



EU Reaches Agreement on VAT in the Digital Age (VIDA): Key Changes Ahead for Businesses

On 5 November 2024, the EU Finance Ministers finally reached agreement on the VAT in the Digital Age (VIDA) proposal. These measures will have significant implications for businesses trading in the EU, and in particular for those involved in cross-border trade.

The VIDA package consists of three key components:

- E-invoicing and Digital Reporting
- Platform Economy
- Single VAT Registration

E-invoicing and Digital Reporting

- Changes effective from 1 July 2030
- E-invoicing will become the default method of invoicing for Intra-EU supplies of goods and services.
- European Standard (EN16931) will be the standard format to be used for e-invoicing.
- Suppliers will have to issue an e-invoice within ten days of a supply and will have to digitally report to their relevant tax authority directly after the e-invoice has been issued.
- The customer must also digitally report data on the transaction within five days of receiving the invoice. (However, EU Member States can choose to waive this obligation where certain criteria are met.)
- As a result of the above, the requirement to file VIES returns/EC Sales Lists will be eliminated.

Platform Economy – *Accommodation/Road Passenger Transport*

- Changes effective from 1 July 2028
- A platform operator acting as an intermediary or agent in facilitating the supply of “short-term rental of accommodation (up to 30 nights) and/or road passenger

transport” shall be regarded as the supplier of the services for VAT purposes and should be liable to account for any VAT due.

- To note however, where the underlying supplier provides its VAT number to the platform operator and the underlying supplier informs the platform operator that they will charge the VAT due on the supply, the above deeming provisions rules should not apply, and the underlying supplier should account for the VAT as normal.
- EU Member States may choose not to make the platform a deemed supplier if the underlying supplier qualifies and opts for the small and medium-sized business (SME) VAT regime.

Single VAT Registration

- The single VAT registration aims to reduce the VAT compliance burden for non-established businesses operating within the EU. The measures include:
- The One Stop Shop (OSS) has been extended to include additional supplies such as domestic business to consumer (B2C) supplies including supply and installation contracts, supplies of electricity and natural gas.
- Generally, the movement of own goods between EU Member States requires a VAT registration in the country of dispatch and the country of arrival. From 1 July 2028, the movement of own goods can be reported monthly in a new OSS return which will remove the obligation to report the acquisition VAT in the country of arrival.
- The mandatory VAT reverse charge rule will be extended to all business-to-business supplies where the supplier is not established and VAT registered in the EU Member State where the VAT is due.

Conclusion

Modernising the administration of VAT in the EU is to be very much welcomed. To note however, the VIDA measures will have a significant impact on Irish businesses, who need to start familiarising themselves with the measures so they can assess the impact on their business. Such changes will impact numerous parts of a business including tax, finance, IT, procurement etc. and it is important that businesses review the extent to which existing systems will be able to cope with the new e-invoicing (both issuing and receiving e-invoices), and digital reporting requirements under the agreed measures.

Please feel free to reach out to Philip Nolan (pnolan@bdo.ie) or Emma Galvin (egalvin@bdo.ie) for any assistance that is required in supporting your business in preparing for these significant VAT changes.

