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Tax Alert

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The proposal relating to the VAT in the digital age ("*ViDA*") package was formally adopted by the EU Council on 11 March 2025, giving the green light to significant changes to the EU VAT system in the coming years. The package of measures was officially published in the Official Journal of the European Union on 25 March 2025.

The ViDA package is a set of measures aimed at significantly modernising the EU's VAT system. The proposal was first published in December 2022 and, since then, had been under discussion in the EU Council until a political agreement was finally reached in November 2024.

The proposal is based on the following three pillars:

- **Pillar I: E-invoicing and Digital Reporting**
- **Pillar II: Platform Economy**
- **Pillar III: Single VAT registration**

Below follows a brief summary of the key measures adopted, together with the date on which each is expected to enter into force:

Pillar I: E-invoicing and Digital Reporting

*→ Entry into force: **14 April 2025**:*

- Member States will no longer require a derogation (authorisation) from the European Council to make the issuing of e-invoices mandatory for domestic transactions.

*→ Entry into force: From **1 July 2030**:*

- Businesses will be **required to issue e-invoices for intra-EU B2B / B2G transactions**.
- A **digital reporting** system will be established, whereby suppliers and customers must digitally report certain data from the aforementioned e-invoices for intra-EU transactions.

  This will **replace the current system of reporting intra-EU transactions** in the periodic EC Sales Lists (i.e. Form 349).
- EU Member States which had an existing national e-reporting information system (such as the SII in Spain) in place on 1 January 2024 have until 1 January 2035 to fully conform to the EU standard.

Pillar II: Digital Platform Economy

*→ Entry into force: From **1 July 2028** (Member States have the option to delay until 1 January 2030).*

*However, it should be noted that **Spain** has announced that it **will request a derogation to apply certain Pillar II rules <u>before 1 July 2028</u>** (thus potentially making it the first Member State to apply them).*

As a result, there are likely to be a variety of different implementation dates across the EU for each Member State.

- **Digital Platforms acting as intermediaries in facilitating the supply of short-term accommodation rentals** and/or **passenger transport by road will be liable to account for the VAT thereon**.

  In other words, such digital platforms will be regarded as the **"deemed supplier"** of the above services for VAT purposes and will thus have to charge VAT thereon (with certain exceptions).
- The place of supply of "facilitation services" provided by a digital platform in B2C transactions will be where the underlying service takes place.
- Meanwhile, digital platforms facilitating the supply of goods will be required to inform the owners of such goods of any cross-border movements that they make (e.g., between different warehouses).

Pillar III: Single VAT registration within the EU

*→ Entry into force: From **1 July 2028***

- The existing ***One Stop Shop* ("OSS") regime will be extended to other B2C supplies**, such as supplies of **electricity and natural gas, supply and install contracts, and certain other**

domestic supplies of goods.

For supplies of electricity, natural gas and other energy-related supplies, the rules are set to enter into force as of 1 January 2027.

- **New OSS regime** for businesses to report **intra-EU movements of own goods** where the owner is entitled to fully deduct the input VAT in respect of such goods.

  As a result, the current VAT simplification rules for call-off stock will be abolished.

- Application of the **reverse charge mechanism** to B2B transactions will be extended.

  Member States will be required to apply this **rule where the supplier is neither established nor VAT registered in the country in which the VAT is due but the customer (B2B) is.**

  Indeed, even if the customer is not VAT registered in such Member State, the Member State in question will have the option to require application of the reverse charge mechanism.

Please do not hesitate to contact KPMG Abogados Indirect Taxation team should you wish to discuss any of these matters.

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