

To: Public Affairs & Communications Committee, Taxation WG

## EC launches consultation on VAT rules in the digital age

On 21 January, the European Commission (EC) [launched](#) a public consultation and a call for evidence on the VAT rules in the digital age. This consultation comes ahead of a new legislative package that will come later this year to adapt the way VAT is reported and collected in digital societies.

According to the EC, the VAT system as it stands is ill-equipped to deal with the new digital reality, is excessively complex for businesses and is prone to fraud. At the same time, the rise of the digital economy and the development of new business models create new challenges but also new opportunities.

The problems at stake concern:

- the application and control of VAT rules in relation to cross-border sales of goods and services; given the cross-border nature of the problems, a common European solution is needed
- the intra-community dimension of VAT fraud calls for EU intervention regarding reporting obligations.
- the size of the VAT gap indicates that national instruments are not sufficient to fight cross-border and e-commerce fraud, as proved by the estimated fraud due to missing trader intra-community (MTIC), which can only be fought efficiently and effectively by coordinated action at EU level
- further simplifications and harmonised VAT rules are needed to help businesses benefit from the potential of the single market.

The objective of the initiative is to ensure the proper functioning of the single market, to reduce compliance costs for businesses and to protect the financial and economic interests of the EU and its Member States by combating VAT fraud and ensuring tax equality and neutrality. This will involve:

- making compliance with VAT rules easier for EU businesses, particularly those working in the digital economy and those carrying out cross-border trade;
- laying down a framework which helps tax administrations to fight VAT fraud, in particular MTIC fraud;
- preventing regulatory failure and market fragmentation;
- ensuring fairer treatment of both traditional and platform economies.

### Next steps

- The deadline for responding the call for evidence is 17 February, while the deadline for providing feedback to the public consultation is 15 April.
- EC adoption is schedule for Q3 2022

### For more info

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