



Brussels, 5th May 2022

**EACB comments on the European Commission's public consultation
on the legislative proposal for
"Value-added tax (VAT) in the digital age"**

We welcome the opportunity to comment on this Commission's initiative.

General

While the EACB acknowledges that the current EU VAT system needs to be improved to keep pace with the latest digital and technological developments, we however note with concern that the "VAT in the digital age" initiative is likely to result in additional compliance costs and even more complex and burdensome rules for businesses. It is not justified in our view that the initiative lacks the intention to make a more effective and efficient use of information that tax authorities of EU Member States already possess to fight fraud, for example on basis of sales listing figures. We also note with concern that this initiative does not clearly take into account the overlap with other EU initiatives to combat VAT fraud, such as the one on the Central Electronic System of Payment information (CESOP)¹.

Digital Reporting Requirements (DRR)

Although our members support the Commission's intention to modernise VAT reporting obligations and further extending e-invoicing, we however would like to point out that should the VAT DRR in the EU be implemented, we would appreciate a specific mention that the exempt supplies are considered outside of the scope of the DRR.

In our view it is crucial that the steadiness of the technical reporting system is guaranteed at any time. We lack a substantial analysis on the use of information that businesses already report to tax authorities, such as on basis of sales listing figures, tax authorities have information. We believe that there is not a sufficient assessment on how information that tax authorities already possess to fight fraud could be recycled for the purpose of the current initiative. Apart from that, the reporting obligations have to be reduced to data that is needful to fight tax fraud. Data security has to be ensured and the provisions must clearly state for which purpose the data is collected including how the data can be examined by tax authorities. The storage period of the data has to be defined.

VAT Treatment of the Platform Economy

With reference to the Commission's proposal to adapt the VAT treatment of the platform economy, we believe that adequate consideration should be given to the fact that the two EU legislative proposals regarding the platform economy have been recently adapted, namely the above mentioned CESOP and the DAC7². Currently, a number of practical issues exists around the implementation of CESOP that would result in low data quality despite considerable efforts and

¹ Council Directive (EU) 2020/284 of 18 February 2020 amending Directive 2006/112/EC as regards introducing certain requirements for payment service providers; and Council Regulation (EU) 2020/283 of 18 February 2020 amending Regulation (EU) No 904/2010 as regards measures to strengthen administrative cooperation in order to combat VAT fraud

² Council Directive (EU) 2021/514 of 25 March 2021 amending Directive 2011/16/EU on administrative cooperation in the field of taxation



high administrative costs incurred by banks and other financial institutions. From this perspective, the question comes up whether the underlying objective can be reached best with only one of these initiatives instead of three.

As regards the questionnaire, a specific question is included about possible problems experienced concerning the VAT treatment of finance services supplied via platforms. In this respect we would like to note that our members do not experience issues like defining whether or when providers or consumers would qualify as VAT taxable persons etcetera. Banks offer these services to their clients with whom they have a client relationship based on KYC (Know Your Customer) rules following from prudential monitoring.

Single VAT Registration in the EU and IOSS

The EACB supports the idea of extending the possibilities of single VAT registrations in the EU and the use of the notion of the One Stop Shop (OSS). We however believe that this should be complemented with the need to ensure that the record keeping terms and deadlines for filing VAT returns are in line with rules of the specific EU Member State in which a taxpayer chooses to have its OSS. In addition, we would welcome the introduction of a deduction mechanism into the OSS. Finally, we are of the view that the effectiveness of these additional compliance requirements would benefit from a regular review and public reporting about such reviews should be incorporated in the proposals.

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