considerations grouped into three building blocks, namely: (I) Modernisation and simplification of the current VAT rules; (II) Introduction of measures to reduce non-deductible VAT for the financial sector; (III) Revisiting the VAT exemption for financial services and introduction of harmonisation measures for sectoral taxes.

After the presentation, the discussion concentrated on three key topics:

Outdated definitions for the VAT exemption in the Directive: there was a general consensus on the importance of adapting VAT rules to the digital era and clarifying the concept of ‘financial services’ for the purposes of the exemption, while some participants emphasising that any VAT reform, even if not solving all bottlenecks, should not result in the introduction of a new tax in the form of a Financial Activity tax that does not consider all the characteristics of companies.

Cross-border transactions and competitiveness: there was a discussion on improving competitiveness for Fintech companies and start-ups which have less capacity and are the first actors affected by the tax framework posing barriers to their (digital) innovation.

Another issue was also raised on the need to improve compliance with registration rules (VIES) to trade cross-border within the EU, should a reform focus on the distinction of the status of the customer (B2B versus B2C).

Structural VAT rules: Participants overall noted the challenges related to the option to tax and acknowledged the need for review, as well as the need to harmonize practices in the field of VAT grouping through, for instance, Explanatory Notes.

In this light, the contractor reiterated that the evidence gathered in the context of the Study would be crucial in informing the Commission's ongoing reflections and that any reform would depend on political choices and relative priorities.

3.2. Study on the Challenges of VAT beyond ViDA – Presentation of the final report

The Chair informed the participants that the external '*Study on the challenges of VAT beyond ViDA*', which builds on the ideas put forward by the VEG in its report on '*VAT After ViDA*', was received. He reminded that the primary objective of the study was the three critical focus areas: simplification, digitalisation, and the consistency of VAT rules with circular economy. The Chair gave then the floor to the contractor who presented the findings of the study highlighting the significant fiscal implications from possible simplification reforms such as eliminating exemptions and enhancing VAT deduction options. The findings also emphasise the possible benefits deriving from further digitalisation allowed by digital reporting systems (such as moving away from fractionated payment combined with split payment), noting substantial additional revenue from e-invoicing and e-reporting, with costs and savings predominantly affecting micro companies and SMEs. The potential improvements in fraud reduction, compliance costs, and VAT neutrality were also outlined. Reference was made to possible ways to greening the VAT system, i.e. the treatment of second-hand goods to take better into account the circular economy, the VAT implications of donations versus destructions of goods as well as on greening the VAT deduction rules for passenger cars.

Finally, the contractor outlined the proposed policy improvements, as well as an indication of the quantifications and the feasibility assessment.

After the presentation, the discussion concentrated into several key issues:

Cross-Border VAT Refunds: There was a reference on improving cross-border transaction compliance and VAT refunds through automation and extending One-Stop-Shop procedures. One participant mentioned that the current VAT system lacks neutrality and simplicity. However, harmonisation of VAT treatment is essential to reduce administrative burdens. Without it, any "automation savings" will be offset by existing complexities in bookkeeping systems. Also, categorisation of VAT must be standardised to avoid discrepancies in how VAT is applied and understood by buyers.

The contractor noted that the proposed reforms depend significantly on digital solutions.

Digitalisation: In general, participants acknowledged the role of further digitalisation in VAT compliance and the impact on simplification. However, they expressed concerns of duplication considering the requirements introduced by ViDA. It was mentioned again that automation benefits (e.g. reduced administrative burden) are undermined if

underlying VAT rules remain fragmented or complex. Especially e-commerce requires always clarity on place of supply and real-time VAT rate application to avoid retrospective adjustments.

The contractor highlighted efforts to enhance digital reporting procedures, recognising that some assumptions and conclusions will be obsolete after the ViDA implementation.

Split Payment: One participant mentioned that tax authorities must manage split payments daily for efficiency. Long response times could disrupt cash flow for businesses. Businesses will need additional internal controls to monitor a separate VAT bank account and cash flow. Currently, retailers receive revenue immediately at the point of sale but pay VAT monthly, which aids working capital (e.g., financing stock). Split payments could disrupt this cash flow, forcing retailers to pay VAT upfront while waiting for reimbursement.

Circular Economy and Second-Hand Scheme: Participants debated challenges in harmonising definitions. Others stressed the need for further exploring broader definitions for recycled materials and establishing guidelines for VAT donations (e.g. defining charities). Other participants reminded that common definitions are difficult to develop and that destructions do not have the same meaning for food and other goods.

In this light some participants put emphasis on related difficulties and the existing challenges considering that VAT deductions in the chain were exercised in different time in the past. In addition, participants mentioned the need for neutrality regarding the VAT treatment of corporate fleets questioning the use of VAT for environmental purposes. In this light the contractor reminded that even in the current system the VAT treatment of conventional cars is different across the Member States.

The Commission services clarified that the scope of future actions will be to identify possible areas where the VAT may hinder circular economy.

In the light of the above discussion some participants addressed difficulties in defining used and refurbished goods, which are prone to fraud. Participants stressed the necessity for clear definitions to mitigate these issues.

Exemptions and Hidden VAT: Participants noted the challenges related to exemptions, in particular linked to hidden VAT and asked if the study considers only the abolition of exemptions arguing as a feasible solution also the limitation of their scope.

The contractor reminded that the study incorporates such feedback already received, emphasising that the study would support future initiatives without being an impact assessment. In this light. the contractor clarified that empirical evidence from the study would be crucial in helping the Commission's future efforts to streamline and improve the VAT system. The Commission confirmed that the study is not the proposal but will assist in developing and shaping different options especially in the circular elements of the proposal.

3.3. GFV No 158 – VEG No 137: Second draft Explanatory Notes on Platform economy - CONFIDENTIAL

The Commission services presented the second draft of the explanatory notes on the Platform Economy and the amendments made compared to the first draft. Participants generally agreed that the draft was an improvement and a step in the right direction. They called for further refinements in certain areas related to:

- legal certainty around the underlying supplier's obligation to provide a VAT number and declaration, which several participants felt is not clearly grounded in the Directive and could create legal uncertainty;
- the practical burden of validating VAT identification numbers across 27 Member States, and the call from the business community for sufficient lead time, ideally 12 months unless a more harmonised system is introduced;
- participants asked for clearer drafting on issues such as price reductions and SMEs related examples, the new section on the scope of Article 46a, and more consistent terminology throughout the text;
- further clarification on the distinction between Articles 28 and 28a, as the two regimes operate differently;
- finally, on chain transactions, some participants questioned whether the explanatory notes correctly address which platform should be treated as the deemed supplier, where there is more than one platform involved in the supply.

The Commission services welcomed the generally positive feedback and acknowledged that some parts of the draft, especially concerning the interaction between Articles 28 and 28a, need further refinement, including clearer wording, more accurate examples and greater consistency in the terminology used. Overall, the discussion showed support for the revised draft, alongside with the need for further clarity and technical precision.

Participants were invited to send their written comments by latest 31 July 2026.

3.4. GFV No 159 – VEG No 138: Third draft Explanatory Notes on DRR (Digital Reporting Requirements) – CONFIDENTIAL

The Commission services presented the third draft of the explanatory notes on electronic invoicing and DRR, highlighting the changes made to the previous draft. Participants generally agreed that the draft was an improvement and a step in the right direction, even though there were still some topics that required further work and discussion.

The main topics raised were the following:

- VAT groups. Participants stressed that, even though the VAT Directive clearly states that once a company becomes part of a VAT group the only VAT number that can be used is the VAT number of the group and not that of the members, there are practical problems that make the application of the rule difficult.

- Rectification of invoices. One participant stressed that all invoices rectified must be referred to in the rectificative invoice.
- Transitional period. Why there is a different point of reference for reporting and invoicing.
- The terminology is not precise enough in certain sections. The definitions should be revised to make them more precise, in particular those referring to the issuance, transmission and reception of the invoice.
- There has to be certain flexibility in the application of the rules.
- The impact of the rules on the customer should be further developed.
- It is important to clarify the means for the transmission of invoices and what are the obligations and possibilities for Member States in this regard. The interoperability requirements should be stressed in the notes.
- The notes should highlight the need to involve the different stakeholders in the implementation processes carried out by the Member States. It would also be useful to provide some recommendations on best practices for the implementation of electronic invoicing and digital reporting.
- The notion of real-time reporting system should be clarified.
- How to report the VAT rate and the VAT amount and whether there can be a different treatment in this point between cross-border DRR and domestic DRR.
- Highlight in the notes that the implementation of the possibility of cancelling the reporting is not an obligation for Member States.
- The solution proposed in relation to sensitive goods should be consulted with Member States to ensure its harmonised implementation.
- Reflect on the reporting when there are two currencies on the invoice, in view of Article 230 of the VAT Directive.
- Reflect on the interaction of the European standard and the explanations provided in the notes in relation to hybrid invoices, attachments and extensions. An invoice compliant with the European standard should not be rejected irrespective of the other elements.

The Commission services welcomed the constructive comments made by the participants and will consider them when drafting the following draft of the notes. They highlighted the importance of providing drafting suggestions and including examples in the comments, to help understand the Commission services the problems at stake. Nevertheless, the discussion showed that there is support for the text, even though some adjustments and improvements are still necessary.

Participants were invited to send their written comments by latest 31 July 2026.

3.5. AOB

There were no other topics discussed under AOB.

4. NEXT MEETING

An on-line joint GFV/VEG meeting will take place on 19 November 2026 to finalise the Explanatory Notes (for publication in 2027). External experts for the different parts of the proposal will also be invited to this meeting.

5. LIST OF PARTICIPANTS

Commission officials from DG TAXUD Unit C1 and the members of the Group on the Future of VAT and of the VAT Expert Group as published in the Register of Commission Expert Groups and other similar entities^{1 2} as well as other external experts representing concerned sectors.

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¹ [Register of Commission expert groups and other similar entities](#)

² [Register of Commission expert groups and other similar entities](#)