

To: Taxation WG  
From: Personal & general insurance department  
cc:  
Date: 27-03-2024  
Reference: ECO-TAX-24-050  
  
Subject: Report from 35th VAT Expert Group (18 March 2024)

## Summary

Members are invited to take note of the discussion that took place on **18 March** during the **35<sup>th</sup> meeting** of the **VAT Expert Group**, a group created by the European Commission (EC) with the objective to provide advice and insights on the preparation of new policy legislative acts and other policy initiatives and on the practical implementation of legislative acts in the field of VAT.

Insurance Europe's representative in the Expert Group, Andreas Kessler (DE, Allianz) reported the following take-aways from the discussion on those VAT files that can potentially impact the industry. The discussion touched upon other initiatives, including the new rules for small/medium enterprises (SMEs), which currently has not been identified as a priority for the industry. The minutes of the meeting will be uploaded during the following weeks on the dedicated EU website (see [here](#)).

### ■ VAT in the Digital Age (ViDA):

- Reaching a final agreement on ViDA at the upcoming ECOFIN meeting in **May 2024** is a top priority for the EU institutions. The EC believes an agreement by this timeframe is achievable, as significant progress has already been made on resolving the main points of contention.
- All details on Single VAT registration are already agreed upon.
- The final details on Platform Economy will be discussed in the next Council meeting (week of 25 March 2024).
- Digital Reporting Requirements (DDRs):
  - Reporting of cross border B2B transactions will be based on e-invoicing (based on EU standard EN 16931).
  - The concept of Digital Reporting for VAT has undergone significant changes. Originally, the VAT Directive amendments proposed a two-step system. This involved:
    - 1) Issuing an electronic invoice within a specific timeframe after the taxable event (initially set at 2 days).
    - 2) Reporting transactional data in a separate step.The current proposal streamlines this process into a one-step system. Businesses will be required to simultaneously send both the electronic invoice to the customer and the corresponding transactional data to the tax authorities on the same day. This simplification eliminates the need for additional data enrichment or creating separate datasets for reporting purposes. The transactional data reported is directly derived from the information contained within the electronic invoice.
  - The current proposal mandates issuing electronic invoices within 10 days of the taxable event. However, this timeframe remains a key point of discussion and is

likely to be revised. During recent meetings, several EU VAT Expert Group members expressed concerns that the 10-day deadline is simply too short to be feasible for businesses.

- The question of whether customers will also be required to report transactions remains undecided. Currently, member states (MS) are divided on the issue, with some advocating for customer reporting and others opposing it. This requirement was originally proposed under the two-step scheme, but its inclusion in the current one-step approach is still under discussion.
  - The EC is aiming to harmonize local VAT reporting requirements across Member States with the EU's cross-border regulations. While positive feedback has been received on this initiative, details remain unclear.
- The EC reiterated its commitment to passing all three elements of ViDA as a single package. However, the exact implementation timeline remains a key negotiation point. While the EU Commission acknowledges the need for sufficient lead time, particularly for businesses to adapt to Digital Reporting Requirements (DRRs), the final schedule is yet to be determined. Following the VAT Directive amendment, the EC will develop explanatory notes and supporting documents in collaboration with the EU VAT Expert Group. These resources will be crucial for smooth implementation.
- The EC has launched a new initiative titled "**Future of VAT after ViDA**":
  - This project aims to analyse potential changes to the EU VAT system, focusing on enhancing competitiveness and adaptability to emerging trends. The analysis will be divided into two sections:
    - 1) Short-term changes (5-10 years): This section will explore adjustments that can be implemented within the next decade.
    - 2) Long-term vision (until 2050): This section will consider broader transformations with a horizon reaching 2050.
  - The EC identified several initial categories for analysis:
    - **Simplification:** This will examine areas like tax exemptions, special schemes, derogations, and interpretations of the VAT Directive to identify opportunities for streamlining.
    - **Digitalization:** This category will explore advancements in reporting systems, data storage, split payments, and VAT implications in the digital arena (NFTs, cryptocurrencies, etc.).
    - **VAT and Environmental Policies:** This section will delve into the potential use of exemptions and reduced VAT rates to promote environmental sustainability.
    - **The Future VAT System:** Here, the focus will be on how emerging technologies might influence VAT structures.

To kick off the initiative, the EC has requested **a preliminary report from the EU VAT Expert Group by Q4 2024**. In the coming weeks, the Expert Group members will be divided into dedicated working groups to tackle these areas.

- **Reform of VAT on Financial Services:**
  - The EC has placed the reform of VAT on financial services on hold for now. This decision is attributed to a combination of political and technical considerations.
  - While the reform may be revisited under a future EC, there is no current timeline for its resumption.