

EU DETAILS ON VAT IN THE DIGITAL AGE (ViDA) PACKAGE

- ▶ *This Tax Alert provides details on the European Union (EU) Member States' agreement on the "VAT in the Digital Age" (ViDA) package, aimed at modernizing the value-added tax (VAT) system in the European Union (EU).*
- ▶ *The ViDA changes will have a broad impact on the VAT landscape and most businesses that operate in the EU are likely to be affected by them.*
- ▶ *On 12 February 2025, the European Parliament's plenary approved the changes to the ViDA package agreed by the Member States.*
- ▶ *On 11 March 2025, the Council of the EU agreed on the "VAT in the Digital Age" (ViDA) package. The European Commission also published in its website that the ViDA package will be rolled out progressively until January 2035.*
- ▶ *The ViDA package covers a directive, a regulation and an implementing regulation.*

Following the EU Member States' 5 November 2024¹ unanimous agreement on the "VAT in the Digital Age" (ViDA) package, the European Parliament's plenary has approved the changes to the rules on 12 February 2025.

This Global Tax Alert provides details on the package. The aim of the ViDA package is to modernize and improve the VAT system in the EU to be better aligned with the digital economy and to prevent tax fraud.

The new ViDA rules can be divided into three pillars:

1. E-invoicing and Digital Reporting Requirements (DRR)
2. Platform economy
3. Single VAT registration



1. E-INVOICING AND DIGITAL REPORTING

As of 1 July 2030

E-invoicing

E-invoicing will be the default system for the issuance of invoices and will become mandatory for any transaction within the scope of the DRR (see below). EU Member States may still accept invoices on paper or in other formats for other domestic transactions. However, many EU Member States (not including Luxembourg) have already introduced, or are in the process of introducing, domestic e-invoicing and e-reporting rules.

E-invoices must be issued in a structured electronic format (in compliance with EU standards) and must be submitted within 10 days following the chargeable event. Summary invoices are allowed under certain conditions.

DRR

A new digital reporting system will be introduced to replace the current European Community (EC) Sales Listing (recapitulative statements). Taxable persons will be required to submit e-invoice data on the following transactions:

- ▶ Intracommunity supplies and acquisitions of goods
- ▶ Transfer of own goods not reported via the new one-stop-shop (OSS) regime (discussed below)
- ▶ Supplies and acquisitions of goods and services (not exempt from VAT) subject to the (domestic) reverse-charge mechanism

The data must be submitted on a transaction-by-transaction basis at the time when the e-invoice is issued or should have been issued. For self-billing and acquisitions, a five-day extension may apply.

Subject to certain conditions, EU Member States may allow taxable persons to not submit data on intracommunity acquisitions of goods or acquisitions of goods and services subject to the reverse-charge mechanism.

Furthermore, EU Member States are allowed – subject to certain conditions – to implement DRR for domestic transactions. EU Member States that already have domestic e-invoicing and e-reporting rules in place before 1 January 2024, must harmonize these rules with the DRR before 1 January 2035.

¹See EY Global Tax Alert, [EU has finally reached agreement on VAT in the Digital Age \(ViDA\) proposal](#), dated 5 November 2024

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2. PLATFORM ECONOMY

As of 1 July 2028

New place-of-supply rule for business-to-consumer (B2C) facilitation services

The place of supply of a facilitation service provided by a taxable person to non-business (i.e., B2C) customers through the use of an electronic interface or platform, will be the place where the underlying transaction takes place.

As of 1 July 2028 (optional) and as of 1 January 2030 (mandatory)

Platform fiction for short-term rental of accommodation and passenger transport services

A platform fiction or deemed supplier regime will apply to the supply of short-term (uninterrupted) rental of accommodation (maximum 30 nights to the same person) and passenger transport services by road (within the EU), facilitated by a taxable person through the use of an electronic interface or platform (the facilitator).

The facilitator will be deemed to have received and supplied the services, unless the person providing the services (the underlying supplier) both:

- Provided to the facilitator their VAT identification number(s) of the EU Member State(s) where the service takes place, or their OSS identification number used for the reporting of the VAT on the service
- Declared to the facilitator that they will charge any VAT due on the service

The deemed supply from the underlying supplier to the facilitator will be exempt from VAT. The subsequent deemed supply from the facilitator to the customer will in principle be VAT taxable, unless a VAT exemption is applicable in the EU Member State where the service is provided. This regime will not affect the facilitator's right to deduct VAT.

The platform fiction or deemed supplier regime does not apply to supplies made under the Tour Operator Margin Scheme (TOMS).

Furthermore, EU Member States have the option to exclude supplies made under the special scheme for small enterprises from this regime.

3. SINGLE VAT REGISTRATION

As of 1 January 2027

B2C supply of gas, electricity, heating and cooling treated as EU distance sales

B2C supplies of gas, electricity, heating and cooling will be treated as EU distance sales and consequently and subject to certain conditions may be reported via OSS regime.

As of 1 July 2028

Expansion OSS regime

The scope of the OSS regime will be further expanded with the following B2C supplies of goods:

- ▶ Supply of goods with installation or assembly
- ▶ Supply of goods on board of ships, aircrafts or trains
- ▶ Domestic supplies of goods

New OSS regime for transfer of own goods

A new OSS regime will be introduced for the transfer of own goods (between EU countries). A taxable person applying this regime must report the transfer of own goods in a monthly VAT return. These transfers do not have to be reported in the EC Sales Listing.

The intracommunity acquisition of the goods in the EU Member State of arrival is exempt from VAT and does not give rise to a VAT registration obligation. Only the transfer of own goods for which a full right of deduction of VAT applies can be reported under this special regime.

If a taxable person transfers goods (between EU countries) of another taxable person, it must inform the latter of this, at the latest upon the transport or dispatch of the goods.



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Abolition of the call-off stock simplification

Due to the introduction of the new OSS regime for the transfer of own goods, the call-off stock simplification will be phased out and cease to apply on 30 June 2029. This means that the latest transport/dispatch of goods under the special call-off stock arrangement can happen on 30 June 2028.

Mandatory domestic reverse-charge mechanism

A domestic reverse-charge mechanism will become mandatory on the supply of goods or services performed by a taxable person who is not established nor identified for VAT purposes in the EU Member State in which the VAT is due, for goods or services supplied to a person already identified for VAT purposes in that EU Member State.

EU Member States may require, in accordance with their own conditions, a person acquiring goods or services to become liable for the payment of VAT and, hence, oblige that person to register for VAT purposes in that EU Member State.

CONCLUSION

The ViDA changes will have a broad impact on the VAT landscape and most businesses that operate in the EU are likely to be affected by them. Businesses should assess the impact of ViDA for their organizations and make the necessary changes to systems and processes, well in advance of the adoption of the new rules.

HOW CAN EY HELP?

- ▶ At EY, we can assist with implementing e-invoicing in your business to comply with the current regulations and plan for the proposed future changes.
- ▶ We can analyze your current business model and supply chains in the context of the current and future proposed requirements, including local specificities.
- ▶ We can provide a cash flow optimization analysis in the context of the current e-invoicing regulations and how implementing e-invoicing can improve efficiency and reduce cost in your business.
- ▶ We can analyze your current VAT registrations in the EU and the current call-off stock regimes in place and provide guidance on the eventual changes required.



OUR TEAM



Olivier Lambert
Partner, Indirect Tax
+352 42 124 7361
olivier.lambert@lu.ey.com



Jacques Verschaffel
Partner, Indirect Tax
+352 42 124 7219
jacques.verschaffel@lu.ey.com



Rebecca Obermahr
Partner, Indirect Tax
+352 42 124 7117
rebecca.obermahr@lu.ey.com



Christian Riveiro Cancelo
Manager, Indirect Tax
+352 42 124 7664
christian.riveiro-cancelo@lu.ey.com



Benjamin Drai
Partner, Indirect Tax
+352 42 124 7404
benjamin.drai@lu.ey.com